

---

## PROBLEMS

---

### *Laissez-faire in Theory and Practice: Britain, 1800-1875*

Colin J. Holmes

Kingston Polytechnic

One historical myth that seemed to have been effectively demolished was the idea that *laissez-faire* dominated government policy in Britain from circa 1820 to circa 1870, in accordance with the teaching of classical economics. Recently, however, two scholars have suggested that the "age of *laissez-faire*" was not, after all, an illusion,<sup>1</sup> that the doctrine was possessed of considerably more substance than most historians at the present time would allow. The purpose of this paper<sup>2</sup> is to investigate the current state of knowledge in the *laissez-faire* debate, and to question the views expressed in these recent contributions to the literature. In the first place it is necessary to provide an acceptable working definition of the phrase, and to indicate the nature and scope of the academic debate.

The phrase "*laissez-faire*" refers to the belief that an economy composed of self-seeking individuals and private business enterprises will function harmoniously so long as it is left alone by the government. Stated in its most extreme form the doctrine would allow government to do no more in a national economy than make due preparation for internal and external security. A less stringent definition is that which allows three functions to a

---

<sup>1</sup> A.J. TAYLOR, *Laissez-faire and State Intervention in Nineteenth Century Britain* (1972). R.L. CROUCH, *Laissez-faire in Nineteenth Century Britain: Myth or Reality?*, « Manchester School », XXV (1967), 199-215.

<sup>2</sup> An earlier version of this paper was read at the School of Economics and Politics staff seminar, Kingston Polytechnic, and at the second annual conference of the Association of Polytechnic Teachers of Economics, Newcastle Polytechnic. I wish to thank both audiences for their very helpful comments. For advice on particular points I am grateful to Geoffrey Davison, Ross Catterall, Mark Blaug, and Walter M. Stern.

*laissez-faire* government: the maintenance of external defence, the provision of internal law and order, and the achievement of minimal social improvement.<sup>3</sup> In short, *laissez-faire* signifies minimum intervention rather than non-intervention.

Scholars of earlier generations, particularly W. Cunningham, A.V. Dicey, C.R. Fay, Lillian Knowles, and E. Lipson,<sup>4</sup> portrayed the period from 1800 to 1875 in British history as an "age of *laissez-faire*"; an age when that dogma reigned supreme in the spheres of policy-making and contemporary economic thought. So far as economic thought is concerned *laissez-faire* has frequently been attributed to the British school of classical economists, from Adam Smith to John Stuart Mill. When writing about the period 1790-1870, Joseph Schumpeter observed that «Practically all economists believed — no matter what they observed — that . . . *laissez-faire* was the general rule for the administration of a nation's economic affairs and . . . state interference was the exception. And . . . this was so in actual practice not only as a matter of fact but also as a matter of practical necessity».<sup>5</sup> Over the last forty years this type of interpretation has, of course, been challenged vigorously, notably by Jacob Viner and Lord Robbins. Most historians of economic thought would now support the view expressed by Robbins in 1952 when, referring explicitly to *laissez-faire*, he wrote «To identify such doctrines with the declared and easily accessible views of the Classical Economists is a sure sign of ignorance or malice».<sup>6</sup> Recently this judgement has been challenged by R.L. Crouch, who seeks to re-establish the period 1825-75 in Great Britain as the era during which the classical economists preached a "refined" version of *laissez-faire*, which came close to realization.<sup>7</sup>

---

<sup>3</sup> This definition incorporates those functions of government enumerated by Adam Smith which are accepted by modern critics as representing the classical liberal position. See A. SMITH, *The Wealth of Nations*, edited by E. Cannan (1961 edition), Vol. I, p. 345, Vol. II, pp. 208-9 and p. 231 et seq. and p. 445. It also incorporates the statement of the classical liberal position expressed by Harriet Martineau: «As public expenditure, though necessary, is unproductive, it must be limited. . . . That expenditure alone which is necessary to defence, public order, and social improvement, is justifiable». H. MARTINEAU, *Illustrations of Political Economy*, No. XXIII, *The Three Ages* (1833), p. 125.

<sup>4</sup> W. CUNNINGHAM, *The Growth of English Industry and Commerce in Modern Times*, Part II: *Laissez-faire* (1903). A.V. DICEY, *Lectures on the Relationship between Law and Public Opinion in England during the Nineteenth Century* (1905, 2nd ed. 1914). C.R. FAY, *Great Britain from Adam Smith to the Present Day* (1928) and *Life and Labour in the Nineteenth Century* (Cambridge, 1920). L.C.A. KNOWLES, *The Industrial and Commercial Revolutions in Great Britain during the Nineteenth Century* (1921). E. LIPSON, *Planned Economy or Free Enterprise: The Lessons of History* (1944).

<sup>5</sup> J. SCHUMPETER, *History of Economic Analysis* (New York, 1959), p. 548.

<sup>6</sup> L. ROBBINS, *The Theory of Economic Policy in English Classical Political Economy* (1952), p. 37.

<sup>7</sup> CROUCH, *op. cit.*, p. 199.

A similar difference of opinion exists as to the actual record of state intervention. The late J.B. Brebner contended that *laissez-faire* never prevailed in Great Britain, it was an economic and political myth.<sup>8</sup> David Roberts argued, « there can no longer be doubt that the origins of British collectivism run back to the Victorian era », specifically, back to the Factory Act of 1833.<sup>9</sup> More recent writers on the subject have expressed different views. In 1968 Eric Hobsbawm declared that « by the middle of the nineteenth century government policy in Britain came as near *laissez-faire* as has ever been practicable in a modern state ».<sup>10</sup> Arthur Taylor suggests that *laissez-faire* was, « until at least 1870, and arguably for a further twenty-five years beyond that, the strongest impulse influencing the shape and character of governmental economic policy ».<sup>11</sup> The divergence of opinion is indeed striking.

