



# Western Civilization from 1650 to the Present

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## TOPIC 8.1. NINETEENTH CENTURY LIBERALISM

Supplement to Chambers, *The Western Experience*, Chapter 23: Learning to Live with Change, pp. 805-843.

<p><b>CLASSICAL ECONOMISTS</b></p>	<p>The classical economists, whose ideas came largely from Adam Smith's <i>WEALTH OF NATIONS</i> (1776), dominated private and public discussions of industrial and commercial policy in the nineteenth century. Their ideas are often associated with the phrase <i>LAISSEZ-FAIRE</i>. Although they thought that the government should perform many important functions, the classical economists favored economic growth through <b>COMPETITIVE FREE ENTERPRISE</b>.</p> <p>They conceived of society as consisting of independent individuals whose competitive efforts met the demands of consumers in the marketplace. Most economic decisions should be made through the <b>MECHANISM OF THE MARKETPLACE</b>. They distrusted government action, believing it to be mischievous and corrupt. According to them, the government should:</p> <ul style="list-style-type: none"> <li>■ Maintain a sound currency</li> <li>■ Enforce contracts</li> <li>■ Protect property</li> <li>■ Impose low tariffs and taxes</li> <li>■ Leave the remainder of economic life to private initiative</li> </ul> <p>The economists naturally assumed that the state would maintain enough armed forces and naval power to protect the nation's economic structure and foreign trade. The middle classes favored the economists' emphasis on:</p> <ul style="list-style-type: none"> <li>■ Thrift</li> <li>■ Competition</li> <li>■ Personal industriousness</li> </ul> <p>The classical economists suggested complicated and pessimistic ideas about the working class. Thomas Malthus (1766-1834) and David Ricardo (1772-1823) suggested, in effect, that the condition of the working class could not be improved.</p>
<p><b>MALTHUS ON POPULATION</b></p>	<p>In 1798, THOMAS MALTHUS published the first edition of his <i>ESSAY ON THE PRINCIPLE OF POPULATION</i>. His ideas have haunted the world ever since. He contended that <b>POPULATION MUST EVENTUALLY OUTSTRIP THE FOOD SUPPLY</b>. (Although the human population grows geometrically, the food supply can expand only arithmetically.)</p> <p>There was little hope of averting the disaster except through <b>LATE MARRIAGE</b>, <b>CHASTITY</b>, and <b>CONTRACEPTION</b> – the last of which he considered a vice. (It took three-quarters of a century for contraception to become a socially acceptable method of containing the population explosion.)</p> <p>Malthus contended that the immediate plight of the working class could only become worse. <b>IF WAGES WERE RAISED</b>, the <b>WORKERS WOULD SIMPLY PRODUCE MORE CHILDREN</b>, who would, in turn, consume both the extra wages and more food. Later in his life, Malthus suggested, in a more optimistic vein, that if the working class could be persuaded to adopt a higher standard of living, their increased wages might be spent on consumer goods rather than on more children.</p>
<p><b>RICARDO ON WAGES</b></p>	<p>In the <i>PRINCIPLES OF POLITICAL ECONOMY</i> (1817), DAVID RICARDO transformed the concepts of Malthus into the <b>IRON LAW OF WAGES</b>. If wages were raised, more</p>

