

Thesis

The Doctrine of Laissez Faire

A critical Essay

on

The Evolution of Theory and Practice
in reference to the economic functions
of the Modern State

marked by growth of
manufacturing and com

*** A Distributed Proofreaders Canada eBook ***

This ebook is made available at no cost and with very few restrictions. These restrictions apply only if (1) you make a change in the ebook (other than alteration for different display devices), or (2) you are making commercial use of the ebook. If either of these conditions applies, please contact a FP administrator before proceeding.

This work is in the Canadian public domain, but may be under copyright in some countries. If you live outside Canada, check your country's copyright laws. IF THE BOOK IS UNDER COPYRIGHT IN YOUR COUNTRY, DO NOT DOWNLOAD OR REDISTRIBUTE THIS FILE.

Title: The Doctrine of Laissez Faire: A Critical Essay on the Evolution of Theory and Practice in Reference to the Economic Functions of the Modern State

Date of first publication: 1903

Author: Stephen Leacock (1869-1944)

Date first posted: June 8, 2017

Date last updated: June 8, 2017

Faded Page eBook #20170615

This ebook was produced by: Alex White & the online Distributed Proofreaders Canada team at <http://www.pgdpCanada.net>

THESIS

The Doctrine of *Laissez Faire*

A Critical Essay on The Evolution of
Theory and Practice in Reference to
the Economic Functions of
the Modern State

Stephen Leacock

Table of Contents

Preface

[15]

Chapter I The Physiocratic Theory of the State

[17]

Reasons for considering the middle of the eighteenth century a proper starting point for the present discussion—the basis of the Physiocratic doctrine found in the assumption of a ‘natural order’—their doctrine of *laissez faire*—its restricted scope.

Chapter II Adam Smith and Government

[20]

Smith coincides with the Physiocrats in his assumption of ‘natural liberty’—detailed view of the functions of government as deduced from Smith’s work—negative—positive—.

Chapter III The Classical Economists and the Development of Individualism

[27]

Authoritative attitude of the classicists—effect of this in emphasizing the central point of their teaching—this has obscured the fact that they did not accept *laissez faire* in the sweeping sense popularly attributed to them.

Chapter IV *Laissez Faire* and Legislation

[35]

Economic milieu of the Peace Era (1815-54)—legislation in the direction of *laissez faire*—i Repeal of Labor Laws, ii Repeal of Navigation Laws, iii Repeal of Customs Duties, iv Repeal of the Corn Laws.

Chapter V The Counter Current

[41]

Economic forces opposing the current of *laissez faire*—misery of the working class in the Peace Era—writers inspired by this—the early English socialists—the

Humanitarians—legislation: the Factory Acts.

Chapter VI The Climax of Individualism

[47]

The apotheosis of *laissez faire* by Bastiat—Herbert Spencer and the theory of the struggle for existence.

Chapter VII The Middle Century: The Turn of the Tide

[55]

The modified position of John Stuart Mill—influence of the German historical school.

Chapter VIII The Economists of the Close of the Century: England

[65]

Attitude of the later economists—criticism of Cairnes's essay—modifications of earlier view by Toynbee, Rogers, Bagehot and Jevons—the elaborate compromise of Sidgwick and Nicholson.

Chapter IX English Legislative Policy: The New State Interference

[76]

i The Irish Land Acts, ii The Allotment Acts, iii The Dwelling Acts, iv Factory and Workshops Acts, v Minor instances: Shipping Act: Truck Act: Employees Liability Act.

Chapter X American Economists and Legislative Policy

[83]

Effect of economic conditions of settlement in favoring idea of non-intervention by government—the earlier economists—alteration in economic circumstances in the middle of the century—the 'new school'—the present situation.

Chapter XI German Economists and the Kulturstaat

[93]

Reconstruction of the theory of the state by the modern German school—position of Wagner, Conrad etc.—the 'state socialism' of the German empire.

Chapter XII Summary and Conclusion

[102]

Preface

The complexity of human thought, the multiplicity of facts and data to be handled in any extensive body of doctrine, seems to put a natural premium on brevity and compactness of expression. There is an inevitable tendency for convenience sake to compress the intricacies of argument into the solidity of a single sentence. Hence the maxim or catchword finds its place in the mechanics of human thought. It is easily rememberable, easily handled and, if expressed in antithetic or paradoxical form, cogent in common disputation. It has, however, the defects of its qualities. Its very brevity is apt to make it inexact and over comprehensive: it lends itself to ambiguity and does not allow for exceptional cases. It can thus cover in citation a multitude of sins.

This is eminently the case with the maxim *laissez faire* which has haunted the economic theory of the nineteenth century. Round no single economic dictum has the strife of factions raged more keenly. It has been made the subject of an attack and defense without any consensus of opinion as to its exact signification. Popular opinion has tended to interpret it as limiting the sphere of government to the sole function of protection. In this form it has been placed among the supposed tenets of earlier economists and has long afforded a target for the denunciation of humanitarian critics.

It is the aim of the present essay to see in how far this current conception of *laissez faire* may find support in the writings of reputable economists. With this end in view an examination has been made in some detail of the evolution of economic theory in reference to the proper functions of government. To supplement this is added a general view of the actual sphere of governmental activity in the nineteenth century in order to illustrate the interdependence of legislative policy and economic theory. It is hoped that from this study some suggestive inferences may be drawn as to the historical signification of *laissez faire* and its fitness to stand for the economic ideas of the present day.

I

The Physiocratic Doctrine of the State

It is the purpose of this thesis to trace the evolution of opinion in reference to the economic functions of government. The Physiocratic theory of the middle of the eighteenth century offers for this a starting-point that is neither artificial nor arbitrary.

Not earlier than this period do we find fully evolved the modern conception of the political basis of government,—the idea of government resting on the sovereignty of the people (whatever its particular formal aspect may be), and exercised in the interest of all. In the preceding centuries, government, in the sense of authoritative control, had always existed. The element of social control—patriarchal, military, feudal or regal,—is as old as the history of mankind itself. Yet it is incorrect and illogical to link together the analysis of the economic functions of modern government and the discussion of the practice of earlier monarchical establishments and the views, ideas and treatises bearing thereon.

Throughout the middle and early modern ages, the general aspect of government was that of a personal proprietary affair. Kingship was not an office but an ownership, or, at the most, a diluted form of ownership that may best be described as a status. This fact lies broadly reflected in the fiscal and administrative forms of the English government of the present day. The King's courts, the King's dominions, the King's thanks to his Commons for the supplies they have voted for his use, by means of which the King's armies have pacified the King's dominions—all this is but the survival of the epoch when the King in literal fact stood as a proprietor, living, or failing to live, 'on his own.' It is the empty shell from which democratic government has long since been hatched.

Now the scope of governmental action under conditions of semi-proprietary Kingship is not logically to be identified with the scope of government viewed as an agency of common welfare. Very naturally its action extended wherever self-interested interference might obtrude itself. Hence the oft quoted wide interference of government in earlier times, even in early modern times. The central aim was the fortification of the monarchy, not the equitable interest of the individual citizen. Even the Elizabethan legislation, or the more illustrative legislation of Colbert,—the tariff, the monopoly companies, the model factories, the population pensions etc.,—even these, in spite of their possible stimulating effects upon national life, are not justly to be viewed as analogous to an extended economic scope of democratic government.

They belong to a different view of political theory: they argue merely the obtrusive and at times salutary officiousness of an interested monarchical establishment.^[1]

With all this also there must be ruled out of court, as not bearing on the present discussion, the earlier treatises, counsels and suggestions as to the policy, expediency and manner of such monarchical interference. Machiavelli's book is, in plain fact, a manual of statecraft: The Cameral Science of the German princelings is a body of precepts analogous to hints on the good stewardship of an estate. The whole of Mercantilism, so-called, rests on no general theory of a common welfare state. It is a merely mechanical total composed of the different items of separate individual interest.

It is important to realize the essential difference between the so-called wide interference of government in the past and the extension of governmental functions occurring in the present day: the more so as it has been so widely misconstrued. Looking only to the fact of elaborate monarchical interference in the Middle Ages and to the equally obvious facts that the era of extreme individualism of the eighteenth and early nineteenth centuries was followed by the modern period of extended state action, various writers have falsely interpreted the phenomenon as a case of action and reactions, of an ebb and flow. On this basis they view the present expansion of the functions of government as part of a familiar cycle rather than of a progression, or go still further and regard the modern movement as only a back eddy in a current that is travelling the other way. Thus a recent English writer^[2] lays down the proposition that 'State interference has diminished with the progress of society' and seeks to deduce therefrom the idea of a continuous evolutionary movement of individualism. The same attitude appears in Herbert Spencer's *Social Statics*, in his elaborate and telling arraignment of the governmental interference of the past.^[3]

All such arguments overlook the vital fact of the alteration in the composition and theory of government (on its political side) effected between the Middle Ages.

II Adam Smith and Government

It has been shown in the preceding chapters that it is incorrect to accept the maxim *laissez faire* as representing the sum and substance of the Physiocratic doctrine. Still less is it possible to consider it as adequately expressing the position taken by Adam Smith.

Adam Smith never used the term *laissez faire*. Distrustful as he was both by temperament and by nationality of the efficacy of governmental management, it yet never occurred to him to lay down protection,—the ‘production of security,’—as the sole function of the state. Profoundly observant of economic phenomena, Smith added to his constitutional cautiousness a marked tendency to empiricism. He had no love for universal propositions. Even his free trade doctrine is qualified, as will be seen later, by one or two salient exceptions.

In despite of this, however, the fact remains that Smith’s teaching is strongly individualistic. The basis of his system, his assumption of a natural order of things, is essentially an individualist doctrine. It is in this that he connects directly with the Physiocrats. He, like they, assumes that there is in economic life a natural standard to which positive institutions must, or ought to, conform. With him as with them, this forms the true basis of the system. Yet Smith himself seems unaware of this coincidence of opinion between himself and the French School. In his critique of their system in which he praises their idea of liberty of commerce and destroys their dogma of the sterility of manufactures and trade,^[4] he has nothing to say about their assumption of natural law in the economic field. Very probably he found this natural law so very ‘natural’ that it could not appear to him as a controversial point. He unconsciously took it for granted. Very probably also was his declaration that the Physiocratic system is ‘the nearest approximation to truth that has yet been published upon the subject of political economy,’ is partly founded on his unconscious endorsement of their assumption of a natural order.

It is not, however, only in this fundamental basis of his teaching that Smith is an individualist. He is so also in the details of his economic discussion by reason, as already hinted, of the natural bent of his mind. Sprung of a race whose leading characteristic is sturdy self dependence and having nothing to thank but his own exertions for his success in life, it might be expected that he would be a firm believer in the principle of self-help and would show a corresponding distrust of external aid.

Hence it is characteristic with him to speak doubtfully of the efficiency of government enterprise. He shews a north country canniness in looking askance at those who draw government pay. Witness, for example, his remarks in Book V on the renting of Crown lands: 'The revenue which, in any civilized monarchy the Crown derives from crown lands though it appears to cost nothing to individuals, in reality costs more to the society than perhaps any other equal revenue which the Crown enjoys ... The crown lands of Great Britain do not at present afford a fourth part of the rent which could probably be drawn from them if they were the property of private persons.'^[5] A vein of even stronger distrust appears in the same Book (Chapter I, Art. II) in Smith's remarks on higher education. Here he adopts the somewhat naïve view that any teacher employed on a fixed salary will of necessity be slothful and inefficient in his work: the more so if he is employed by some public institution. 'In every profession,' says Smith 'the exertion of the greater part of those who exercise it, is always in proportion to the necessity they are under of making that exertion ... The endowments of schools and colleges have necessarily diminished more or less the necessity of application in the teachers ... The teacher's interest is set as directly in opposition to his duty as it is possible to get it ...' A little later in the same chapter he observes that 'those parts of education for the teaching of which there are no public institutions are generally the best taught.'

It is important, however, to appreciate the fact that Smith differs from later individualists of the extreme type in that he does not seek to reduce this prejudice against salaried officials into a hard and fast theory of governmental non-interference. There is a great gulf between this business-like caution and the postulation of a scientific law.

Such is, then, Smith's general attitude towards Government, a system based on natural liberty and a strong personal bias against the intrusion of government into the sphere of economic contract. So far it would seem to warrant a conception of the state almost corresponding to the German *Rechtstaat*, a state whose sole business is protection and the enforcement of contract. But if one turns to gather from the details of Smith's work his practical application of his views, one finds this general idea greatly modified. This may best be done by discussing one by one the functions which Smith in various portions of his work assigns or prohibits to the government.

First may be considered the things which Smith expressly denies to the government. It is in this connection that the best known part of his work comes under discussion, namely his advocacy of free trade. Though this was not the sole aim of Smith in writing his *Wealth of Nations* it was nevertheless the portion of his work which made the most profound impression upon the economic thought of his

day and upon the legislative policy of the succeeding generation. His argument for free trade, resting upon the idea of international division of labor, is too familiar to need recapitulation. From it he deduces the duty of government to abstain from all imposition of protective duties, bounties, and drawbacks. Commerce, if left free, will flourish best. The policy prescribed, freedom of foreign trade and domestic manufacture, coincides with the recommendations of the French School. The attitude towards Commerce and Industry, both of which Smith regards as wealth producing, displays an altered point of view.

Yet even here Smith admits serious qualifications to this general proposition. The most familiar is that in favor of the Navigation Acts.^[6] In this connection (Book IV, Chapter II) he cites the chief provisions of the acts, and while stating that ‘the act^[7] of navigation is not favorable to foreign commerce or to the growth of that opulence which can arise from it,’ he nevertheless defends the legislative policy involved. ‘The defence of Great Britain depends very much upon the number of its sailors and shipping. The Act of Navigation, therefore, very properly endeavors to give the sailors and shipping of Great Britain the monopoly of the trade of their own country, in some cases by absolute prohibitions, in others by heavy burdens upon the shipping of foreign countries.... As defence is of much more importance than opulence, the Act of Navigation is, perhaps, the wisest of all the commercial regulations of England.’