The protagonists in the *laissez-faire* debate have concerned themselves with the content of classical political economy and the record of government intervention. This sampling of the debate is organized around four basic questions. What did the British classical economists say about state intervention? Who were the advocates of *laissez-faire*? What influence did this ideology have upon the formulation and enactment of government policy? Was there an "age of *laissez-faire*"?

## I

Adam Smith developed and refined the idea that economic life reflects an underlying order, governed by nature, which manifests itself through the instincts of individuals; if left to their own course the economic instincts of individual man will produce results beneficial for mankind. Smith articulated this view in his first book *The Theory of Moral Sentiments* (1757). His *magnum opus*, *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), contains a more detailed and sophisticated statement of his position and represents his full and final views on the subject of state intervention. In *The Wealth of Nations* Smith examined the consequences of government interference with the free operation of self-interest in eighteenth-century Britain. His findings led him to suggest four main reforms, all of which would require the abolition of existing government

---

<sup>8</sup> J.B. BREBNER, *Laissez-faire and State Intervention in Nineteenth Century Britain*, « Journal of Economic History », VIII (1948), reprinted in E.M. CARUS-WILSON (ed.) « Essays in Economic History », Vol. 3 (1962), from which the page reference is taken - p. 252.

<sup>9</sup> D. ROBERTS, *Victorian Origins of the Welfare State* (New Haven, 1960), p. vii and p. 38.

<sup>10</sup> E.J. HOBSBAWM, *Industry and Empire* (1968), p. 197.

<sup>11</sup> A.J. TAYLOR, *op. cit.*, p. 64.

regulations: free choice of occupation, free trade in land, internal free trade and freedom in foreign commerce. In all these areas, Smith argued, government intervention had distorted the allocation of land, labour and capital, and made the attainment of prosperity more difficult.

As long ago as 1927 Jacob Viner demonstrated<sup>12</sup> the enormous extent to which Smith acknowledged exceptions to his own doctrine of a natural economic order. Smith saw clearly that in an economy left by the government to take its natural course serious conflicts would develop between private interests and those of the community. To take but one example, Smith perceived that private initiative could not be relied upon to maintain the nation's roads in good condition.<sup>13</sup> His awareness of areas of conflict between private interest and community interest led him to suggest that government intervention was legitimate in cases where the general welfare of the populace would be improved, but where private enterprise would be unprofitable. Therefore Adam Smith ascribed a third function to government. In addition to providing for internal and external security, government has the duty of:

« . . . erecting and maintaining certain public works and certain public institutions which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expense to any individual or small number of individuals, though it may frequently do much more than repay it to a great society ».<sup>14</sup>

Scattered throughout *The Wealth of Nations* are numerous examples of government intervention that Smith would accept as legitimate: the provision of bounties and protective tariffs for defence and the establishment of infant industries, quality control of manufactured goods, regulation of bank note issue, public provision of roads, canals, bridges and harbours, public provision of education, differential taxes to encourage the participation of landlords in agricultural improvement, and differential taxes on alcoholic beverages, to encourage consumption of the « wholesome and invigorating liquors of beer and ale » rather than injurious spirits.<sup>15</sup> Clearly, Adam Smith was not a doctrinaire advocate of *laissez-faire*; he envisaged a wide and flexible range of economic activities for government. *The Wealth of Nations* was not a general philosophical statement so much as an attack on the existing evils of state policy — a statement of specific points for reform.

---

<sup>12</sup> J. VINER, *Adam Smith and Laissez-faire*, « Journal of Political Economy », XXXV (1927), Reprinted in J. VINER, « The Long View and the Short », (Glencoe, Illinois, 1958), pp. 213-245.

<sup>13</sup> ADAM SMITH, *An Inquiry into the Nature and Causes of the Wealth of Nations*, edited by Professor Edwin Cannan (1930), Vol. 2, p. 217.

<sup>14</sup> *Ibid.*, Vol. 2, p. 185.

<sup>15</sup> *Ibid.*, Vol. 1, p. 123-4; p. 307. Vol. 2, p. 23, p. 217, p. 267, p. 316, p. 357 and p. 375.

Smith's main objective was to emphasize these evils in need of reform, and the enumeration of permissible government activities was incidental to his main purpose. However, this did not prevent him from recognizing that good government necessitated economic and social intervention. In Viner's words: « He himself undermined what is ordinarily regarded as his principal argument for *laissez-faire* by demonstrating that the natural order, when left to take its own course, in many respects works against, instead of for, the general welfare ».<sup>16</sup>

David Ricardo's theories of wages and rent led him to the conclusion that the process of economic development would benefit only the landowner; profits would be diminished and wages held to subsistence level. He appeared to see no role for the state in remedying this defect. One of the most authoritative discussions of Ricardo's thought is to be found in two books written by Mark Blaug: *Ricardian Economics* (1958) and *Economic Theory in Retrospect* (1962).<sup>17</sup> Prof. Blaug states that Ricardo never paid much attention to the scope and functions of government;<sup>18</sup> nevertheless, sufficient evidence exists to show that Ricardo cannot be categorized as a dogmatic *laissez-faireist*. He advocated a gradualist approach to repeal of the Corn Laws and reform of the Poor Law. He proposed a capital levy to repay the war debt of 1815, and his recognition of the need for a clearly-defined monetary policy, emanating from a central authority, prompted him to devise a plan for nationalizing the Bank of England.<sup>19</sup>

Thomas Malthus, Ricardo's close friend and academic protagonist, cannot be classified as an adherent to *laissez-faire* since he supported the introduction and argued for the maintenance of the highly protective Corn Law of 1815. Malthus believed that high-priced corn would provide a great advantage and encouragement for British agriculture, whereas the importation of cheap foreign corn would ruin our farming and bring dangerous dependence on foreign food. He suggested, further, that the entire community would suffer if the income of the landed classes declined, since agriculture, being the

---

<sup>16</sup> VINER, *op. cit.*, p. 232.