<p><b>GOVERNMENT POLICIES BASED ON CLASSICAL ECONOMICS</b></p> <p><b><u>France:</u> Internal Improvements</b></p> <p><b><u>Germany:</u> The Zollverein</b></p> <p><b><u>Great Britain:</u> Poor Laws and Repeal of Corn Laws</b></p>	<p>children would be produced. They, in turn, would enter the labor market, thus expanding the number of workers and lowering wages. As wages fell, working people would produce fewer children. Wages would then rise, and the process would start all over again. Consequently, in the long run, WAGES WOULD ALWAYS TEND TOWARD THE MINIMUM LEVEL.</p> <p>These arguments simply confirmed employers in their natural reluctance to raise wages and also provided strong theoretical support for opposition to labor unions.</p> <p>The ideas of the economists were spread to the public during the 1830s through journals, newspapers, and even short stories, such as HARRIET MARTINEAU’S (1802-1876) series of <i>ILLUSTRATIONS OF POLITICAL ECONOMY</i>.</p> <p>The working class of France and Great Britain resented these attitudes, but the governments embraced them.</p> <p>Louis Philippe (1773-1850) and his minister Francois Guizot told the FRENCH to go forth and enrich themselves. People who simply displayed sufficient energy need not be poor. A number of the French middle class did just that. The July Monarchy (1830-1848) saw the construction of major capital-intensive projects, such as ROADS, CANALS, AND RAILWAYS. Little, however, was done about the poverty in the cities and the countryside.</p> <p>In GERMANY, the middle classes made less headway. The Prussian reformers after the Napoleonic wars, however, had seen the desirability of abolishing internal tariffs that impeded economic growth. In 1834, all the major German states, except Austria, formed the ZOLLVEREIN, or free trading union. Classical economics had less influence in Germany because of the tradition dating from enlightened absolutism of state direction of economic development</p> <p>BRITAIN was the home of the major classical economists, and their policies were widely accepted. The utilitarian thought of JEREMY BENTHAM (1748-1832) increased their influence. Bentham sought to create codes of scientific law based on the PRINCIPLE OF UTILITY (the greatest happiness for the greatest number). In his <i>FRAGMENT ON GOVERNMENT</i> (1776) and <i>THE PRINCIPLES OF MORALS AND LEGISLATION</i> (1789), Bentham explained that the application of the principle of utility would overcome the special interests of privileged groups who prevented rational government.</p> <p>Bentham gathered round him political disciples who combined his ideas with those of classical economics. In 1834, the reformed House of Commons passed a new POOR LAW that had been prepared by the followers of Bentham. This measure established a Poor Law Commission that set out to make poverty the most undesirable of all social situations. Government poor relief was to be disbursed only in workhouses. Life in the workhouse was consciously designed to be more unpleasant than life outside:</p> <ul style="list-style-type: none"> <li>■ Husbands and wives were separated.</li> <li>■ The food was bad.</li> <li>■ The enforced work was distasteful.</li> </ul> <p>The social stigma of the workhouse was even worse. The law and its administration presupposed that people would not work because they were lazy.</p> <p>The second British monument to applied classical economics was the REPEAL OF THE CORN LAWS in 1846. The Anti-Corn Law League, organized by manufacturers, wanted to abolish the tariffs protecting the domestic price of grain. That change would lead to lower food prices, which would then allow lower wages at no real cost to the workers. In turn, the prices on British manufactured goods could also be lowered to strengthen their competitive position in the world market.</p>
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<p><b>COMPARATIVE STUDY</b></p> <p><b>ONLINE RESOURCES</b></p>	<p>Examine “Liberalism” in Course Documents for an analysis of 20<sup>th</sup> century liberalism and see how it differs from 19<sup>th</sup> century liberalism.</p> <p>For more information on this topic, explore one or more of the following online resources:</p> <p><a href="#">Adam Smith: Economist and Philosopher</a>: Brief biography of the father of classical economics. Contains links to his works.</p> <p><a href="#">Adam Smith's Relevance for Today</a>: Makes the case that Smith and his philosophy of <i>laissez-faire</i> is still relevant today, especially after the fall of Communism.</p> <p><a href="#">Thomas Malthus</a>: Brief biography. Links to his works.</p> <p><a href="#">David Ricardo</a>: Overview of Ricardo’s life and work.</p> <p><a href="#">Jeremy Betham</a>: Brief biography with links to his works.</p>
<p><b>DISCUSSION QUESTIONS</b></p>	<p>Drawing on the resources you have had an opportunity to explore (textbook, course documents, online resources, library resources), answer one or more of the following questions:</p> <p><b>What were the ideological sources of 19th century liberalism?</b></p> <p><b>According to Adam Smith, what natural laws did economics follow?</b></p> <p><b>What changes did liberals want to bring in government?</b></p> <p><b>How do 19<sup>th</sup> century liberalism and 20<sup>th</sup> century liberalism compare? How did liberalism change during the 20<sup>th</sup> century? Why does the term “liberalism” have a bad connotation today?</b></p>