The case of the Navigation Acts is often quoted and is familiar to all. A much less known instance of Smith’s qualification of his free trade doctrine occurs in his lengthy historical discussion of trading companies (Book V, Chapter I). In examining the general question of public charges incurred to facilitate special branches of commerce, he would permit the state to grant a trading company a certain initial support. ‘When a company of merchants undertake at their own risk and expense, to establish a new trade with some remote and barbarous nation, it may not be unreasonable to incorporate them into a joint stock company, and to grant them in case of their success, a monopoly of the trade for a certain number of years. It is the easiest and the most natural way in which the state can recompense them for hazarding a dangerous and expensive experiment, of which the public is afterwards to reap the benefit.’

Smith’s views on the positive functions of government are chiefly to be found in his fifth book. They may be tabulated thus:—

- (a) National defence. He recognizes the protection of the citizen as the first and most essential test of the state (Book V, Chapter I, Part I).

- (b) The maintenance of a system of courts. This also is a function of the protective character. Smith here shews his individualistic bias in that he favors the system of defraying the expenses of justice by special fees. He admits, however, that general appropriations are allowable (Book V, Chapter I, Part II).
- (c) Public works. Under this head Smith sanctions ‘the erecting and maintaining of those public works, which though they may be in the highest degree advantageous to a great society, are, however, of such a nature, that the profit could never repay the expense of any individual or small member of individuals, and which it can therefore cannot be expected that any individual or small number of individuals can erect or maintain.’ (Book V, Chapter I, Part III). Roads, bridges, canals and harbours are specifically mentioned in this category. Here again the author shews his usual individualistic leaning in that he would limit as far as possible the fiscal scope of the general government in connection with these institutions. Though originally constructed by the government, the greater part ‘may easily be so managed as to afford a particular revenue sufficient for defraying their own expense.’ This leads Smith to the discussion of the advisability of the government taking the management of the highways out of the hands of the Turnpike Trusts of his day, in order to draw a revenue from them. His opinions here are admirably illustrative of his general attitude towards government. He objects, in the first place, that the government would raise the rates as often as it needed money and, secondly, that the government might neglect the roads, in which case corrective compulsion would be a difficult matter.
- (d) Public education. In Book V, Chapter I, Part III, Art. 2.3 are found Smith’s views on government support of education. His naïve distrust of the teacher who is not paid on the commercial basis of immediate results has already been commented upon. This leads him to disapprove of higher education by the state. In the matter of public elementary education he is at one with the Physiocrats. His views on this subject are given at some length in the concluding part of Art. §3. ‘For a very small expense,’ he says, ‘the public can facilitate, can encourage and can even impose upon almost the whole body of the people the necessity of acquiring the most essential parts of education.’ He thinks it preferable, however, that the public should only pay a portion of the salaries of the teacher because the latter, ‘if wholly paid by the public, would soon learn to neglect his business.’ Smith’s ideas on the public education of women are, to say the least, unfortunate: ‘There are no public institutions for the education of women, and there is accordingly (sic) nothing useless, absurd or fantastical in the common

cause of their education. They are taught what their parents or guardians judge it necessary for them to learn and they are taught nothing else.’ The chapter closes with a notable paragraph on the value to the community of the education and enlightenment of all its members. ‘The state derives no inconsiderable advantage from their instruction. The more they are instructed the less liable are they to the delusions of enthusiasm and superstition. ... They are upon that account less apt to be led into any wanton or unnecessary opposition to the measures of government.’

- (e) State regulations of trades and professions. In this same chapter it is suggested that in the interests of public education the state should impose an education test on the entry to all trades. Smith also would sanction the state regulation of professions to the extent of a test examination as entrance qualification.
- (f) State regulation of Banking. In the long chapter dealing with banks (Book II, Chapter II) there are indicated certain departures from unrestricted individual liberty. Smith is in favor of restricting note issue to such large denominations as to prevent the use of notes in current retail business, and also to force redemption in gold and silver. In connection with these restrictions he has a notable passage in illustration of his views on governmental action. ‘To restrain private people, it may be said, from receiving in payment the promissory notes of a banker, for any sum whether great or small, when they themselves are willing to receive them: or to restrain a banker from issuing such notes, when all his neighbours are willing to accept them, is a manifest violation of that natural liberty which it is the proper business of law not to infringe, but to support. Such regulations must be considered, no doubt, as in some respects a violation of natural liberty. But *those exertions of the natural liberty of a few individuals which might endanger the security of the whole society are and, ought to be, restrained by the laws of all governments: of the most free, as well as of the most despotical.*’

Enough has been perhaps said to shew that this ‘natural liberty’ of Smith proves in its application to be no absolute, universal dogma. His view of government in its relation to economic activity is after all a decidedly qualified one. It is evident from his numerous instances and inductive cases that he would have been inclined to give more consideration to the special circumstances of a particular case than to the validity of a universal law. There is probably, among the numerous extensions of the functions of government since his day, none which might not, under proper circumstances, have received his sanction.

III

The Classical Economists and the Development of Individualism

In passing from Adam Smith to the group of Classical Economists of the early nineteenth century, one is conscious of a great change in the intellectual outlook. The period embraced between the dates 1815 and 1845,—from the beginning of ‘the great peace’ till the passage of the Corn Law repeal,—may be reckoned as the halcyon age of the English political economist. The economist here occupies the position, never before or since accorded to him, of confidential adviser to the nation. He has become the mentor of the statesman.^[8] His wisdom is at once the guide of the parliamentarian and the vade-mecum of the Manchester merchant.

The attitude of the classical Economist towards his science reflects this fact. He looks upon the body of doctrine of which he holds the key with a complacent pride. He regards it as a science, complete or almost so: capable of emendation here and there, of a neater precision, of a finer clarity of statement, but in the main a science complete in its outlines, well-rounded and compact. Taken altogether it is to him, ‘une science que j’ai achevée,’ as the Abbé Siéyès but shortly before had prematurely said of Politics.^[9] Of the national importance of such a body of truth the economist is conscious in an eminent degree.^[10] He feels that it is an art as well as a science, that it is contributory to the national wealth.^[11] He is interested in its diffusion, anxious that it should be placed even within the reach of the masses whose lot it is calculated to console with a fitting resignation. For the benefit of Mankind at large he reduces his science to the form of catechisms, of conversations, even of fictitious and illustrative anecdote.^[12] Nor is he solely impressed with the chrematistic and material side of his teaching. Its moral aspect has laid hold of him: he has become a propagandist. He is a man with a mission.

It is natural therefore that in this form of a propaganda, the doctrine of the economist should undergo a centripetal impulse and seek to focus itself about a central point, when a science is made to do duty as a gospel, it naturally takes on a new aspect. It becomes positive, dogmatic, over-definite. It is but ill work preaching a creed of half-truths and qualified propositions. As political economy therefore in the early decades of the century, from being analytical and tentative, passes into the position of a recognised authority, it inevitably seeks to gather its teaching around a central point of truth. And this point is found for the economist in the doctrine of the non-interference of government, which now becomes the dominant note of economic

teaching. Political Economy is thus carried forward by the momentum of its own dogma until the climax is reached in the Optimists of the middle century.

Yet, while this is true, it will appear on closer examination that the identification of the teaching of the classicists with the absolute principle of non-interference is rather a matter of appearance than of reality. The false stigma that attached to them both, then and later, as exponents of the extreme doctrine of *laissez faire* arose from the peculiar circumstances and method of their presentation. As teachers of an art, as exponents of a gospel, they necessarily tended to lay emphasis on the central point of their teaching. It is the aim of the present chapter to discuss in some detail the individualist principle as held by the writers of the Peace Era. In the succeeding chapter their influence on legislative policy will be traced.

In the thirty years thus covered, the history of Political Economy in England presents us with a school of writers who may be described in the main as followers and exponents of Adam Smith. Few of these writers,—the exceptions of course include Ricardo, Malthus and Senior,—can hope for a permanent niche in the temple of economic fame. The bulk of them, including the amiable and didactic Dr. Chalmers, the moderate McCulloch, and the admirable Mrs. Marcett, must be content with the generic title of epigoni that has been somewhat contemptuous[ly] applied to them. Speaking generally of these writers, it may be said that they are all to be classed as individualists of a more or less pronounced type. They resemble Smith in that their view of non-interference admits a number of qualifications. They do not stand for the complete inaction on the part of government false[ly] attributed to them by the German School. They admit, for example, the wisdom of government education with an alacrity begotten perhaps of their interest in the diffusion of economic science, and which contrasts strongly with the reluctant sanction accorded by Adam Smith. On the propriety of governmental construction of roads, canals and similar public works (the railroad was not yet in question), they are all agreed.

Their discussion of these exceptional cases to their general rule is scant and perfunctory. Take, for example, the case of Malthus. He accepts^[13] what he calls the ‘grand principle so ably maintained by Adam Smith that the best way towards advancing a people towards wealth and prosperity is not to interfere with them.’ He thinks [it] necessary to add however that the ‘great principle’ is not without its qualifications. He intimates that the state should concern itself with the construction and maintenance of roads, docks and canals: that possibly also state aid to emigration and colonialization may be approved. But his mention of these things appears to be merely a tribute to the principle of fair-mindedness. This becomes clearer when we observe that, looking about him for further qualifications to the

principle of non-interference, he tells us that government may interfere in order to repeal existing restrictive laws. A theorist would be uncompromising indeed whose creed condemned the repeal of previous interference! Malthus adds to this that the interference involved in taxation is another permissible exception to the rule. Very evidently such feeble exceptions as these two are paraded before the reader mainly to avoid the accusation of one-sidedness, and without fear on the part of the economist that they are exceptions at all dangerous to his general theorem.

Beyond this initial conception of a road-making, educating government, the classicists are not in accord. The further qualifications to be made to the *laissez faire* principle vary according to the individual sympathies or peculiar tenets of the writer. They vary for instance in their treatment of the question of state aid to the poor. Most of them include it among the admissible functions of government usually with but little discussion. Ricardo^[14] in treating of it as a form of taxation seems to assume its existence. McCulloch lays it down with some show of argumentation and proof. Dr. Chalmers,^[15] on the other hand, tender as always in his sympathies for the land-owning and rate-paying class, is emphatically against it. He urges the very comfortable doctrine that public aid to the poor is a detriment to those who stand just above the pauper class. Mindful however of the obligation of his cloth, he extols the excellence of private charity.

The interest of the land-owning class proves, indeed, a very special stumbling block to the feet of the writers of the Peace Era. At this time (previous to the Reform bill of 1832 and in fact one might say previous to the second reform of 1867) the land-owning class were the governing oligarchy of England. To this governing class the economist stood as has been said in a special relation. He was at once a mentor and a client: the statesman was his disciple and his patron. The economist had, it is true, the ear of the government but into an ear so august there was a natural hesitancy to instil truths too unpalatable. The economists, therefore, though reformers, carefully avoid all that might appear revolutionary or iconoclastic: they abstain from alloying their doctrine of industrial liberty with purely political reform.^[16] The excellent Dr. Chalmers^[17] is especially instructive in this respect. As an advocate of a Physiocratic policy of freeing industry from all taxes and throwing the whole burden into a land tax, he has an especial sin to atone. He is at some pains, therefore, to put himself right with the governing class. He denounces that 'waywardness of innovation' that might meddle with the monarchy or with the peerage. For these latter, he somewhat naively explains, supply the '*vis inertiae*, indispensable to right politics.' The landowners are to understand, moreover, that the

inconvenience of being the sole taxpayers will be compensated to them by certain other effects of his proposal. When once they are ‘declaredly and obviously the only taxpayers in the Kingdom we can scarcely imagine the vast moral ascendancy they would thenceforth acquire.’ Nor need the proposed abolition of the Corn laws (for this too is part of the reverend gentleman’s programme) occasion the landowners any alarm. Provided it is done gradually, ‘the lords of the soil will find their wealth unimpaired.’ As a further spice to his unpalatable dose of reform the author reflects with pride,—‘what a death blow would thus be inflicted on the vocation of demagogues!’ and ‘what a sweetening influence it would have upon British society!’

The same author affords throughout his work an excellent example of the hortatory or didactic strain that characterized the economics of the period. He incessantly substitutes the attitude of the moralist for that of the economist, and finds his favorite resort in the sustained and decorous exhortation of the pulpit. It is this tendency, coupled with the peculiar ‘dead sureness’ of the classical economists, which has helped to identify them in the popular estimate with an extreme point of view which they never really entertained.

There is further reason for the general impression that the classical school were the partisans of a more extreme individualism, a more uncompromising acceptance of the policy of non-intervention than was Adam Smith. It lies in this. The writers of the Peace Era were avowedly aiming only at giving a new exposition,^[18] and where possible a slightly improved exposition, of the doctrines of Adam Smith. Now Smith was in large measure an empiric, a man of detailed experience studiously and consciously accumulated, and, naturally enough, a little lengthy in the telling of it. He was,—if one may state it so broadly,—a man of many words. The obvious line of improvement and revision lay therefore in the direction of greater brevity and condensation of statement than had been shewn by the master himself. The adoption of such a course brought about a result not primarily aimed at. With the removal of all unnecessary digression, and all apparently superfluous illustration, the underlying basis of individualism stands out in cleaner outline. Its volume is in reality no larger, yet it becomes more evident to the eye. Just as the shrinking of the skin upon the dead carcass serves to shew in relief the bony framework within, so the contraction of the thick integument of illustration and digression with which the Smithian doctrines were originally enveloped, brings into sharp and angular prominence the underlying structure of individualism.