<sup>17</sup> M. BLAUG, *Ricardian Economics* (New Haven, 1958); and M. BLAUG, *Economic Theory in Retrospect* (Homewood, Illinois, 1962), especially pp. 81-129.

<sup>18</sup> M. BLAUG, *Ricardian Economics*, *op. cit.*, p. 193.

<sup>19</sup> All page numbers given in this footnote refer to Volume I (b and c below) or Volume IV (a and d below) of P. SRAFFA, assisted by M.H. DOBB, *The Works and Correspondence of David Ricardo* (Cambridge, 1951).

(a) D. RICARDO, *On Protection in Agriculture* (1823), pp. 237-8.

(b) D. RICARDO, *Principles of Political Economy* (1817), p. 106.

(c) *Ibid.*, pp. 247-9.

(d) D. RICARDO, *Plan for the Establishment of a National Bank* (1824), pp. 276-300.

most productive of occupations, provided the surplus product which, when spent by the landed interests, was the necessary beginning of the circulation of wealth through the community. Agriculture and landed incomes should be protected by state legislation because « . . . the interest of no other class in the state is so nearly and necessarily connected with its wealth, prosperity, and power, as the interest of the landowner ».<sup>20</sup>

McCulloch's famous observation is a commonplace in the scholarly literature of classical political economy. « The principle of *laissez-faire* may be safely trusted to in some things, but in many more it is wholly inapplicable; and to appeal to it on all occasions savours more of the policy of a parrot than of a statesman or a philosopher ».<sup>21</sup>

Nassau Senior's position is clear, thanks largely to the penetrating study made by Marion Bowley.<sup>22</sup> In his Oxford lectures, given during the winter of 1847-48, Senior asserted that:

« The only rational foundation of government, the only foundation of a right to govern and a correlative duty to obey is, expediency — the general benefit of the community. It is the duty of a government to do whatever is conducive to the welfare of the governed ».<sup>23</sup>

As a result of his experience in Ireland, Senior believed that it was the duty of government to alleviate social distress. Although he opposed the factory acts he supported the idea of state intervention to facilitate the improvement of working-class housing conditions; he is on record as having advocated public expenditure to assist in road, canal and harbour building.<sup>24</sup> Senior is another classical economist who cannot be described as an uncompromising advocate of *laissez-faire*.

A controversy still exists as to the precise nature of Jeremy Bentham's influence on contemporary thought and the structure of nineteenth century government.<sup>25</sup> The existing spectrum of opinion on this topic may almost be

---

<sup>20</sup> T. R. MALTHUS, *The Principles of Political Economy* (2nd ed. 1836, reprinted in Tokyo, 1936), p. 206. Also, Book I, Chapter 3, Sections 8 and 9, pp. 194-217. And, Book II, Chapter 1, Section 10, pp. 413-37, especially p. 427.

<sup>21</sup> J. McCULLOCH, *A Treatise on the Succession to Property Vacant by Death* (1848), p. 156.

<sup>22</sup> M. BOWLEY, *Nassau Senior and Classical Economics* (1937), pp. 237-281.

<sup>23</sup> Quoted in ROBBINS, *op. cit.*, p. 45.

<sup>24</sup> BOWLEY, *op. cit.*, pp. 237-281 and N. SENIOR, *Letter to Lord Howick on a legal provision for the Irish poor* (1831, pp. 11-12 and 45-46. Quoted in E. ROLL, *A History of Economic Thought* (1954), p. 350.

<sup>25</sup> See G. HIMMELFARB, *Bentham Scholarship and the Bentham Problem*, « Journal of Modern History », XLI (1969), 189-206.

summarized by taking any permutation of the alternative words in the following sentence. « Jeremy Bentham was a collectivist/*laissez-faireist* who had a major/minor influence on the collectivist/*laissez-faire* character of mid-nineteenth century British government ». For enlightenment one returns to Bentham's own delightful prose. He once wrote « I have not, I never had, nor ever shall have, any horror, sentimental or anarchical, of the hand of government ».<sup>26</sup> It is difficult to maintain that Bentham expounded a negative view of the state's functions, for according to his principle of utility the laws and institutions of government are to be judged and justified purely by their usefulness. If the aim of Benthamite government is to promote the greatest happiness of the greatest number, then it follows that acts of government must be judged solely by their consequences and not denied their legitimacy by the invocation of a system of natural rights.<sup>27</sup> Indeed, in his *Anarchical Fallacies* Bentham called the concept of natural rights « simple nonsense . . . rhetorical nonsense — nonsense upon stilts ».<sup>28</sup> Finally, it is known that<sup>29</sup> Bentham advocated government intervention to prevent over-speculation in stock markets, and he justified government participation in the construction of the Caledonian Canal on the grounds that valuable external economies would result from that enterprise. Clearly, Jeremy Bentham was not the supporter of an inflexible *laissez-faire* ideal.