This is seen most clearly in the case of Ricardo. Ricardo’s work is of a character peculiarly calculated to breed the accusation of rigidity of principle. His natural bent led him to avoid anything in the way [of] copious illustration. His examples are purely

hypothetical and are not culled from inductive historical fact. He has no descriptive digressions. He adheres to the treatment of what he considers universal and permanent tendencies, not accidental and temporary conditions.^[19] To this is to be added the fact that his chief work, though entitled *Principles of Political Economy and Taxation*, does not cover more than a portion of what would now be included under that head. It is in reality an essay, or rather, a series of essays on the problem of distribution as interpreted in the light of Ricardo's cost-of production theory of value. Of political economy in its original sense,—of the management of State,—he has almost nothing to say. It is of course written large in the pages of his treatise that free trade is more profitable than a system of protective duties: but this appears rather as evidenced by cause and effect, than expressly advocated in precept. The point of view is that of scientific analyst, not of the partisan advocate. But it is quite impossible on this ground to view Ricardo as any whit more of an individualist than Adam Smith. Beyond the question of free trade, the subject of the functions of government can hardly be said to enter into his discussion.^[20] His chapters on taxation which might have opened the way for a treatment of the question of the proper functions of government, are concerned only with the question of incidence. He discusses the poor rate, for instance (Chapter XVIII), not in terms of political justice or of social effect, but solely as an analysis of incidence. The same can be said of his treatment of the taxation of luxuries (Chapter XVI). All such questions as the regulation of the conditions of labor, the control of monopoly etc. lie outside of the field of Ricardo's treatise.

McCulloch is one of the few of the group who give a formal exposition of the proper sphere of government. He devotes the tenth chapter of his *Principles* (1825) to a detailed study of the topic and may therefore be best taken a[s] representing the views of the school. An examination of this chapter shews him to occupy almost identical ground with Adam Smith, except that in some instances he shews a greater explicitness of application. He classifies the functions of government under six heads: (a) the security of property; (b) the enforcement of contract: this topic leads him to declare against state regulation of interest and against laws in restraint of forestalling; ^[21] (c) the adjustment of disputes; (d) prevention of fraud: here he is led to sanction governmental regulation of bank issue; (e) 'industrious undertakings': this corresponds with Smith's 'public institutions': McCulloch here says it is 'injurious to regulate the modes of manufacture'; (f) security against 'natural casualties': this last refers to lighthouses etc. Most notable is a dictum^[22] in reference to the current opinions of economic teaching then gaining ground. 'An idea seems to have been

recently gaining ground that in so far as respects the production of wealth, the duty of government is almost entirely of a negative kind....' The truth of the matter, he says, is 'by no means so simply and easily defined.... freedom is not the end of government.... no solution can be applicable to all times and under all circumstances.' In summing up his opinions, however, he concludes that 'non-interference shall be the leading principle.'

To properly estimate the drift of the teaching of the classical school, mention should be made of the Malthusian theory of population which connected itself so intimately with it. If mankind multiplied or tended to multiply until prevented by some positive economic check, the existence of a starving class seemed a necessary part of the social organism. The doctrine could easily be turned into a sort of fatalism which would render state interference directed to the elevation of the poor a contravention of the forces and plan of nature. Political quietism might seem from this point of view to receive a quasi-biological sanction. Ricardo raises this issue in his denunciation of the poor law still in operation.^[23] Chalmers, an enthusiast on the subject of the Malthusian theory, makes still more elaborate use of it in the same direction.^[24] The full bearing,—or rather the full possible application,—of biological ideas to social conditions, could not as yet be properly appreciated. It remained for Darwin to expand the Malthusian theory into the theory of evolution. And it remained, as will appear later, for Spencer to attempt the sociological application thereof and to bring the doctrine of non-interference into line with the biological law of natural selection. This, however, remains to be treated in a subsequent chapter.

IV

Laissez Faire and Legislation

From the study of the individualist movement as it expressed itself in the economy theory of the classical school, one turns to regard it as traced in the industrial and legislative history of the period. As might well be expected, the strongly individualist bent of the economists was paralleled [with] similar tendencies in the legislation of the Peace Era. Indeed the two forces, the theoretical economic movement and the practical parliamentary policy, acted and reacted upon each other, neither being solely the effect nor solely the cause of the other. In large measure both of them sprung from the peculiar nature of the economic circumstances which were the combined effect of the industrial revolution and the great war. But in the same way as it has been seen that *laissez faire* though a dominant idea in economics was by no means an absolute and universal one, so in legislative policy *laissez faire* is not the sole motive force.

The movement in the direction of unrestricted competition which culminates in the Peace Era, had commenced at a considerably earlier period. It had its rise contemporaneously with the evolution of the great industry with which it is intimately connected. The opening of the eighteenth century had found English industry under the elaborately directive regulations of mediaeval handicraft. The system in which industry and trade were thus, if not shackled, at least enveloped, was in reality a historical survival: it reflected in its structure a set of conditions, of forces and of purposes no longer extant. Apprenticeship, prescription of wages, restricted navigation, trade monopolies etc., had originated in an environment in which, despite the universalist tendencies of later economic argument, much might be said in favor of their validity.^[25] The real defect lay rather in their lack of present applicability than in any permanent and necessary invalidity. By the middle of the eighteenth century, the system had become an anachronism rendered more pronounced with the industrial progress of each decade. The economic organisation of society was thus struggling to preserve itself in static form against the disruptive influence of altered and altering conditions.

On the tottering structure of this industrial organisation, already honey-combed by an initial process of dilapidation,^[26] fell the full impact of the inventions and economic changes of the industrial revolution. It fell, and on its ruins was reared the modern factory system. The process of demolition followed along various lines. In

part the older organisation gave way by mere force of desuetude: the inapplicability of the older regulations to the new conditions rendered them obsolete.^[27] In part the process was one of statutory enactment and deliberate change.^[28] Much was effected by the passive acquiescence in the *fait accompli* that develops presently into custom superior to law. The full play of the new industrial forces was, however, to a very large extent checked and hindered by the advent of the great national war (1793-1815). It remained for the Peace Era of 1815-59 to witness the complete dominance of the new system, and to point triumphantly at the vast material progress of the nation that appeared to ensue as the result of its adoption.^[29]

In order to realize the 'natural liberty' of commerce and industry which was at once the hypothesis and the ultimate goal of the orthodox economies, it was necessary that labor, capital and trade should be brought to a basis of 'free contact.' The complete mobility of economic elements postulated by the theorists must be reflected in the institutions of positive law. Nor was it the theorists alone who were interested in the matter: the new class of manufacturers eager for an open labor market and the capitalists equally anxious for profitable fields of investment joined in supplying the motive power of the new legislative policy. The main obstructive force lay in the *vis inertiae* of the agricultural interest. The legislative enactments, or series of 'repeals,'—for the policy was naturally a negative one,—in which the general individualist tendencies of the time were embodied may be grouped under four heads,—the Repeal of the Labor Laws, Repeal of the Navigation Laws, Repeal of the Customs Duties and Repeal of the Corn Laws.

The statutes under the first of these groups were aimed at promoting the mobility of labor. Till the second decade of the nineteenth century the laborers of England were still nominally under regulations of the Elizabethan statute of apprentices (5 Eliz. c. 4). Under this statute the principles of compulsory labor of the unemployed, assessment of wages by the local authorities, and the regulation of the term and conditions of apprenticeship were made the basis of the economic status of the working class. To what extent this system, especially the provisions for wage assessment, were actually operative in the sixteenth and seventeenth centuries, is not accurately known. But there is no doubt that it had fallen into desuetude by the end of the third decade of the eighteenth century. Of the forty-three recorded wage assessments the last was in 1727.^[30] The provisions as to apprenticeship were also becoming a dead letter: the petitions of the 'legal' weavers to parliament against unapprenticed weavers of Gloucestershire at the same period mark the breakdown of the system. The act, moreover, had no application to forms of industry that had

grown up since its passage, framework-knitting and cotton spinning, for example. There had also been statutory modifications of the act.^[31] Such force as it still retained served only as an obstruction in the path of the new manufacturing interest in spite of some protest from the artisan class themselves,^[32] who were anxious to secure a minimum wage by the reinforcement of the old statute. The interests [of] the mill owners coupled with the growing prejudice in Parliament against state regulation of wages were sufficient to secure the repeal of the assessment clauses in 1813, and of the rest of the act in the ensuing year.^[33]

A parallel enactment under this same head is the Repeal of the Act of Settlement. This act, 'the worst act of the worst parliament that ever sat,'^[34] had been passed in 1662 by the aristocratic parliament that assembled on the return of Charles II. Under its provisions any laborer leaving his parish and settling in another might, within forty days of his arrival, be expelled by the church wardens and returned to his proper parish of domicile.^[35] Though mitigated in its severity by an act of 1795,^[36] the law of settlement was still in vigorous operation after the peace of 1815. Under the almost ludicrous working of its provisions the parish authorities of the metropolitan area spent considerable sums of money in dispatching cart loads of pauper artisans back to their county parishes.^[37] The repeal of this act, so obviously in the interest of both employer and employed, was practically effected in 18[?].^[38] The repeal of the prohibition^[39] of emigration of artisans out of the country was also effected in 18[?]. The list of statutes by which the 'free circulation of labor' was finally established is completed by the mention of the repeal of the Combination Laws in 1824.^[40]

The repeal of the Navigation laws marks an equally distinctive step in legislative policy. Regulations in restriction of the freedom of the shipping trade form a very ancient chapter in English maritime policy. They became however of especial importance with the rise of the American colonies and commercial supremacy of Holland in the carrying trade. The 'Navigation Act,' or rather acts, commonly referred to, are the statutes of Charles II,^[41] enforcing and extending the older laws. These acts forbade all trade with English colonies except in English ships of which three-quarters of the crew were Englishmen. Even in English ships the chief products of the 'plantations,'—the enumerated list containing among other all such products as could be useful in ship building,—could only be carried to England, Ireland or to English colonies. Other provisions of the act prohibited the ships of any nation from engaging in the carrying trade between England and a foreign country. These acts, although instrumental in their prime object of killing the carrying trade of Holland as far as England was concerned, proved a serious hindrance to commerce after the

accomplishment of their main purpose. Several relaxations were made in their stringency in the interests of the American colonies in the early part of the eighteenth century.^[42] Further modifications of the act were also made after the American revolution in reference to the West Indies trade with the United States.^[43] The acts still remained, however, as the basis of maritime policy at the opening of the Peace Era. The question of repeal, taken up by Huskisson in 1822, was considered at various times in the course of the next three years. A series of relaxations and revisions^[44] led to a final total repeal in 1849.

The greatest achievements in the direction of the 'liberation of commerce' lay in the repeal of the customs duties and the Corn Laws, effected in a series of measures by Huskisson, Peel and Gladstone. The customs duties had by the beginning of the nineteenth century grown from the original uniform 'customary' tolls to the King at the port of his kingdom into an elaborate code embodied in a multitude of successive statutes. The object varied with complete inconsistency between the production of revenue and the prohibition of foreign imports.^[45] The financial exigencies of the great war had given the finishing touches to the rapacity of this elaborate tariff. The evident contradiction between these restraints upon importation and the current theories of national opulence was widely felt. Even the commercial classes felt their interests hazarded by the existing system. The 'petition of the London Merchants' (May 8, 1820) stands as a sort of Magna Carta in the records of English free trade.^[46] 'Freedom from restraint,' it runs, 'is calculated to give the utmost extension to foreign trade and the best direction to the capital and industry of the country.... a policy founded on these principles would render the commerce of the world an interchange of mutual advantages.' The first steps towards carrying into effect the programme indicated, were taken by Huskisson during his Presidency of the Board of Trade, by a sweeping reduction of duties in 1823. The tariff reforms of Peel and Gladstone completed the work. The greatest measure of all, however, was the repeal of the Corn Laws, or duties on imported corn. Space will not here permit an account of the long struggle by which Richard Cobden and his associates of the Anti Corn Law League finally accomplished this object.^[47] The nine million tracts with which they flooded England during the agitation of the early forties, served to rivet on the English mind the free trade doctrine of the classical economist. Their final success and the Repeal of the Corn Laws in 1846 stands permanent in English economic history as indicating the high-water mark of the individualistic principle in legislative policy.

V The Counter Current

In the history of human thought and institutions, the phenomenon of action and reaction, of ebb and flow, is universal. But almost equally universal is the fact that such action and reaction, tendency and counter-tendency, are not sharply and necessarily consecutive. It is rather found that the movements overlap and mingle in such a way as to refuse an over-sharp chronological demarcation. Yet there is a standing temptation for the historian, searching for division into periods, sequences, and orderly movements as a matter of professional concern, to force a line of distinction, and to attribute to the movement of history an artificial chronological consecutiveness not warranted by literal fact. As a basis for generalization, this process may serve a useful purpose: but a nearer view reveals in the course of history no such convenient simplicity. Movement and counter-movement are intermixed and the broad stream of tendency even at its flood tide betrays the backward eddies of reaction.

This is eminently the case in the history of governmental interference. It is doubtless convenient for the purpose [of] a general view to speak of the first half of the nineteenth century as the period of the policy of *laissez faire* and to pass from it *per saltum* to the succeeding period of reaction. But as a matter of fact the beginnings of the so-called reaction are to be sought early in the century itself.

For this reaction the economic basis is easily found. The vast aggregate increase of material wealth in the first half of the century, though it bulks large before the eye in the view of the industrial history of the period, falls far short of being a proper expression of the social situation. The brilliant shield on which one may imagine chronicled the triumphs of the system of unrestricted competition, bears a reverse side on which are traced other and sadder features of English industrial history,—the record of the misery and depression of the working class. The population of England between 1760 and 1818, in despite of the ravages of war and the decimation of famine, had moved rapidly forward. A population of seven millions in 1760 had grown to be one of eight millions in 1787, nine and a half millions in 1803 and of nearly twelve millions in 1818.^[48] The ten years that followed after the war were years of unprecedented distress for the laboring population. The price of corn, the great staple of their consumption, though fluctuating from season to season, stood often at famine prices, never within easy reach.^[49] With it had risen the price of

various articles of consumption in common use, butter, cheese, candles, leather and other things. With the rise in the price of meat the working class were unfortunately but little concerned. The rise in prices was accomplished by a fall in wages:^[50] thus the knife that pared at the laborer's margin of subsistence had a double edge. The weaver who earned 13s 10d a week in 1802, received 10½s in 1806, in 1812, 6s 4d and in 1817 his remuneration had fallen to the starvation figure of 4s 3½d per week.^[51]

The distress of the agricultural laborers after the war was extreme. 'The poor,' said a member in the House of Commons,^[52] 'have in many cases abandoned their residences, whole parishes have been deserted and the crowd of paupers increasing in numbers from parish to parish, spread abroad the awful desolation.' The histories of the peace period,^[53] optimistic though they are in their contemplation of the swollen national dividend, are replete with the sufferings of the poor. It was on the industries that were passing into factory organization that the greatest distress fell. The story is too familiar to need recital,—the starving children, the 'voluntary labor' that Lord Brougham said must not be interfered with,—ousted from the looms the adult laborers under the operation of 'free contract,' from summer dawn till twilight, the children labored at the mill carried home at night by parents who had spent the day in enforced idleness.^[54] Small wonder that beneath the prosperous surface of English industrial life, there smouldered throughout those years the forces of sullen revolt that sometimes flamed out in agricultural outrages, smashing of machinery and hungered insurrections of laboring men.^[55]

Here then,—in the growing misery and pauperism of the lower class—lay the economic basis of a line of thought entirely at variance with the political economy of the classical theorists. The classicist found his point of departure in the gross total of national wealth. It was the 'wealth of nations' which he analysed and whose causes he detailed. In accordance with this point of view he had adopted the title 'political economy' as the designation of his knowledge, a term which properly signified until then not a science but an art, the art of national opulence, the statecraft of production.^[56] Thus till the middle of the century and the advent of John Stuart Mill, the eyes of the orthodox economists were fixed so intently upon production as to render them oblivious to the wider problem of the equities of distribution.^[57]

Side by side with the orthodox economists appeared a group of writers during the Peace Era of an entirely different bias. Obscure as they are in the history of economic theory, they yet merit some reference as offering a sharp contrast to the classical school and as having contributed by their influence upon Marx to originate

the school of German Socialists. To this group, of whom William Thompson, author of *An Inquiry into the Principles of the Distribution of Wealth* (1824), and John Gray, *Lecture on Human Happiness* (1821), are the most representative members, the name 'Early English school of Socialists' has been applied.^[58] Their common point of departure lies in the economic misery of the workers. Their thoughts thus turn not towards gross total of product but towards the problem of justice in distribution. They may be considered, notwithstanding their distorted and inconsistent theories of the state, as having rendered a distinct though forgotten service to the course of English economic thought.

They draw their source of inspiration from the claims of labor. Starting from an overdrawn, mechanical view of production, and pushing the distinction between productive and unproductive activity, to the furthest point,—the[y] find in labor the unique source of production and recognise the laborer as the sole just claimant to the thing produced. 'Wealth,' says Thompson in his opening sentence, 'is produced by Labor! no other ingredient but labor makes any object of desire an object of wealth.' This is the text of his whole discourse. And herein is seen how closely, in a certain sense they stand in touch with the Ricardian school and especially with Ricardo's own 'cost of production' theory. The leaders of the group (Thompson and Hodgskin in especial) have no intention of controverting the Ricardian analysis. On the contrary they found their doctrines on it. Thompson speaks of the 'ascertained truths of political economy.' They accept the full analysis of the economists as a presentation of production and distribution under existing conditions. Their point of objection is directed not against the Ricardian analysis itself but against the inequity of the distribution thus analysed. They accept the position of complete individual liberty. John Bray, in his *Labor's Wrongs and Labor's Remedies*, lays down a fundamental principle that, in its complete individualism, falls short in nothing of Herbert Spencer. 'Every man has a right to do what he likes, provided his so doing interferes not with the equal rights of his fellow man.' Similarly Hodgskin in his *Natural and Artificial Right of Property*, lays stress on the spontaneous liberty of man as opposed to his artificial position under a régime of property. And herein lies the distinctive tenet of the teachings of the group. Complete natural liberty should carry with it, they claim, the extinction of private property and bequest for these are interferences with the rights of those thus excluded from property. The position thus taken serves to shew the inconsistencies of complete individualism. It is interesting as suggesting the discussion offered by Mill on the same topic in the XI Chapter of his V Book. Beyond this point the constructive theories of the Early English Socialists are divergent and without interest for the topic in hand.

The circumstances of the time also gave inspiration to another category of writers who may be described as humanitarian rather than scientific. Among these Thomas Carlyle (*Past and Present: Latter Day Pamphlets*), Coleridge in his table talks, William Cobbett, the radical reformer, and Richard Oastlen, famous for his connection with the factory laws, may be taken as typical. John Ruskin at a later day^[59] shows an analogous point of view. These writers stand in an entirely different attitude. They resemble the Socialist group in that they take their point of departure in the economic misery of the poor. The sympathy of human fellowship is their inspiration. But they differ totally from the Socialists in their relation to the doctrines of political economy and the professional economists. These humanitarian writers break entirely with the orthodox school and with the 'ascertained truths of political economy.' Exasperated at the existing capitalist system, especially as seen in the factory industry, they turn impatiently from anything which seems to lend to that system the sanction of a scientific authority.^[60] To them the whole system of political economy is identified with a wilful passivity towards the lot of the laboring class that blocks the path of philanthropic effort. In their hands the term *laissez faire* becomes the badge with which the stigma of opprobrium is fastened to the economists. Proposing no definite economic system or economic plan of reform their denunciation of the economists is vague and without scientific value. It is important, however, as expressing a phase of current opinion and as having certain[ly] contributed to shape the course of practical legislation.

This practical legislation in which the sympathetic philanthropy of the anti-economists and humanitarians stands written, is found in the factory acts. These constitute a new state interference which runs parallel with the *laissez faire* legislation described in the last chapter, and serve to shew that neither in actual legislation any more than in current economic discussion has a single point of view completely occupied the field. Disregarding the first act (42 Geo. III c. 73) which referred in its limitation of hours only to 'pauper labor employed in cotton and woollen mills,' and disregarding also the modifications enacted in 59 and 60 Geo. III and 6 and 10 Geo. IV, the first real factory acts date from the year 1833 (3 and 4 Will. III c. 103). Here the principle of free contract was set aside in favor of the regulation of hours of labor for children^[61] and 'young persons.' The subsequent act of 7 and 8 Victoria (1844) prescribes a twelve hours day for women, reduced by later statutes (1847 and 1850) to a ten hours day. The state here enters upon a course of interference which with each succeeding consolidation of the factory laws (1878-1901) becomes more elaborately obtrusive. Yet this so-called interference

does not seem from what has gone before to conflict with ‘natural liberty’ as understood by Smith. Nor does it seem connected, either one way or the other, with the *laissez faire* of the Physiocrats. It belongs to a new set of conditions, not thought of in their philosophy.

VI

The Climax of Individualism: Bastiat and Spencer

It has been a leading purpose of this essay to shew that the current idea of *laissez faire*, as a tenet of the orthodox economists, is an erroneous one; that the 'dismal science' appeared dismal only through the false perspective of imperfect appreciation; and that the distorting prism of unscientific humanitarianism heightened the false outline afforded by the lopsided emphasis of its presentation. Yet in all movements of thought extremists are found who love the central idea better than its qualifications, and who find in an uncompromising gospel of a single tenet a fascination not exercised by a complex of diluted principles. If it is true that the motive power of social progress is supplied by these extremists, then it may be that their very obliquity of vision has its social utility. Such at any rate must be the claim to the gratitude of mankind urged on behalf of Frederick Bastiat and Herbert Spencer, who appear at the crest of the wave of individualism as the hierophants of the gospel of non-intervention.

The two are at once kindred and contrasting. Bastiat's work is economic: the standpoint of Herbert Spencer is political. The latter proceeds from an ethical view of what ought to be: the former from a roseate interpretation of what is. Spencer is inspired by a pessimistic view of the origin and nature of government^[62]: Bastiat by an optimistic view of the charming mutuality of human relations.

Among reputable economists, Bastiat stands unequalled in his restricted view of the functions of government. Exposed during the maturer years of his literary activity to the Anglomaniac influences of the period of the Orleans monarchy, at a time when economic thought in England was especially engrossed by the Free Trade movement, he became an ardent advocate of the doctrines of Cobden and the Manchester school. It was as the interpreter of Cobdenism to his fellow-citizens (Cobden et la Lique ...), that he first came prominently before the notice of France. With Bastiat the doctrine of *laissez faire* becomes not merely a scientific theorem: it is exalted into an article of faith. Witness for instance the manifesto of the French 'association for commercial liberty' (May 1846) that proceeded from his pen. 'The undersigned,' it runs, 'are urged by the need of publicly declaring their faith (croyance).' This faith is based on an economic doctrine which, though iterated and reiterated by Bastiat through several volumes, may be compressed in outline into brief compass.

Taking as his starting point, a general view of the modern industrial world,^[63] Bastiat finds in it the perpetual and miraculous phenomenon of a satisfaction of the wants of each person vastly greater than his isolated activity could procure. 'It is impossible,' he says, 'not to be struck by the truly immeasurable disproportion which exists between the satisfactions that each man gets from society and those which he could obtain for himself.'^[64] Proceeding from this text, he depicts the Parisian artisan, whose humble breakfast levies contribution on the distant countries of the world, and who finds that for his simple 'voyage de plaisir' men have already 'smoothed and levelled the soil, filled up the valleys and cut down the mountains, joined the banks of the rivers ... placed wheeled vehicles on pavements of stone or rail of iron, and harnessed horses or steam,'—a picture which evokes in Bastiat an ecstatic frame of mind worthy of Mrs. Marcett. It would be shutting our eyes to the truth, he says, not to recognise that society cannot present such complicated combinations without obeying 'a prodigiously ingenious mechanism.'

The secret of this mechanism he next proceeds to reveal. The clue to it lies in the fundamental principle of the mutual interchange of services on a basis of free agreement. Here Bastiat thinks to revolutionize the theory of value of his predecessors. Value, he maintains, lies not in the objects but in the services rendered by men in procuring and adapting these objects for one another's use. 'La valeur,' says Bastiat in capital letters, 'c'est le rapport de deux services rendus.'^[65] To ensure the propriety of this ratio is brought into play the other half of the fundamental principles, the complete freedom of the exchange of mutual services. Herein lies the key to the 'prodigiously ingenious mechanism.' Granted this liberty of exchange, each member of society will only yield his services for what he considers an adequate exchange. As thus effected on a voluntary basis, an exchange implies that each of the parties to it has gained something. This is Bastiat's cardinal doctrine,—his 'harmony of interest.'

Bastiat's theory of government^[66] is deduced from this cardinal principle by a process of elimination. In a world where the unimpeded force of self interest will accomplish so much for the individual, what room can there be for the action of authoritative coercion? None, answers Bastiat, except where coercion is used to protect from coercion. This theory of the needlessness of government appears throughout all of Bastiat's work of which it is at once the Alpha and the Omega, the underlying assumption of the argument and the ultimate goal of the conclusion. For such faint activity as he accords to the state, he finds warrant by coördinating the action of government and individual as 'services publics' and 'services privés.' On

this ground he admits that it is the business of government to do three things, ‘veiller à la sécurité publique, administrer le domaine commun, percevoir les contributions.’^[67] But it must be remembered that the services of government are not given for nothing: like individual services they demand, in the shape of taxes, the payment of a *quid pro quo*. If, moreover, the services thus rendered by the government, were always given in the precise quantity and kind demanded by each consumer, and at exact[ly] the price he would be willing to pay, the analogy between public and private services would be complete. But it is precisely on the ground that they are not of this nature that Bastiat takes exception to them. They violate, he says, the fundamental principle of liberty of exchange: they are services effected by coercion. Such coercive services can have no place in the social order beyond the suppression of other coercion.

It would be as cowardly as it would be superfluous to attempt the easy task of refuting this amiable theory of harmony. Bastiat’s laborer who is master of his own labor power and who sells it ‘only at his own price,’^[68] Bastiat’s diamond seller who explains that the worth of a diamond is equivalent to the value of the customer’s time if he took a trip to Africa to hunt one for himself, his ‘Parisian artisan’ with the wonderful breakfast and the open-mouthed ‘voyage de plaisir,’—all these kindly creations are beyond the savageries of criticism. The complete disregard of the coercion of circumstances vitiates Bastiat’s whole theorem so far as to remove it from the scope of serious argument. His service to economic theory in laying constant stress upon the dangers of overdependence on the helping power of an abstract state,^[69] merits at least recognition. Great as was his influence in contributing to the free trade movement of the Second Empire, his place in the history of opinion is that of an economic fanatic, riding to death his jaded idea of free exchange.

Herbert Spencer, whose works^[70] in this connection stand parallel in point of time to Bastiat’s *Harmonies*, resembles the latter in that he too like Bastiat reduces the functions of government to a minimum but goes even further than Bastiat in the rigidity with which this minimum is circumscribed. For while Bastiat is able, under his false analogy of ‘services publics,’ to regard the administration of the ‘domaine public’ (which may well include a certain class of public works) as part of the business of government, Spencer eliminates even these from his category. To effect this he adopts a point of view that is not economic but political. The ideal of ‘justice’ as between individuals is the basis of his system and this supplies him with a sort of golden rule to the effect that no form of authoritative coercion is justified against the rights of the individual except in so far as [it] is needed to prevent his infringing the

like liberty of others.^[71] This Spencer calls the ‘law of equal freedom.’