John Stuart Mill insisted on freedom from state interference as a position from which he would only depart with reluctance. At the same time he clearly indicated the areas in which he saw the necessity of state involvement.<sup>30</sup> In an article of 1832 he supported a proposal to restrict the work of women and children in factories.<sup>31</sup> Subject to the principle of "less eligibility" he believed it « to be highly desirable that the certainty of subsistence should be held out by law to the destitute able-bodied, rather than that

---

<sup>26</sup> J. BENTHAM, *Defence of a Maxim* (1801), in « The Works of Jeremy Bentham », ed by J. Bowring (Edinburgh, 1838-43), Vol. 3, pp. 257-8.

<sup>27</sup> Thus Bentham's eminent disciple, James Mill, can not be described as an adherent to the *laissez-faire* philosophy, for to him the business of government was « to increase to the utmost the pleasures, and diminish to the utmost the pains which men derive from one another ». P. 4, *The Article "Government" reprinted from the Supplement to the Encyclopaedia Britannica* (signed "F.F." but written by James Mill), London 1821.

<sup>28</sup> J. BENTHAM, *Anarchical Fallacies* in p. 501, Vol. 2 of « Works », ed. Bowring, quoted in ROBBINS, *op. cit.*, p. 48.

<sup>29</sup> Vol. 9, p. 7 and Vol. 10, p. 85. J. BENTHAM, *Works*, ed. Bowring.

<sup>30</sup> J.S. MILL, *On Liberty* (1859), pp. 15-16. ID., *Principles of Political Economy* (1948), Vol. II, pp. 506-16, 519-20, 523-5, 531-3, 536-8.

<sup>31</sup> *The Employment of Children in Manufactories*, « The Examiner », 29 Jan. 1832, 67-8.

their relief should depend on voluntary charity ».<sup>32</sup> More than any other of the classical economists, Mill's work reflects the incompatibility of theory and practice with regard to *laissez-faire*. « That there is, or ought to be, some space in human existence thus entrenched around, and sacred from authoritative intrusion, no one who professes the smallest regard to human freedom or dignity will call in question: the point to be determined is, where the limit should be placed; how large a province of human life this reserved territory should include ».<sup>33</sup>

In 1972 the English translation of Pedro Schwartz's major study, *The New Political Economy of J.S. Mill*, appeared. This work casts new light on Mill's attitude to state intervention. Schwartz shows<sup>34</sup> how Mill, under the influence of the Saint-Simonians, became impatient with the idea that *laissez-faire* was a doctrine valid for all times and all places. Mill came to believe that questions of political institutions were not absolute but relative to time and place, hence different stages of human material progress would have — and ought to have — different structures of government. As industrialization continued, the defects of industrial society that cried out for state intervention became more obvious. To meet the needs of a rapidly changing society Mill advocated the greatest possible centralization of information, the need to make a clear distinction between legislation and administration, and continuous reform of the legal framework of government. As early as 1833 he had this to say about the principle of *laissez-faire*:

« In the meantime that principle like other negative ones has work to do yet, work, namely of a destroying kind, and I am glad to think that it has strength left to finish that, after which it must soon expire; peace be with its ashes when it does expire, for I doubt much it will reach resurrection ».<sup>35</sup>

Thus Mill saw *laissez-faire* as a destructive principle; when it had demolished existing harmful institutions it would disappear, yielding to a period of reconstruction. Mill believed that state intervention was necessary to correct the shortcomings of economic freedom.

Reference has been made to a seeming contradiction in the work of the classical economists;<sup>36</sup> a contradiction between their general commitment to individual freedom — their *ordnungspolitick* — and their endorsement

---

<sup>32</sup> J.S. MILL, *Principles* (1848), Vol. 2, p. 538.

<sup>33</sup> *Ibid.*, p. 506.

<sup>34</sup> P. SCHWARTZ, *The New Political Economy of J.S. Mill* (1972), pp. 105-117.

<sup>35</sup> J. S. Mill to T. Carlyle, a letter dated 11/12.4.1833 and quoted in SCHWARTZ, *op. cit.*, p. 110.

<sup>36</sup> Above, pp. 3-4, 6-7.

of a wide range of state intervention in particular economic policy areas — their *prozesspolitick*. R.L. Crouch has attempted to resolve this contradiction by suggesting that the classical economists developed a “refined” version of *laissez-faire*, according to which the government is required to make allowances for the existence of externalities.<sup>37</sup> To say that the classical economists ascribed this function to government is to say nothing new; a cursory examination of the literature makes it abundantly clear that they required the state to make allowance for external economies.<sup>38</sup> In effect, Crouch is saying, « let us redefine *laissez-faire* to include most of what the classical economists said about the functions of government ». Once this is accomplished the period under discussion becomes an age of *laissez-faire* for the record of state intervention now accords with the prescriptions of classical economics and, at the same time, corresponds to the activities of a (redefined) *laissez-faire* government. In seeking to reconcile classical economics with the *laissez-faire* position Crouch begs the question, on the grandest scale possible, by offering a copious redefinition of *laissez-faire* that is so wide as to be devoid of useful meaning. Acts of government intervention that are justifiable in terms of the resulting external economies include nationalization of key industries and state provision of comprehensive welfare schemes. Therefore Crouch’s “refined” version would accommodate most mixed economies and welfare states of the late twentieth century; in this way the last 150 years could be described as an age of *laissez-faire*. Commonsense suggests that the same phrase can not describe satisfactorily the various mixtures of state intervention and private enterprise that have appealed to successive generations from the 1820’s to the 1970’s.