The postulation of the ‘law of equal freedom’ contains as consequence the reduction of the duties of the government to the bare minimum of protection from aggression. This function of protection from outside violence and domestic fraud Spencer justifies on the ground that without it society cannot exist at all: government is therefore defensible in the form of a joint stock protection company.’ But beyond this, [it has] no right to obtrude itself. This as has been observed is a purely political basis of argument; it has no reference to the question whether or not the action of government is economically profitable. It refuses to make mere productivity the criterion. It takes its stand upon what claims to be the antecedent ground of the rights of the individual. Government has no right to ‘interfere’ with the individual whether it be for his own interest or not.^[72] It is not of course to be thought that Spencer in advocating this line of argument is occupying an isolated or indeed a novel position in the history of opinion. He stands, rather, as Bastiat does to the Economists, as marking the highest development of nineteenth century individualism before it effervesces into anarchistic theory.^[73] Preceding him, earlier in the century, are a group of writers^[74] who construct an analogous theory of the functions of the state upon a similar basis of political justice. Wilhelm Humboldt, for instance, writing in the last decade of the eighteenth century a treatise on the *Sphere and Duties of Government* that was published in the first quarter of the nineteenth, stands as a literary ancestor of Herbert Spencer.^[75] Humboldt, taking as his starting point ‘the Individual Man and the highest aims of his existence,’ constructs a theory of governmental functions almost as extreme as Spencer’s. The cardinal principle of individual development and individual [variety] leads him to consider almost all forms of coercive social action not only as unnecessary but as positively harmful. He is only less extreme than Spencer in being less explicit.

Had Spencer’s work, therefore, proceeded solely on grounds of political justice, it might have been disregarded as irrelevant to the present discussion. It appeals, however, for support to another and entirely different line of argument. The formulation of the theory of evolution had disclosed a new view of the physical world in which the suffering or extermination of countless individuals appears only as part of a general process whereby those only survive which, in the truistic phase of the scientists, are ‘most fitted to survive.’ The improvement of the species by this ‘natural selection’ and the extinction of forms out of harmony with their environment thus seem to offer the key to the mechanism of the physical world. Not only does this line of reasoning apply to the whole individual man, animal or plant, but also to

the separate organs, members and parts of which the individual is composite. The one fitted for its environment survives and acquires complexity to match the increasing complexity of its environment. It even separates itself into a group of organs among which some primal and imperfectly performed function is distributed and performed with greater effectiveness. What was once a rude organism accomplishing the functions of skin, stomach, and lungs, differentiates into three organs, to which are separately entrusted the functions of respiration, digestion and breathing. Hence the biological law of differentiation and adaptation of organs to functions stands in closely conjunction with the still more comprehensive law of natural selection.

It was Spencer's especial task to attempt to convert this biological view into a law of social evolution, and to construct upon it his theory of government, or at least to fortify thereby his already constructed political theory. Thus government, this 'joint stock protective association,' stands merely for one of the different 'organs' of society. It must have entrusted to it only the function for which it is adapted: and with the advance of social complexity its scope must narrow as its efficiency deepens. 'A function to each organ and each organ to its own function,' says Spencer in the admirable chapter^[76] in which he unfolds this theorem, 'is the law of all organisation.... The lungs cannot digest, the heart cannot respire, the stomach cannot propel blood.... Must we not expect that with a government also, special adaptation to one end implies non-adaptation to other ends?' On this ground he argues that if government is properly fitted for the protective function it is unfitted for any others, supporting his argument with a detailed and caustic arraignment of the unwise 'interference' of government in the past. To the objection that the abstention of government from all but this minimum of duty of protection,—the negation of poor laws, education etc.,—would leave the weaker members of society a prey to the superior rapacity of their fellows, he brings to bear a 'brutally scientific' answer. The weaker ones he says must go to the wall: like the plants that are crowded out by others more fitted to thrive in the closely packed environment in which all 'struggle for existence,' they must give place to others better 'fitted to survive.' Spencer faces this conclusion with admirable boldness. 'It seems hard,' he says, 'that a laborer incapacitated by sickness from competing with his stronger fellows should have to bear the resulting privations. It seems hard that widows and orphans should be left to struggle for life or death. Nevertheless when regarded, not separately but in connection with the interests of universal humanity, these harsh fatalities are seen to be full of beneficence.'

The line of argument thus adopted Spencer applies later in detail to the various

contested functions of government and even to various activities universally consider[ed] as properly falling in the governmental sphere. The obstinacy of his partisan attitude leads him to deny even the economic utility of all forms of public works. The elaborate discussion in which he condemns national education, poor laws, government coinage and postage, docks, lighthouses, roads etc. is scarcely worth refutation.^[77] Nor will his main line of argument, specious though it is, stand the test of analysis. His main purpose,—to convert the doctrine of *laissez faire* into a sort of biological law,—is essentially fallacious. ‘Fitness to survive’ in the purely biological sense is [no] real criterion of what is deserving of survival. If it is assumed that widows will die unless the government helps them and that usurers will grow rich [unless] the government stops them, this seems but a poor reason for saying that widows *ought* to die and that usurers *ought* to grow rich. Nor is this all. For as soon as government does interfere, and does act, then, in the purely biological view, it becomes one of the operative forces which are to be taken into account. The fact that acorns if left alone cannot grow under a pine tree because of the droppings of pine needles, is no warrant for saying that one *ought* not to interfere by raking away the pine needles and letting the acorns ‘survive.’^[78] Spencer’s apparently plausible argument is really reducible to this: Government ought not to interfere because if it does interfere, it will prevent what would have happened if it didn’t interfere,—an argument which cannot be gainsaid but which is scarcely convincing.

VII

The Middle Century: The Turn of the Tide

‘There is,’ said Michel Chevalier in 1842,^[79] ‘a reaction going on in the best minds: the theories of social economy which find most favor are those in which Government (*le pouvoir*) is no longer regarded as a natural enemy but appears as an indefatigable and beneficent auxiliary, as a sort of tutelary guide and support. People are beginning to recognise that its function is to guide society towards good and to preserve it from evil, to be an active and intelligent promoter of public improvement, without pretending to a monopoly of this glorious prerogative.’ The point of view here indicated by Chevalier represents the uppermost economic thought of the middle of the century. In the preceding chapters of this essay the conflicting development of two antagonistic types of theory and two opposing lines of force has been traced. Individualism, on the one hand, fascinated, as it were, by the quasi-scientific precision of its own outline, has been seen to approach nearer and nearer to the narrow and impatient dogmatism of a central idea. On the other hand has appeared the protest of the humanitarians and Anti-Economists, inspired rather by a sense of revolt against the inadequacy of the doctrines of the individualists than by the adoption of any mature and completed doctrine to be substituted for the teaching of the latter. It is about in the middle of the century that these two opposing forces find their common resultant, and the trend of economic thought moves along a new line of modification and compromise.

The tone of the period is best indicated by John Stuart Mill in England and by Michel Chevalier in France. In Germany the movement of the middle century is still more pronounced. In the hands of the Historical School it becomes rather a process of reconstruction than one of mere modification. Further removed than even these from the starting point of nineteenth-century economics appear as an extreme left wing the German philosophic socialists under the lead of Karl Marx.

Even a cursory comparison of the writings of Mill with those of the preceding classicists of the English school reveals a notable difference in the treatment of the subject of governmental intervention. This difference lies in Mill’s consciousness of the magnitude and complexity of the issue involved. ‘The proper limits of the functions and agency of government,’ he declares to be ‘one of the most disputed questions both in political science and of political statesmanship.’ The amount of space which in his *Principles of Political Economy*, he devotes to the subject of

the functions of government testifies to his recognition of its importance. The whole of his fifth book is devoted to the influence of government and although six of its eleven chapters are given up to the subject of taxation and finance, the remaining five deal directly with the issue of governmental interference. If one adds to this the indirect treatment of the subject under such chapters as 'Remedies for Low Wages,' 'The Probable Future of the Laboring Class,' etc., it is seen that Mill goes further than any of his predecessors in his recognition of the importance of the problem involved.

The summation of his doctrine, as he himself states it,^[80] amounts *in point of form* to an acquiescence in the validity of the principle of individualism. '*Laissez faire*,' he says 'should be the general practice: every departure from it unless required by some great good is a certain evil.' This he supports by a restatement of the sluggishness and inefficiency apt to characterize governmental management, and brings out with lucidity the educative and stimulative value of individual effort. As far, therefore, as this general confession of faith is concerned, he seems to bring himself into line with the earlier economists. But the salient part of Mill's doctrine lies not so much in the general rule as thus stated as in the number and force of the exceptions which he has seen fit to append to it. After reading all that he has to say on the topic, one reaches the conclusion that the prominent position which he gives to *laissez faire* as a general principle is more a matter of form than of substance. The trend of Mill's intellectual development during this period was moving, as is well known, towards state-socialistic doctrines: this might perhaps lead one to conclude that his preference for this form of presentation reflects the earlier cast of his thought whose form he was unwilling to abandon even when subsequent modifications had in reality effected a fundamental alteration.

Examining in detail the extent of Mill's qualifications to the doctrine of *laissez faire*, one finds that even his opening propositions (Book V, Chapter XI, §§1 et seqq) as to the general inadequacy of government agency, are not laid down without serious qualification. At the very outset he shews that the restriction of the functions of government to protection of persons and property against force or fraud is one that has never been and cannot be entirely and consistently adopted. Such a restriction 'excludes some of the most indispensable and unanimously recognised of the duties of government.'^[81] Thus the laws regulating inheritance and defining property, however salutary and necessary, are not, argues Mill, repression of force or fraud. Similar examples are afforded by the legal theory of non-enforceable contracts, the *nuda pacta* of the lawyer, the function of judicial decision as apart from *mala fides* on the part of the litigants. Various other functions are to be

observed in the practical operation of all governments, which are of such obvious expediency and convenience as to be beyond objection, and yet which fail to come under the force and fraud category. Of these the most suggestive are the coining of money, the registration of births, etc., the prescription of standard weights and measures and similar activities. The restrictive principle of *laissez faire*, therefore, which at first sight seems to have at least the merit of consistency and precision, appears on a nearer view to be eminently debatable in its application and often opposed to the most obvious everyday expediency.

So much then for the general principle itself. Next follow the specific exceptions which are to be made in its operation. In viewing the very considerable list of these which is enumerated in Book V, one sees to what a large extent Mill's work reflects an economic and industrial environment as yet non-existent in the days of Adam Smith. The discussions of the regulation of the hours of labor, of the profits of stock companies and of the management of railroads reveal a new growth of economic problems in which the state and individual stand in a relation hitherto unseen.

Mill concedes as a preliminary the principle of public elementary education basing it on the usual ground of public interest. He then proceeds to enumerate his list of exceptions to the *laissez faire* principle. In the first place 'the non-interference principle breaks down entirely' in the case of 'an individual incapable of judging or acting for himself.' This limitation which in its general form would meet with universal acceptance, Mill applies to the specific instances of governmental interference with parental management of children,^[82] and to the regulation of the hours of children's labor.^[83] As a second exception, he thinks it expedient for the state to interfere to prevent the fulfilment of contracts in which the individual unwisely and irrevocably binds himself for the future.^[84] The third class of exceptions is of a width of range that is astounding. In 'that great class of cases in which the individuals can only manage the concern by delegated agency,' the so-called private management is in point of fact hardly better entitled to be called management by the persons interested than administration by a public officer. 'Whatever is left to spontaneous agency can only be done by joint stock associations, will often be as well and sometimes better done, so far as the actual work is concerned by the State.'^[85] The general arguments against the listlessness etc. of government management will as a rule prevail to keep in the hands of voluntary associations any things that are even tolerably well done by them. But nevertheless, 'it does not follow that the manner in which these associations perform their work should be entirely uncontrolled by the government.' This is especially the case where the nature of the operation carries with it a practical

monopoly, as in the case of gas and water companies, in which ‘though perfect freedom is allowed to competition, none really takes place.’ Such services, Mill argues, had better be performed by the state. Somewhat analogous are the cases of railroads and canals. ‘These are always in a great degree practical monopolies.’ The government, therefore, should not allow such undertakings to rest on a basis of unrestricted competition. ‘The state,’ says Mill, ‘should either reserve to itself a reversionary property in such public works, or should retain and freely exercise the right of fixing a maximum of fares and charges and from time to time varying that maximum.’ This is certainly far away from the orthodox individualism of twenty years before.

As the fourth case appears the discussion of the regulation of the hours of labor by the state, Mill’s attitude here is somewhat hesitating and unpronounced. He contents himself with a half way position. If we assume, he says, that shorter hours of labor, if universally adopted, would be a benefit to all concerned then it would be better for the government to fix a statutory limit of labor, for it could be well conceived that in this the whole question of feasibility and utility would lie in the universality of the practice. And since, acting on a purely voluntary system the single individual would find a great advantage in violating for his especial benefit, the rule adopted for the good of all, it would be impossible to prevent so much infringement of the principle as to rob it of its utility. The whole argument here depends for its point on the validity of the opening hypothesis of the profitableness of shorter hours.

Mill’s next exception is in favor of state aid to colonisation. He here stands as an advocate of the then much discussed system of Gibbon Wakefield, whereby the unoccupied colonial land, sold at a fair price, was to supply a fund for bringing out emigrants who, acting first as laborers on the land last purchased and presently becoming purchasers themselves, should set up a sort of ‘endless chain’ of state-aided immigrants. The discussion reflects a controversy of the day which has largely lost its interest.

A further exception consists in the policy of state charity. In this point he defends the basis of the English poor law of 1834,—public relief conditioned by such restrictions as to guarantee the community against having to maintain a self-perpetuating pauper class. To these large classes of exceptions is appended ‘a variety of cases in which important public services are to be performed while yet there is not individual specially interested in performing them.’^[86] Among these cases fall subsidies to voyages of discovery, to scientific research and in aid of *savants*. In conclusion Mill gives it as his opinion that ‘in the particular circumstances of a given age or nation there is scarcely anything really important to the general interest which

it may not be desirable or even necessary that the government should take upon itself.^[87]

So multifarious a list of exceptions seems to leave but little virtue in the general rule.

Michel Chevalier in his *Cours d'Economie Politique*,—a series of lectures delivered at the Collège de France (1841-3),—adopts a point of view that is practically identical. His discussions in regard to public works (Leçon 6),—in connection with which he would sanction state industry as a competitive stimulus to individual effort,—in regard to railroad policy,^[88] model factories (21) and so on is entirely analogous to Mill's treatment of the subject.

Great as is the alteration of the earlier point of view as seen in Mill and Chevalier, a still more searching reconsideration of the doctrine of the State was effected in consequence of the advent of the German Historical School. The doctrines of the orthodox school transplanted onto German soil had proved a languishing exotic. Though given something of official countenance during the Stein-Hardenberg reforms in Prussia in the early part of the century they nevertheless ran counter to the national and prevalent tendencies of the time. Their very fitness for the consolidated state and mature industrialism of England in the Peace Era rendered them out of place in their German environment. In a community of splintered principalities appealing for inspiration to the traditions of the past, and placing their hope in nationality as the solution of the future, the cosmopolitan economics of the Ricardians could obtain but a reluctant esteem. The appearance of the trinity of the historical school,—Roscher, Knies, and Hildebrand,—with their sweeping promises for the renovation of political economy, presented a point of view as kindred to the German environment as the classical economy had been alien. The scope of their work, or rather the scope of their intention, was of course wider than the question of the theory of state activity. Itself only a part of the general German movement in law, politics, and pure literature, it undertook to reconstruct political economy on the principles since commonly spoken of as the historical method. Of this new method Roscher's preface to his *Grundriss*,^[89] Roscher's *Grundlage*^[90] and Knies's *Politische Oekonomie*^[91] are manifestos. Discounting in advance the achievement to be accomplished by the adoption of their method, they announced a reformation in the system of Political Economy. Renouncing the idea of a 'system' and 'laws' of universal permanent and cosmopolitan validity, the historical school proposed to apply to economics the method of inductive investigation: to examine economic phenomena in the light of historical environment. Thus Roscher in his *Grundlagen* of

1854 (§26) writes: ‘In our theory we entirely renounce the construction of such ideals. What we attempt instead of this is the mere portrayal first, of the economic needs and nature of the nation; in the second place, of the laws and institutions which have been directed (bestimmt) to meet the same and finally of the greater or less success which they have had.’ The sections which follow this contain an exposition of the now familiar historical point of view. Similarly Knies in the third chapter of his Introduction^[92] contrasts the historical attitude with the ‘Absolutism,’ ‘Cosmopolitanism’ and Perpetualism of the orthodox school, laying especial stress on his favorite principle of the relativity of economic truth.^[93]

So far this is not a new doctrine of the duties of government but a new attitude towards economic truth in general. It carries with it, however, as the later history of German economics proves, the basis for the abandonment of the individualistic principle. For individualism, and the maxim of *laissez faire* either in its narrow sense or in an expanded interpretation, will be applicable only in such a historical environment as to make it applicable and not by any inherent virtue of its own resting on general deductions as to human nature. Thus all institutions, forms of government, scope of government, extent of liberty, etc. lose the appearance of being always good or always bad. Everything will depend on circumstances. There is to be no such thing as universal validity.

Herein lies the application of the historical idea to the doctrine of *laissez faire*. ‘The historic method,’ says Roscher, ‘will not simply praise or blame any economic institution: for certainly but few institutions have existed which to all people or in all stages of civilisation have been absolutely beneficent or absolutely detrimental.’^[94] This relative beneficence or harmfulness of institutions is thrown into a strong light by Roscher’s doctrine of the successive stages of national life. The nation passes through four periods,—a childhood or period in which nature (unaided production) is dominant, youth or the period of labor-economy, maturity or the era of commercial economy and finally the period of decay ending in national dissolution,—a finish whose fatalism smacks somewhat of the despised absolutism of the deductive theorist. Obviously the legislative needs of these periods are essentially different. In Roscher’s discussion of national policy under various heads in his *Grundlage* he makes use of these divisions of national life to shew that a certain form of state action may be adapted to the one but ill fitted for the other. Thus sumptuary laws and taxes upon luxury are in keeping with stage no. 2 and in the transition there from to stage no. 3, but are not applicable at a later period.

In the specific questions of state interference treated by these early exponents of

the historical method, the departure from the practical policy of the classicist is, with one considerable exception, more apparent than real. Roscher, for instance, in his *Grundlage* and the succeeding volumes which compose his *System* discusses various items such as Regulation of Wages (Vol. I, Book IV, Chapter III), Regulation of Interest (Vol. I, Book IV, Chapter V), Sumptuary Laws (Vol. I, Book IV, Chapter II)^[95] and so on. He amplifies and presumably enriches the discussion of each topic with great wealth of historical illustration and precedent, which give a false air of the 'relativity' desired. The conclusions, however, as that laws against strikes and in prohibition of usury (except where fraudulent) are not advisable seem a rather lame return to the conclusions^[96] of the classicist. The considerable exception referred to above is of course the matter of protective duties, the historical school being opponents of free trade. It must be remembered, however, that they were protectionists only *hic et nunc* for according to their own teaching a universalist protectionist would be of as objectionable a complexion as a universal free trader.

Thus the historical method, though aimed at a wider mark than the doctrine of non-intervention in industry, none the less comes plainly into contact with it. The earlier adherents of the school did not, however, address themselves to the specific task of working out a theory of state functions. It has remained, as will be seen in a later chapter, for the succeeding German economists to proceed to this.

VIII

Economists of the Close of the Century: England

The closing period in the history of the economic doctrine of the state may be said to embrace the last thirty years. The approximate date 1870 serves to mark the beginning of the last phase of the modern problem of the functions of government. The vexed alternative of interference or abstention here enters upon an acute stage.

The political and economic movement in the leading countries of the world has, in the last thirty years, tended to throw this question into the foreground of human interest. In England the extension of the franchise in 1867 (a reform completed by the later act of 1885) afforded for the first time a direct political representation to the proletariat class. Naturally therefore the question of remedial social interference assumed a new bearing. Legislation in favor of those who can neither vote nor influence votes, must always wear for the practical politician the dubious appearance of gratuitous philanthropy. Legislation on the other hand that is at once the reward and stimulus of a grateful constituency assumes the more pleasing aspect of a *quid pro quo*.

On the continent similar tendencies were operative. In Germany the foundation of the Empire (1871) opens an era of aggressive state control while, on the side of economic theory the establishment of the Verein für Social Politik (1872) marks the commencement of an active crusade in favor of state interference. In France the downfall of the Second Empire with its inconsistent admixture of doctrinaire liberalism and coercive paternalism, seemed to call for a reconstruction *de novo* of political institutions and political conceptions. It was the historical moment for taking thought. Finally in America, the close of the Civil War opened at this period an era of railroad development and industrial expansion which rapidly brought with it the vast problem of social control that now fills the American horizon.

Of necessity, then, the modern economist had perforce to swim with the current or be cast stranded and unheeded on the bank. In the face of the obvious legislative necessities of the era, governmental passivity was as little in place as the doctrine of non-resistance in time of war. The fact that economists, especially in England, had become associated in the public mind rightly or wrongly with this idea of governmental passivity was tending to bring the science into popular discredit and whelm its prestige in a temporary eclipse. From being the guidebook of the statesman political economy now began to figure as the 'shattered science,'

relegated by preference to the ‘inhabitants of Jupiter and Saturn’ instead of applied to the actual problems of the day.^[97] The time was therefore ripe for the economist to overhaul his principles and to rehabilitate, if not to reconstruct, his doctrines. To make a complete change of front was not permissible, the idea of scientific consistency seeming to exclude miraculous conversion. The economists of the period, most notably the English and American, have been driven to adopt a characteristically national attitude of compromise and reconciliation. They have moved along the line of least resistance, avoiding a complete breach with the past, yet expanding, modifying and renovating the older economic idea of the state. As in modern engineering a bridge or openwork structure is removed bit by bit and a new one inserted in its place with the continuity of existence being interrupted, so the economic theory of the state has undergone a process of simultaneous demolition and repair that has effected profound alteration without catastrophic change.^[98] The individualistic principle remains as the nominal basis of English and American economics: the practical interpretation of its teaching involves a large measure of state intervention.

Most illustrative of the opening of this new phase is the position taken by Cairnes in his well known essay on *Political Economy and Laissez Faire*.^[99] Uttered at a moment when the new Irish land legislation and the debates accompanying it marked the breach between the English government and the principle of inviolable free contract,^[100] the essay is intended as a vindication of political economy against the popular disrepute that was threatening to engulf it. The time seemed opportune for extricating the science from what Cairnes considered the general misconception of its purpose and attitude. ‘The prevailing notion is,’ says Cairnes, ‘that it undertakes to shew that wealth may be most rapidly accumulated and most fairly distributed ... by the simple process of leaving individuals to themselves ... This is the doctrine commonly known as *Laissez Faire*: and accordingly Political Economy is, I think, very generally regarded as a sort of scientific rendering of this maxim,—a vindication of freedom of industrial enterprise and of contract as the one and sufficient solution of all industrial problems.’ That the legislative policy thus indicated might be open to the accusation of insufficiency in the circumstances of the time, Cairnes freely admits. ‘In these islands where ... the extremes of wealth and poverty are found in harsher contrast than they have ever been found elsewhere, ... where the entire land of the country is owned by less than 100,000 persons out of 30,000,000; where one in every twenty persons is a pauper ... I ask if any one can seriously consider this state of things, and yet repose in absolute satisfaction and confidence on his maxim of

Laissez Faire?^[101]

Having thus set before himself the problem, Cairnes proceeds to the solution of it. His method is to extricate political economy from all responsibility in the matter by withdrawing it to the neutral ground of a pure science, not a practical art. Political economy is, or should be regarded as a Science, similar in its aspect to chemistry, physics and astronomy. It investigates a series of phenomena involving relations of cause and effect. But it has no bias in favor of any particular line of conduct: it indicates causes and consequences but has nothing to prescribe or inculcate. The precept *laissez faire* is not therefore to be regarded as dictated by political economy. 'I am here anxious,' writes Cairnes,

to insist on this fundamental point: whatever takes the form of a plan aiming at practical ends ... has none of the characteristics of a science and has no just claim to the name ... Political economy is a science in the same sense in which Astronomy, Dynamics, Chemistry, Physiology are sciences.... Its subject matter is different: it deals with the phenomena of wealth while they deal with the phenomena of the physical universe: but its methods[,] its aims, the character of its conclusions are the same as theirs ... what chemistry does for the phenomena of chemical combination ... that political economy does for the phenomena of wealth ... that is to say, it expounds the laws of the phenomena of wealth.^[102] As thus conceived political economy stands apart from all particular systems of social and individual existence.... it has nothing to do with *laissez faire* any more than communism.^[103]

Cairnes thus attempts to shift the ground occupied by the economist and, by removing him to the neutrality of a purely scientific position, to evade the responsibility of dictating *laissez faire* or any other particular line of conduct. The economist, like the chemist, is to be viewed as tracing the causal connection of a series of phenomena without deducing therefrom the principles of a didactic art. His occupation is merely to let the facts speak for themselves.

The position thus taken appears, on a nearer analysis, to be specious rather than convincing. It is clear that if political economy, in indicating the relations of cause and effect within a group of economic facts, makes it evident that certain economic actions and omissions result, let us say, in national pauperism or national opulence, then clearly nothing but wilful mental passivity would prevent the mind from the inferential operation that would convert economic analysis into economic didactics.

Granted that political economy is, as Cairnes would have it, a body of unbiased knowledge covering a group of phenomena in a scientific aspect, this still does not exclude the conception of *laissez faire*. For it may be that the facts as thus presented by the neutral and scientific observer warrant the deductions expressed in the precept. Cairnes's attitude therefore does not solve the difficulty but only shelves it, or rather devolves it from the 'scientist' to someone else: for this wilfully reticent scientist must needs be supplemented by an interpreter. The problem, in that case, of what scientific basis there may be to justify the interpreter in dictating *laissez faire*, is practically the same as it was when treated at first hand by the scientist himself.

Of writers of the same period Thorold Rogers, Toynbee and Walter Bagehot may be cited as attempting to modify the earlier economic doctrine without abandoning its basis. Rogers, as having most expressly pronounced himself on the subject of *laissez faire*, may be mentioned first.^[104] Representing, along with Leslie, Toynbee and others, the influence of the historical school on English economic thought, Rogers seeks to emancipate himself from the abstract reasoning of the Ricardians. Like Cairnes, however, he is unwilling to break completely with the earlier economic doctrine of the state and accepts freedom of contract and individual self interest as the basis of economic life under state guardianship. But this freedom of contract and individual should presuppose for its operation a fair starting point. '*Laissez faire*,' says Rogers, 'when it can be most excused or most defended postulates equality of conditions in order that it may affirm equality of contracting power.'^[105] Now this equality of opportunity does not, so he argues, in actual fact exist. The whole legislation of England in the past has been the legislation of class against class, in most cases of one class or caste,—the landowners,—against the rest of the community. This is a sore subject with Professor Rogers: he has elaborated his views on it with much circumstantial detail in his *Six Centuries of Work and Wages*, and reiterates it in his *Economic Interpretation of History* with almost spiteful pertinacity.^[106] 'The fact is,' he says, 'that the practice of parliaments and governments....'^[107]

Having thus formulated his accusation against the legislation of the past, he shews its bearing on the present applicability of *laissez faire*. 'The application of the doctrine of *laissez faire* is impracticable in all cases where the present situation is ... the result of past legislation.' *Laissez faire*, therefore, in the case of England breaks^[108] down as far as the working classes is concerned. 'I have pointed out,' says Rogers, 'that the beggary of the working class was the direct and deliberate work of the legislature...'