The contradiction between *ordnungspolitick* and *prozesspolitick* cannot be resolved by the suggestion, frequently encountered in discussion, that the classical economists were interventionist in their microeconomics and *laissez-faire* in their macroeconomics. After all, the question of control of the money supply lies in the field of macroeconomics, yet Smith and Ricardo

---

<sup>37</sup> CROUCH, *op. cit.*, especially pp. 205-9. Broadly, Crouch follows Scitovsky’s approach (T. SCITOVSKY, *Two concepts of External Economies*, « Journal of Political Economy », Vol. 62, No. 2 (April 1954), 143-151), although he gives greater emphasis to the objective as opposed to the subjective externalities between individuals than does Scitovsky (Crouch, footnote 2, p. 205). In this context it is sufficient to define externalities as services and disservices rendered free, without compensation, by one economic agent to another. Externalities cause divergence between private profit and social benefit, and thus indicate the failure of perfect competition to lead to an optimum allocation of resources (see Crouch, p. 205 and Scitovsky, p. 143).

<sup>38</sup> See, for example, SMITH, *op. cit.*, Vol. 2, p. 185. BENTHAM, *Works*, ed. Bowring, Vol. X, p. 85 and SENIOR, *Oxford Lectures*, 1847/8, quoted in ROBBINS, *op. cit.*, p. 45.

both accepted the need for central control of the note issue, Ricardo going so far as to suggest nationalizing the Bank of England for this purpose.<sup>39</sup> On a more general level, there is — arguably — no clear boundary between macro- and microeconomics; it is a matter of convenience rather than a hard and fast distinction.<sup>40</sup> Hence, any explanation that is based on such a distinction rests on a difference that is arbitrary and unclear, to say the least.

The work of Viner, Schwartz, and — most recently — Prof. A.W. Coats<sup>41</sup> has shown that the contradiction between the classical economists' general belief in individual freedom and their support for particular acts of government intervention can be understood only if their work is related to the time and the place in which it was written. Living in an age of technical change, rapid industrialization and urban growth, the classical economists realized the need for an increasing degree of state intervention. They supported government action in cases where they perceived it would do more good than harm. The scholarship of the last forty years has proved beyond question that the architects of classical political economy cannot be categorized as upholders of the *laissez-faire* philosophy. The functions of government that they prescribed extend far beyond the confines of minimum intervention.

## II

Who were the advocates of *laissez-faire*? Three groups are discernible, and the first consists of some economists and popular writers in France whose views were reaching a wide audience; men such as Jean Baptiste Say, Mercier de la Rivière, and Frederic Bastiat. According to Bastiat:

« It is the essence of government that it acts on the citizens by way of constraint. Therefore, it cannot have any other rational function but the legitimate defence of individual rights, it has no authority but to make respected the liberties and the properties of all... Beyond justice, I challenge anyone to imagine a governmental intervention which is not an injustice ».<sup>42</sup>

These French economists, particularly J.B. Say, are frequently (and rightly, for the most part) included in the classical school. However, on the subject

---

<sup>39</sup> See above, p. 5.

<sup>40</sup> For further discussion of this point see R.G. LIPSEY, *An Introduction to Positive Economics* (1963, 1st ed.), pp. 329-37.

<sup>41</sup> A.W. COATS (ed.), *The Classical Economists and Economic Policy* (1972), pp. 6-17, especially pp. 14-17, of his "Editor's Introduction".

<sup>42</sup> F. BASTIAT, *Oeuvres Complètes* (1864), Vol. VI, pp. 553-5, quoted in ROBBINS, *op. cit.*, p. 36.

early nineteenth-century British economists and their French counterparts, for their respective views on the role of government developed from two distinct intellectual sources. The position of the French classical economists can be traced back to the Physiocrats: the economic laws of nature are God-given and rational, they must not be amended by the hand of government. The British tradition, from Smith through Bentham to Mill, was to regard all laws and rights as basically man-made, and therefore amenable to change by government action when necessary. To the British economists the role of the state was not predetermined by the dictates of an established natural order. To the French classical economists and their popularizers, it was.<sup>43</sup>

A.W. Coats and H. Scott Gordon have recently redrawn our attention<sup>44</sup> to a group of British adherents to *laissez-faire*. It consisted of journalists and popular writers who preached an over-simplified version of classical political economy from which the qualifications and subtleties had been removed. Chief amongst these sophists were Henry Wilson, first editor of *The Economist* from 1843 to 1859; Jane Marcet, author of *Conversations in Political Economy* (1816) and Harriet Martineau, who wrote a series of *Illustrations of Political Economy* published between 1832 and 1834.

Scott Gordon has shown<sup>45</sup> how important a role James Wilson and his newspaper played in the dissemination of *laissez-faire* ideas. To Wilson the distinguishing feature of *The Wealth of Nations* was, « the proof it continually supplies that all policy — unless *laissez-faire* or standing idle and religiously refraining from interfering, can be called a policy — is erroneous, injurious to the production of wealth, and repudiated by the science ».<sup>46</sup> It has been said that Miss Martineau's *Illustrations of Political Economy* represent « the whole doctrine of *laissez-faire*, bag and baggage: the perfection of the competitive system; the harmony of interests that reigns within a society so organized: the illegitimacy and perverse consequences of governmental interference ».<sup>47</sup> It must be made clear, however, that Miss Martineau conceived of *laissez-faire* as involving minimum intervention rather than no intervention beyond law and security. In her view all government expenditure was unproductive, but expenditure on "social"

---

<sup>43</sup> For a fuller discussion of this point see ROBBINS, *op. cit.*, p. 46-8.