Around this point, therefore, centres the contribution of Prof. Rogers to the present discussion. The state, he argues, having been positively and maliciously active in the past, must not now shelter itself behind an attitude of passive neutrality. It is incumbent on it to adopt a policy of rectification. On these grounds he is an ardent advocate of working class legislation of various kinds, of factory acts, truck acts and of state education. He admits at the same time that state-help is inferior in inefficiency to concerted action.^[109]

Arnold Toynbee, whose brief work in Economics earned for him a distinguished place among modern English economists, may also be taken as representative of the historical movement in England. Although disclaiming what he declares to be the extreme attitude of the historical school,^[110] his work is nevertheless closely analogous to that of the school of German writers discussed in the preceding chapter. Like them he protests against the highly abstract economics of the classical school, and the idea of invariable law.^[111] ‘The political economy of Ricardo,’ he declares, ‘is at last rejected as an intellectual imposture.’ With this political economy of Ricardo he identifies the maxim *laissez faire* in its widest sense, and declares it to have broken down in practice in the same way as the deductive system on which it rests has broken down in theory. Its failure, in assuming that it is ‘in the interest of the producer to manufacture honest wares,’ necessitates such legislation as Adulteration Acts: its failure to take account of the possibility of monopoly is a second indictment, and finally there is the ‘complete breakdown of the *laissez faire* system in the question of wages.’^[112] Toynbee attempts no precise delineation of the true functions of the state. ‘Such an attempt,’ he says, ‘must be abandoned. The proper limits of government interference are relative to the nature of each particular state, and to its stage of development.’^[113]

Walter Bagehot, writing during the same period, presents a rather different point of view.^[114] Here the central idea is the rehabilitation, within legitimate bounds, of the deductive method. The historical method, he claims, when cut adrift from deduction and pushed to the logical consequences of its own standpoint, degenerates into an infinite series of enumerated single instances, a catalogue of economic facts devoid of significance. On such terms completeness of economic inquiry becomes as impossible as a complete ‘record of human conversation.’ A recognition of the futility of such an inquiry forces us back upon deduction as a necessary process of economic thought. Bagehot, therefore, while denying the tendency of earlier economists to impatient generalisation, is ardent in defence of deductive reasoning as the main reliance of the science. Had he attempted, in accord with this, a systematic

sketch of the economic functions of the state, it would have been interesting to see to what extent his restoration of the deductive principle would have led him to adopt the principle of *laissez faire*. Even from his indirect comments in this direction it is easily seen that he would have accepted *laissez faire* only in a considerably modified form. He would at best apply it only to the economics of the modern business situation. The governmental interference of the past that seemed to violate the teachings of economics Bagehot is prepared to a great extent to defend.^[115]

It is noticeable, in surveying the course of political economy in England during the nineteenth century, how few of the economists (Mill being among the exceptions) have undertaken a formal discussion of the functions of government in any detail. And it is decidedly an index of the present direction of economic thought, that two of the most recent writers on the subject should have done so. Prof. Sidgwick in the third Book of his *Principles* (1883) under the title of the ‘Art of Political Economy,’ and Professor Nicholson in the recently published third volume of his *Principles* (1901) each present an elaborate and painstaking survey of the whole topic. Their treatment may be taken as typifying the present attitude of the authoritative English economists.

Sidgwick takes as the ethical ground on which his discussion is based the principle of utilitarianism, a principle with which his name is associated in other connections. Applying this to the sphere of government, the solution of the problem would be that government should undertake all those things which contribute to the greatest good of the greatest number (measured in terms of ultimate consequences) and should leave to the individual all these things which if done by the individual will be conducive in like manner to the greatest good of the greatest number. On this basis then there is no prejudice in favor of individual freedom in and of itself: the invasion of the ‘rights’ of the individual by interference with his ‘liberty’ is justifiable to any extent provided it conforms to the utilitarian formula. To the solution thus offered, as in the more general doctrine of the utilitarian theory of individual conduct, the difficulty lies less in the principle than in the application what are those actions on the part of the government which are conducive to the ‘greatest good’?; the category still remains to be constructed and the light afforded in practice by the apparently luminous principle shines but dimly. As Sidgwick interprets the application it is one of cautious and elaborate compromise. *Laissez faire* is to remain as the general deduction from the first principle but it is to undergo ‘important qualifications and exceptions.’ Of these qualifications, some^[116] are based upon the fact that government must in many cases interfere in economic concerns for reasons not primarily economic: thus the exigencies of national defense (involving the construction

of military railroads, manufacture of ordinance etc.), or various considerations of a 'protective' nature, may occasion activities on the part of the state which seriously intrude upon the economic field. Another large class of qualifications^[117] is found in those cases in which, in the purely economic sense, the interference of government may increase productivity. Here are cited the examples of governmental interference with transportation, government postage and coinage and the various forms of productive public works; the case of tariff protection to infant industries is somewhat reluctantly defended by Sidgwick under this head.^[118] Turning from the productive to the distributive side of the question, the discussion follows as to whether the government may not, in seeking the greatest good of the greatest number, intervene to counteract the inequalities of distribution under the competitive system. If Bentham's two propositions, first that an increase of wealth is equal to an increase of happiness, and second that successive increases of wealth fail after a certain point to produce successive increases of happiness, then it would seem to follow that intervention would be justifiable with a view to promoting equality of distribution. Such a point of view would open a wide field to the action of the state in the shape of confiscatory progressive taxation, prescription of minimum wages, prohibitive taxation of luxuries and so forth. Sidgwick, however, prefers to avoid the extremity of the issue by drawing attention to the considerations in the other scale of the balance; the possibility of increasing idleness, decreasing saving and efficiency of capital, overstimulation of population indicates the fact that such distributive interference, if carried too far, might defeat its own end by heavily diminishing the sum total to be distributed. The most unique part of Sidgwick's discussion and that which may be considered his especial personal contribution to the subject in hand lies in a somewhat earlier chapter.^[119] Preceding economists, he says, have frequently assumed that a complete policy of *laissez faire* is impossible because the actual community are not a community of 'economic men.' But, he argues, even in a community of economic men, an examination of the effects deducible from complete non-intervention does not justify the assumption of its validity. For among such individuals, and looking solely to maximum economic effect, would not the arguments for control of monopoly, prohibition of children's labor etc. still hold good? The argument, though belonging only to the pure theory of the matter, seems a sound one.

Professor Nicholson, though differing in the details of his elaborate discussion from that of Sidgwick, presents in conclusion a similar attitude of compromise. The ideal of *laissez faire*, he says, must be abandoned as a 'single principle': wherever it

conflicts with natural justice it must give way. 'Thus all that seems left of the principle of natural liberty, considered as the most general rule of political action, is simply the presumption that the burden of proof lies on those who advocate state control.'^[120] The principle of maximum utility, Nicholson also refuses as a solution; the Benthamite propositions cited above he endeavors to set aside by proving the cultural disadvantages of equality of wealth. The two succeeding chapters (II and III of Book V) contain an elaborate treatment of the Benefits and Failures of individualism, but present nothing really new. The final conclusion of Prof. Nicholson appears to be that 'there is no simple test, of advantage or disadvantage, of benefit or injury by which it can be decided whether individual freedom or state control is preferable.'^[121] The bearing of Nicholson's treatment of the subject lies therefore rather in the large share of attention which it occupies in his *Principles* rather than in the specific form of his opinions.

IX

English Legislative Policy: The New State Interference

During this period of thirty years (1870-1900) while the views of the English economists have undergone such a marked modification, or rather such careful elaboration in reference to the economic sphere of government, the progressive alteration in the legislative policy of the country has been equally noticeable. It would indeed be false to regard this legislative policy as dictated or indeed influenced to any extent by the new attitude of the theoretical economists. Both are rather the outcome of a new and widespread public opinion arising from an altered industrial environment. The debates accompanying the Gladstonian land laws for Ireland (1870 and 1881) may be taken as indicating the final breach between theoretical economics and the practical policy of the English government. Henceforth their paths, though similar, are separate. Such influence as is exercised is no longer reciprocal but unilateral: the theorists are of necessity concerned with the content and consequences of the legislation of the day: the legislation on the other hand is not based on any general theoretical view: it is opportunistic, the outcome of concrete necessities rather than of dominant ideas. It is thus that England has drifted into a large degree of state interference with but little public recognition of the fact and with no formal recantation of public faith. The Land Acts, Dwelling Acts, Allotment Acts, the extension of the principle of 'protection' and the violation of the principle of unimpeded contract in various recent statutes, have afforded, in the direction of 'state socialism' the spectacle of a covenant of works more abiding than the louder pretensions of a convert more ostentatiously zealous.

Of these different statutes the Land Acts,—now about to culminate in a gigantic financial operation which will virtually replace individual proprietorship by state ownership of the Irish land,^[122]—merits the most prominent place.

It has been in Ireland that the principle of free contract as applied to land tenures has appeared in the sorriest light. The conquest of the Island by the English and the superimposition of an alien landlord class over the original native cultivators, the partial ousting of the latter by immigrant alien occupants, the enormous increase of the population with the introduction of the potato culture, produced, by the opening of the nineteenth century a state of affairs in which free contract in land, as usually understood, was quite impossible.^[123] The overcrowded peasantry, willing to accept a tenancy on any terms, overbid one another until nominal rents stood regularly

above the ability of the occupants to pay, often above the entire produce of the ground. Under such circumstances the rent became a mere tribute limited only by the utmost capacity of the tenant to pay. It was the squeezing of a sponge. The tenant thus fell permanently into arrears, liable to eviction at will. Agricultural improvements in such cases accrued only to the benefit of the landlord and furnished a reason for the alternative of eviction or the elevation of the already inflated rent. The potato famine of 1845 and '46, with the devastation it brought in its train, filled to overflowing the cup of misery of the Irish tenantry and called aloud for legislation.

This remedial legislation has been afforded by the Gladstonian land acts of 1870 and 1881 and by later supplemental statutes culminating in the Land Purchase Bill of the present year. In these the principle of free contract in land has been entirely thrown overboard, and that of state arbitration adopted in its stead. The acts of 1870 and 1881 take as their basis the usage already existing and known as the 'Ulster custom.' This customary tenancy rested on a set of special privileges enjoyed by the Ulster tenants and representing historically the inducements offered to encourage English and Scotch emigration into the 'pale.' In popular parlance these privileges figured as the three F's,—fixed tenure, fair rent and free sale.

A tenant enjoying such advantages was free from eviction as long as he paid his customary rent, and was entitled, if desirous of giving up his holding, to sell out his tenant-right to the newcomer. His vested interest included compensation for any agricultural improvements he might have effected. The original act of 1870, while giving to the Ulster custom the force of law in Ulster, proved abortive in the provisions it applied to the rest of Ireland, owing to the immediate resort of the landlords to 'contracting out' of it. It remained for the succeeding act of 1881^[124] to accomplish in Ireland a complete agrarian revolution. By its provisions fixity of tenure, free sale and fair rent were extended to all Irish tenants-at-will. It established a land commission, with subcommissions, authorised to judicially fix rent on the application of the tenants. The rents as thus settled remain constant for fifteen years. Subsequent legislation has extended these provisions to lease holding tenants and made various modifications.^[125]

This, however, represents only one phase of modern land legislation in Ireland: the system of Land Purchase affords a still more comprehensive instance of the expanding scope of state action. The acts of 1870 and 1881 contained provisions whereby the tenant was enabled to buy out his landlord with funds borrowed from the government. The tenant himself was called upon to furnish a certain fraction of the purchase money. The act of 1885 (Lord Ashburne's Act)^[126] went still further in

the same direction by absolving the tenant from making any advance at all, the entire sum needed for the purchase being supplied by the government. Repayment was to be made in forty-nine annual instalments at four per cent. This act went into brisk operation, some 10 million pounds being loaned by the government between 1885 and 1891. A statute of the latter year^[127] enabled the government to buy out the landlord with government stock instead of money, a special stock issue being created for the purpose. Subsequent acts have extended somewhat further the same principle.^[128]

At the present juncture the question of Irish land purchase has reached a peculiarly acute stage. The Irish nationalists, dissatisfied with the working of the 'dual ownership' of the Acts cited above, are clamorous for a further and final step in the direction of land purchase. This government is urged to apply the principle of expropriation and to buy out all the landlords and thus to become the sole landlord in Ireland, until the liquidation of the tenants' annual payments shall convert the latter into a class of peasant proprietors. The adhesion of the Northern Irish to the scheme has brought to a united front the discordant elements of Irish political factions.^[129] A conference of landlords and tenants at Dublin in the autumn of 1902 has declared the willingness of the present owners to abdicate in favor of the government. A bill prepared on the lines suggested, though avoiding the application of the principle of expropriation, is now before parliament.

A somewhat analogous case of land legislation in extension of the functions of government is afforded by the Allotment Acts. These acts, made familiar to the English public by the popular byword of 'three acres and a cow,' represent an attempt to restore the laborer to the ownership of the land. Bereft of the 'rude plenty of the fourteenth century' and gradually divorced from the soil by the progress of the enclosure Acts,^[130] the laborer had gradually drifted into the purely contractual position, connected with his agricultural operations solely by that 'cash nexus,' so abhorrent to Thomas Carlyle. He retained, however, in his rapidly vanishing rights of common and pasturage, some lingering vestige of his earlier relation to the land, and with the faint yet persistent tradition of a former status that filtered to him through distant centuries. The renewed enclosures of the middle of the eighteenth and again in the nineteenth centuries^[131] had left in the mind of the peasantry a rancorous and sullen discontent. In the mind of the upper class some apprehension of the turning of the trodden worm, mingled with a more disinterested regret at the decay of the yeomanry, has led to a movement in favor of restoring the contract laborer to the status of a peasant proprietor. To this end the activity of the local organs of

government has been invoked in a series of acts known as the Allotment acts. The general principle of these acts (1882, 1887, 1890, 1892) is to empower the local authorities to buy land, or even to expropriate land, and then let it out to peasant proprietors. The latter pay a terminating annuity of the same nature as the Irish land purchase payments, or may at the discretion of the local authority substitute a permanent yearly rent.^[132] Although in practice these acts have proved sadly inoperative, the principle they embody seems of considerable importance. Intended, as they are, for a sort of compensation for the past and present spoliation of the Enclosure Acts, they typify governmental interference in the shape of rectification,—that legislative penitence of which Thorold Rogers was the champion.