<sup>44</sup> COATS, *op. cit.*, pp. 17-20 and SCOTT GORDON's essay therein, *The Ideology of 'Laissez-faire'*, pp. 193-8.

<sup>45</sup> H. SCOTT GORDON, *The London Economist and the High Tide of 'Laissez-faire'*, « *Journal of Political Economy* », Vol. LXIII (Dec. 1955), 461-488.

<sup>46</sup> « *The Economist* », 26th Nov. 1853, 476.

<sup>47</sup> SCOTT GORDON in COATS, *op. cit.*, p. 196.

improvement, such as education, parks, museums, theatres, libraries, and the maintenance of roads and canals, was permissible.<sup>48</sup> Prof. Coats has shrewdly pointed out<sup>49</sup> that since the classical economists' work was concerned with highly controversial and widely-debated issues, over-simplification and misrepresentation of their views were inevitable, by supporters and opponents alike. The British economists did not preach *laissez-faire*, but many of their disseminators certainly did.

A third identifiable group of supporters belonged to the academic world, though not to the profession of political economy. It comprised Herbert Spencer and other nascent sociologists in mid-Victorian Britain. Spencer and his disciples were among the first to assert that human society can be studied scientifically and from an evolutionary point of view. According to their view, society must be seen as a growth not a manufacture, and the condition of society, not the intentions of man, determine the structure of government.<sup>50</sup> Furthermore, non-intervention in business would ensure the survival of none but the strongest enterprises and the fittest economic institutions.<sup>51</sup> Thus, to Spencer, the economic and social system could be fitted into a Darwinian framework.

R.L. Crouch has suggested that "crude" *laissez-faire* was a "strawman" of little consequence.<sup>52</sup> This is not quite the case. Overt *laissez-faire*, defined as minimum state intervention for the purposes of defence, justice, and social improvement, falls far short of Crouch's refined version. Yet minimum intervention and non-intervention were extant as doctrines in nineteenth-century Britain. Although *laissez-faire* had not the support of the classical economists, its supposed virtues were extolled by famous names in the world of letters.

### III

To what extent did the doctrine of *laissez-faire* affect the formulation of government policy? A study of the influence of economic thought on policy is not, by its nature, a field in which we can expect to trace simple

---

<sup>48</sup> HARRIET MARTINEAU, *op. cit.*, pp. 125-6. See also M. BLAUG, *Ricardian Economics*, *op. cit.*, pp. 129-39, especially pp. 138-139. On page 138 Blaug concludes: « Whatever else Harriet Martineau may have preached in the Illustrations, the vulgar advocacy of *laissez-faire*, pure and simple, is often supposed to be its hallmark. ... Actually, there is no ground whatsoever for this opinion and it seems less than fair to condemn her for what is after all perfectly standard treatment of the proper scope of government ».

<sup>49</sup> COATS, *op. cit.*, pp. 17-18.

<sup>50</sup> H. SPENCER, *The Principles of Sociology* (1925-9, New York edition), Vol. 2, p. 395 and Vol. 3, p. 321.

<sup>51</sup> These views were developed in SPENCER'S *Social Statics* (1850) and *The Man Versus the State* (1884). For a brief discussion of his work see ROBERT L. CARNEIRO, *Herbert Spencer*, « International Encyclopaedia of the Social Sciences », Vol. 15, pp. 121-7.

<sup>52</sup> CROUCH, *op. cit.*, pp. 200-1.

causal connections. In addition, common sense suggests that there is unlikely to be one single principle which alone would dominate every aspect of a government's policy — especially in a society where rapid industrialization and urban growth were throwing up new social problems and magnifying old ones to a size never known before. If the art of government in early Victorian Britain was lagging behind the pace of economic and social change, this lag must not be mistaken for inactivity born of a widespread commitment to *laissez-faire*. Given the multiplicity of issues requiring government attention at the time, all sweeping statements about the influence of ideas on policy must necessarily be suspect.

It is essential to understand that much contemporary opposition to central government intervention sprang from motives other than a general commitment to *laissez-faire*. Three examples may be given. Resistance to the growth of a centralized administration came just as much from those who had a vested interest in the continuance of local government and a belief in the virtues of decentralization, as from those who were opposed to all government activity.<sup>53</sup> Hence, much of this aspect of contemporary debate was concerned with the form of intervention rather than the necessity for it. In addition, there were some, such as William Cobbett and Charles Kingsley, who had no general presumption against intervention, but who did have second thoughts whenever they reflected upon the character of the government that was to intervene.<sup>54</sup> Thirdly, one must be careful not to confuse *laissez-faire*, which was a general theory applicable to all areas of economic policy, with specific policy prescriptions such as free trade. The free traders were vociferous and expert in their use of the existing communications media; however, for most of them free trade itself was the basic tenet of their faith, not a general commitment to *laissez-faire*. Grampp's study of the Manchester School of Economics<sup>55</sup> and Semmel's major re-interpretation, *The Rise of Free Trade Imperialism*,<sup>56</sup> show that the free-trade movement was composed of a number of diverse groups, it was not a homogeneous army of doctrinaire *laissez-faire*ists.

---

<sup>53</sup> See for example, D. ROBERTS, *op. cit.*, pp. 23-4; and R.M. GUTCHEN, *Local Improvements and Centralization in Nineteenth Century England*, «Historical Journal», IV (1961), 85-96.

<sup>54</sup> See the story recounted by M. KAUFMAN, *Charles Kingsley* (1892), p. 181. See also David Roberts' comments on William Cobbett, especially pp. 35-6 and pp. 43-4 in ROBERTS, *op. cit.*

<sup>55</sup> W. GRAMPP, *The Manchester School of Economics* (Oxford, 1960), especially Chs. 1, 2 and 6.

<sup>56</sup> B. SEMMEL, *The Rise of Free Trade Imperialism* (Cambridge, 1970), pp. 1-13, 130-158, 203-222.

There is evidence to suggest that the proceedings of the House of Commons in the eighteen-forties do not reveal the existence of any fixed group of *laissez-faire* members of Parliament. MacGregor has examined<sup>57</sup> the final Corn Law debate of 1846 (it occupies 1,500 double-column pages of Hansard). The phrase "*laissez-faire*" never occurred in the debate and no important speaker invoked it as a principle. Sir Robert Peel himself estimated that there were six M.P.'s, at most, who believed in applying *laissez-faire* generally to all economic questions.<sup>58</sup> In his study<sup>59</sup> of voting behaviour in the House of Commons, Aydelotte examined three issues which involved the question of state intervention: income tax, the Corn Laws and factory legislation. He found no correlation in the pattern of voting on these issues. On balance, the evidence does not suggest that *laissez-faire*, as an ideology, dominated the formulation and the direction of policy. It was but one aspect of political and public opinion.

So far as the actual record of government legislation is concerned it is, in Professor Checkland's words, one of « piece-meal adjustment at those points where action was most needed, where the course was clearest, and where political pressure was greatest ».<sup>60</sup> In the first quarter of the nineteenth century the abolition of wage control, the enforcement of market bargaining and the ending of the old apprenticeship system were all steps towards the achievement of a free labour market. Internally the food trades became virtually free, and externally, in the 1820's, many tariffs (including, of course, the highly protective Corn Law) were scaled down. Nevertheless, there remained in existence many statutes which grievously violated the principle of *laissez-faire*. The Navigation Laws still required that Britain's trade be carried mainly in British ships.<sup>61</sup> This created monopoly conditions for British ship owners and builders, and allowed inefficiency to flourish. The costs of sea carriage were kept up, to the bitter resentment of traders. Until the 1820's a wide range of export controls existed, on coal, skilled labour, and machinery (although they were completely ineffectual in the cases of labour and machinery). The achievement of free trade was delayed

---

<sup>57</sup> D.H. MACGREGOR, *Economic Thought and Policy* (Oxford, 1949), especially pp. 55-6.

<sup>58</sup> Quoted by GRAMPF, *op. cit.*, p. 61.

<sup>59</sup> W.O. AYDELLOTTE, *The Conservative and Radical Interpretations of Early Victorian Social Legislation*, « Victorian Studies », II (Dec. 1967), 225-236.

<sup>60</sup> S.G. CHECKLAND, *The Rise of Industrial Society in England: 1815-1885*, (1964), p. 338.

<sup>61</sup> J.H. CLAPHAM, *The Last Years of the Navigation Acts*, « English Historical Review », XXV (July and October 1910). Reprinted in E.M. CARUS-WILSON (ed.), *Essays in Economic History*, Vol. 3 (1962), from which these page numbers are taken: pp. 144-8.

for twenty or thirty years by Britain's involvement in the Napoleonic wars, and the cost of that involvement in terms of the financial problems of successive post-war governments. Whilst "free trade" is not a synonym for *laissez-faire*, the continued existence of unfree trade in early nineteenth-century Britain does not suggest that the period before 1830 may be regarded as an era of minimum intervention.

After 1830 the government — to use Brebner's memorable phrase — « took its fingers off commerce », but « . . . it simultaneously put them on industry and its accompaniments ».<sup>62</sup> Brief reference to the most obvious and important areas of new state activity between 1830 and 1875 shows clearly that throughout this period the trend was towards more rather than less central government intervention in economic and social matters. The 1833 Factory Act marked the beginning of effective regulation of working conditions for children in textile factories. By 1878, although adult men were still excluded from the benefits of the factory and workshop acts, the system had been extended to include women and children in mines, all factory and workshop trades and agricultural field-gangs. The structure and working of England's commercial banking system was largely determined by the government legislation of 1827, 1833 and 1844. Parliamentary statute restricted the means by which most business enterprises could raise capital until 1857 and 1862. Administration of the Poor Law was centralized in 1834 and the beginnings of central direction in public health came between 1848 and 1875. From the 1840's onwards the state assumed the responsibility to set and enforce standards of amenity and safety in railways and shipping. The Post Office was created in 1842, the telegraph system was nationalized in 1869. Finally, by purchasing a 40 per cent holding of Suez Canal shares in 1875, the British government became the largest single shareholder in the greatest international public utility in the world. This recitation of mid-nineteenth century state interventions is familiar enough. The conclusion to which it points will bear repetition. Between 1830 and 1875 technical change (particularly in the field of transport), investment, and the social problems of industrialization created new areas of responsibility which required the state to intervene. The state responded, acting sometimes to encourage (as with the provision of mail subsidies to encourage innovation in shipbuilding), sometimes to provide services, but more often to control. As problems came to light they were tackled, with varying degrees of success. It cannot be said that the ideal of *laissez-faire* exercised a dominant influence on the passage of government legislation. The record

---

<sup>62</sup> BREBNER in CARUS-WILSON, *op. cit.*, p. 252.

shows that the interventions required of and made by the state were steadily increasing in number.

Was there an "age of *laissez-faire*"? In a recent publication<sup>63</sup> Prof. Arthur Taylor has addressed himself to this question. His conclusion is based upon three highly disputable points.

« The answer », he writes, « must turn at least in part on the particular meaning which is attached to the term . . . it is necessary to approach the concept of *laissez-faire* through the eyes of four different types of historian — the historian of ideas, the historian of institutions, the social historian and the economic historian ». And again, « *Laissez-faire* is in the mind of the beholder: it depends who he is and where he looks ».<sup>64</sup> To say that the answer depends largely on the meaning which is attached to the term is distinctly unhelpful if one believes, as Prof. Taylor does, that the phrase itself defies definition. *Laissez-faire*, defined above<sup>65</sup> as the minimum intervention necessary for external and internal security and minimal social improvement, is identifiable as a doctrine current in the period under consideration. If a society in a certain period of time is to be usefully and accurately described by a blanket phrase, then the meaning of the phrase in question should not differ greatly according to the eye and the vantage point of the observing historian. Further, the description should be applicable to the relevant facets of that society in the entirety and complexity of their inter-relationships, so far as is possible. If *laissez-faire* means different things to different historians, and if it can only be applied to selected aspects of political and economic behaviour in mid-nineteenth century Britain, then Professor Hexter's "tunnel historians"<sup>66</sup> have been at work and the phrase surely abstracts from the reality it supposedly describes.

Prof. Taylor suggests, secondly, that the low rate of increase in government expenditure reflects a prevailing opinion against state intervention.<sup>67</sup> This is not a convincing argument. From 1820-29 to 1870-79 the "civil" and "education" categories increased from 11 per cent to 20.4 per cent of total net central government expenditure.<sup>68</sup> In money terms the increase, from £ 5.7 millions (annual average for 1820-29) to £ 16.1 millions (annual

---

<sup>63</sup> A.J. TAYLOR, *op. cit.*

<sup>64</sup> *Ibid.*, p. 53 and p. 62.

<sup>65</sup> Page 1.

<sup>66</sup> Tunnel Historian: one who specializes in a particular, narrow area and pursues his/her studies in mole-like fashion, without reference to other aspects of his/her country and/or period. See J.H. HEXTER, *Reappraisals in History* (Aberdeen, 1961), pp. 194-201.

<sup>67</sup> TAYLOR, *op. cit.*, pp. 56-7 and pp. 59-62.

<sup>68</sup> B. MITCHELL and P. DEANE, *Abstract of British Historical Statistics* (Cambridge, 1962), pp. 389-91, 396-9, 401-3.

average for 1870-79) occurred over a period of time when prices were often stable or falling.<sup>69</sup> In addition, the cost of many interventionist measures was low. The Factory Department in the Home Office was spending only c. £ 12,000 per annum in the mid-nineteenth century.<sup>70</sup> In the case of the reformed Poor Law the main object of centralization was financial economy. Central government expenditure does not, of course, include the amount of money spent on poor relief — a sum which varied from c. £ 4 millions to £ 8 millions per annum in the period under discussion.<sup>71</sup> In short, to look at the bare figures of public expenditure is to confuse the machinery of government with the aims of policy, a sin — difficult to avoid — against which Taylor explicitly warns in his concluding pages.<sup>72</sup> The pursuit of regular budget surpluses and the achievement of all possible economies in necessary government expenditure do not, in themselves, imply a concomitant subscription to the ideal of *laissez-faire*, with its narrow and limited view as to what constitutes necessary expenditure. Indeed, the record of Gladstone's first administration, and of his earlier ministerial career, shows that the rising tide of intervention cannot be measured accurately by reference to government expenditure alone.

Finally, Prof. Taylor argues that, in the middle decades of the nineteenth century, Britain was closer to experiencing an age of *laissez-faire* than ever before or since, and by comparison to her European contemporaries.<sup>73</sup> This represents a slight shift in the grounds of his argument. It is one thing to say that the level of state intervention was low relative to other times and other places: it is quite a different matter to then assert that the comparatively low degree of state intervention reflected the primacy of the *laissez-faire* ideal. The former situation could exist without the latter condition prevailing. Moreover, if the perspective of earlier and later ages is to be adopted, it must

---

<sup>69</sup> *Ibid.*, Rousseaux price indices, pp. 471-3.

#### OVERALL INDEX

1820-4-122	1850-4-104
1825-9-118	1855-9-120
1830-4-110	1860-4-119
1835-9-120	1865-9-116
1840-4-114	1870-4-120
1845-9-105	1875-9-108

(Average of 1865 and 1885 = 100)

<sup>70</sup> TAYLOR, *op. cit.*, p. 56.

<sup>71</sup> MITCHELL and DEANE, *op. cit.*, p. 410.

<sup>72</sup> TAYLOR, *op. cit.*, pp. 54-5.

<sup>73</sup> *Ibid.*, p. 64.

be emphasised that the scope of government intervention in Britain was steadily increasing over the middle two quarters of the nineteenth century.

The doctrine of *laissez-faire* was extant in nineteenth-century Britain, but it was only one facet of political and public opinion. Whilst the doctrine was promulgated by well-known British and French writers it was not preached by the British classical economists, and it did not constitute a dominant force in the making of government policy. Recent contributions to the literature have failed to re-establish the "age of *laissez-faire*" as an accurate or useful description of Britain in the period 1820-75. If the offending expression must be used, at least it should be prefaced by that cautionary, if inelegant, phrase: "so-called".