The Dwellings Acts^[133] are statutes in reference to state regulation of the dwellings of the poor. Starting from the basis of sanitary ‘protection’ they in reality confer upon the local authorities a wide discretionary power. Their provisions cover not only general supervision but extend also to demolition and removal of unsanitary buildings, with power to erect municipal lodgings for the poor, or to advance money to building societies for that purpose. The last two provisions have not as yet been free to any extended practical application.

The domain of free contract as between employer and employed has been seriously invaded by a number of recent statutes. Of these, the consolidated Factory and Workshops Acts of 1901,^[134] while re-enacting the provisions of 1878 as to hours of employment, contains (Part I §§1-9) an elaborate code of protective provisions. The Truck Act of 1887,^[135] while confirming the provisions of 1 & 2 Will. 4 in prohibiting wages in kind, penalizes various kinds of elusive contracts calculated to defeat the intent of the act. The Merchant Shipping Act of 1894^[136] contains provisions in restraint of free contract for seamen’s wages. The same statute illustrates the expansion of the protective principle in its regulations (§438) as to the maximum load line, packing of cargo, compulsory medical stores. More important still are the Employers Liability Acts. Till 1880 the relation of employer and employed remained on a basis of free contract as far as any injury to the employee was concerned. Apart from contracted stipulations to the contrary, the employer was amenable only to the common law liability for damage done by his personal negligence. The common law principle of ‘common employment’ was held moreover to exonerate the employer from responsibility for injury caused to one employee by the negligence of another. The act of 1880^[137] annulling the principle of common employment marks the first step in a changed relation of employer and employed that is carried to a revolutionary length in the subsequent act of 1897.^[138] By this act

all question of negligence is set aside in favor of compulsory compensation by the employers for injuries received. The act extends to all those employed in railroads, or engineering, building and constructing works, or in factories and mines. It presents a varying pecuniary compensation, based on amount of weekly wages, and a compensation (£150-£300) paid to the relations of employees accidentally killed. It thus forces the employer into the position of an insurer bound to guarantee his workmen from injury. The act of 1901^[139] extends the insurance to agriculture laborers.

The impression created by these tendencies of recent English legislation is heightened, if one adds to these statutes the various legislative projects of a state-socialistic nature which, though failing to become law, have nevertheless occupied serious attention and received a wide support. Of these the Employers Liability Bill of 1893, creating a lien in favor of the injured workman,^[140] is an example. More notable is the old age pension bill, which, though repudiated by its original sponsors and left to languish on the doorstep of the commons, will probably meet with renewed attention in the future. The strong current of opinion in the direction of municipal ownership, and the feverish if not always fortunate financial activity of the local governing bodies, constitute a topic beyond the scope of the present essay. They illustrate, however, the present drift of English tendency towards state socialistic legislation.

X

American Economists and American Legislative Policy

In America the evolution of opinion in reference to the economic sphere of the state has followed in the main a path closely analogous to that traversed in England. Certain modifications to the truth of this general statement must, however, be noticed. In the first place it was not until after the era commonly associated with the dominance of the *laissez faire* principle, that any considerable body of economic writing was produced in the United States or any widespread attention devoted to theoretical economics. It is true, also, that in one important instance, the case of protective duties, the trend of American opinion has favored a somewhat opportunistic policy of interference. It is furthermore to be observed that in most recent times the peculiar exigencies of the national industrial situation seem to establish a current of opinion in favor of public regulation even more powerful than in England. Nor must it be forgotten that in America the entire situation, from the point of view of legislative policy, is cross-grained by the legal difficulties arising from limited constitutional competence.

With the limitations indicated by the above general considerations, however, the movement in the two countries has been largely identical. The Americans during the earlier years of their history under the constitution were largely under the influence of individualism. The principle embodied in it entered into their life and enlisted their sympathies from another and a peculiar angle. With the American people government had been somewhat discredited. Born of an emigrant colonist stock, wringing its sustenance from the reluctant wilderness, the idea of self reliance was strong in them. True it is that in many ways this very struggle against nature had bred an instinctive tendency to associated effort and a peculiar facility in the art of political combination. But with the Americans this was always on the political rather than on the economic side. From the time when the original planters of the Virginia company and the first settlers of Plymouth alike abandoned their temporary and enforced resort to communistic tenure, the American stood economically alone. Thus the idea of government was encrusted with associations of alien overlordship. It had been too nearly synonymous with land fees, quick rents, tobacco dues and the salary of a royal governor. 'Government' spelled taxation and taxation meant abhorrence.^[141]

Hence it was that the idea of not being governed, of being left alone to work out one's own destinies, was uppermost in the American mind during the formative

period of American institutions. In the era of the confederation it was strong enough to bring the country to the brink of anarchy.^[142] Even when the object-lessons of experience had drawn the nation together under the federal constitution, the strong leaven of the old sentiment was still a powerful influence. It formed the central idea of the party that presently achieved national predominance.^[143] No man perhaps was ever at once more representative of, and more influential upon, the political ideas of the United States than Thomas Jefferson: and Jefferson's political creed was largely based on the idea of individual independence and individual initiative. During his residence in France (1784-9) he had occasion to observe the condition of that country at the most critical juncture of its history; the lesson he draws therefrom is that of the evils of over-government.^[144] The maxim 'pas trop gouverner,' which he thus learned in France, he helped to instil into his countrymen, and the principle of restricted government, favored by the growing prosperity of the country in the opening years of the nineteenth century, and by the natural self sufficiency of the members of an agricultural community—became embedded in the structure of American ideas.

Very naturally then the doctrine of *laissez faire* found in America a congenial soil. To the early American writers on economics, it not only coincided with the characteristic tendency of national opinion, but bore also the impressive stamp of the authority of European scholarship. It is thus scarcely to be wondered at that the writers of the early part of the nineteenth century accepted the idea of *laissez faire* as the central point of their doctrine, reproducing the current one-sided presentation of the English school with what General Walker has called 'Chinese fidelity.'^[145]

Thus Thomas Cooper, President of South Carolina College and Professor of Chemistry and Political Economy, produced in 1826 a volume of *Lectures*, conceived entirely in the tone of the Ricardian school. Eulogising, in a short summary of political economy in his opening chapter, the work of the English classical writers, he coincides entirely with their views on rent profits and trade in the body of his treatise, expressly denouncing the tariff policy then advocated by Henry Clay. In the chapters^[146] which he devotes to the sphere of government he condemns poor laws (except on a most restricted basis) but sanctions works of public productivity. He offers a rather original discussion on the duty of government to act as a bureau of statistics but beyond that his discussion is identical with that of McCulloch.

Equally illustrative is the attitude of the reverend Dr. Francis Wayland,^[147] sometime of Brown University, 'professor of intellectual and moral philosophy.' He reproduces the simplicity of outline, the arid precision and the 'dead sureness' of the

classicists. This he combined as befitting his station with a theological bias, well calculated to bring political economy under the general heading of 'moral philosophy.' With didactic purpose he presently compressed his *Elements* into an abridgment to 'adapt it to the attainments of youth.' As thus 'adapted' it occupied from 1889 onwards no inconsiderable place in the education of the next generation. Wayland makes no formal exposition of the principles of governmental action but the substance of his doctrine is such as to shew clearly that 'il mondo va da sè.' He has a chapter^[148] on the subject of 'the conditions of society which present the greatest encouragements to industry.' Here he lays it down as a cardinal doctrine with some pomp of presentation that 'every man must be allowed to gain all he can' (p. 71), supplementing it with the attendant proposition that 'he must be allowed to use it as he will' (p. 76). A similar stimulus to industry on the negative side appears in his succeeding canon,^[149]—'in order that men should be industrious it is necessary that they should be left to suffer the results of idleness.' This train of thought incidentally brings him,—round the corner, as it were,—to the subject of poor laws. Here he mitigates somewhat the straightness of his principles,—a compromise that presumably reflects a conflict between the exactitude of an economist and the humaner tendencies of a Doctor of Divinity. 'It is a bad plan,' he says (p. 84), 'to have any provision by means of poor laws or public charity by which a man can be supported without labor.' Later on, however, he states (p. 252) that some provision for such paupers as are 'old and decrepit and, having no relatives on whom to rely for support, must perish unless relieved by charity,' is among the legitimate expenses of government. He brings the usual arguments to bear in favor of freedom of exchange, rejecting the 'American' position of protection to infant industries: 'just as fast as a new country becomes able to manufacture for itself as cheaply as it can procure any article by exchange it will *of course* do it and the exchange in that particular article will from that time cease' (p. 107). Wayland's use of the phrase 'of course' is characteristic of the single-minded certainty of his attitude.

In despite, however, of the individualistic tendencies of the earlier period, the peculiar economic circumstances of the country originated in some writers a divergent line of thought. As far back as the administration of Thomas Jefferson^[150] the movement towards 'internal improvements' (the policy of state aid to public works) had commenced, and after the war of 1812 the protective tariff,^[151] which had, previous to that date, been a fiscal and not an economic measure, rapidly tended to become a cardinal feature of American policy. To this practical sphere of action corresponded on the theoretical side the writings of Henry Carey,^[152] one of

the earliest exponents of the policy of state aid to manufacture by means of protective duties. Dr. Francis Bowen, at a somewhat later date, also is an advocate of the protective system though his work contains no further discussion of governmental intervention.^[153] The main current of opinion, however, ran in the well worn groove of individualism, flowing more freely and faster during the era of the international movement towards free trade (1845-70). Of this period Amasa Walker's *Science of Wealth*,^[154] containing an exposition (Book, III. Pt. I) of free trade principles entirely on the line of the English classicists, is the most representative work. Professor Perry's *Elements of Political Economy* is in a similar vein.^[155]

Such was the general trend of opinion during the 'middle period' of American history. In this, as in so many other aspects of national history, the close of the Civil War marks the advent of a new era. The twenty years after the war witnessed an industrial movement which presently brought into play economic forces beyond the scope of the earlier philosophy. The progress of factory industry and the growth of a non-agricultural laboring class^[156] had already far removed the American community from the economic environment which had given such a powerful impetus to individualism. The great expansion of the railroads, and the hap-hazard policy of state encouragement and state restriction which accompanied it, now brought into prominence the transportation question, the opening phase of the trust question of the present day. The period of the early eighties was consequently marked by a fermentation of economic opinion, which has resulted not in the overthrow, but in the reconsideration and recasting of the earlier economic doctrine. The time was ripe for an overhauling of the older ideas and for sober second thought as to their sufficiency in the new environment.

The organisation of the American Economic Association first gave utterance to the new ideas thus brought to the surface. In the spring of 1885, steps were taken to form a society of economists representing a departure from the traditional standpoint of the classical economists. As might naturally be expected in a new movement, a tendency was at once manifested to push the leading ideas of the 'new school' to an extreme, and to adopt an almost revolutionary attitude towards the earlier economics. 'We regard the state,' runs the prospectus or circular of invitation of 1885, 'as an educational and ethical agency whose positive aide is an indispensable condition of human progress. While we recognise the necessity of individual initiative in industrial life, we hold that the doctrine of *laissez faire* is unsafe in politics and unsound in morals.'^[157] It will be observed that both here and in the subsequent

discussions at the formation of the Association, the phrase *laissez faire* was made to do duty for a conception that in no degree corresponded to its original significance at the hands of the Physiocrats. Extreme as was the original prospectus, it elicited assenting opinions from several leading economists. 'I agree with you entirely,' wrote President White of Cornell, 'that the *laissez faire* theory is entirely inadequate to the needs of modern states.'^[158] On the organisation of the Society at Saratoga in September 1885, a similar position was adopted in the 'Statement of principles' laid before the Association by Dr. Richard Ely. Here it was reiterated that 'the *laissez faire* theory is unsafe in politics and unsound in morals and that it suggests an inadequate explanation of the relation between the state and the citizens.'^[159] The discussion which ensued on the aims and principles of the association proved, however, that the prospective members were by no means unanimous in adopting so defiant an attitude towards the earlier economists. Professor Henry Adams feared 'lest a formal denial of the claims of *laissez faire* might be construed to mean an acceptance of what is popularly known as the German view of social relations.'^[160] Professor Alexander Johnson 'did not care to see any sweeping condemnation of the much abused doctrine of *laissez faire*.' Other expressions of dissent resulted in the adoption into the constitution of the Association of a statement of principles much more moderate in its tone than that originally suggested.^[161]

As thus organised the Association contained among its members some of the prominent names among rising economists.^[162] Setting before itself the general object of economic research, with a tincture of animus against the earlier teachings of the orthodox school, it has since held a series of annual meetings as a result of which it has published a number of economic monographs of considerable value. Though it has not in the sequel identified itself with the extreme doctrines that animated some of its founders, the Association has nevertheless largely concerned itself with investigations on an inductive basis bearing on the proper scope of government.^[163]

Of definite pronouncements thus made in reference to the principles of state action, the most noteworthy is that of Professor Henry Carter Adams on 'The Relation of the State to Industrial Action,' published by the association in 1886. This may be taken as the most representative statement of the views of the 'new school.' After a searching criticism^[164] of the 'illogical doctrine of *laissez faire*' whose 'fundamental error' Prof. Adams finds in the assumption that individual and social interests are identical and that individuals will always follow their true interest, the writer proceeds to the central idea of his essay. This is to establish as the basis of state action a new form of regulative function. Free competition is to prevail but it

must be competition that is really free. Whenever individual aggressiveness operates to set up an unfair advantage that distorts the conditions of competitive production, the state is to interfere. The state is to act as a sort of arbiter or umpire whose business it is to see fair play. The position taken is thus somewhat analogous to that of the earlier philosophic individualists and suggests the 'hindering of a hindering of liberty' as formulated by Kant. But in the practical scope which is intended by Professor Adams as its legitimate field, it sweeps a wider orbit than the Kantian maxim. It is intended especially to bring within the scope of governmental control that large class of unfair competitive advantages,—railroad discriminations, rebates, intimidations etc.,—that are such familiar obstructions in the present industrial environment.

It is interesting to note that Professor Adams thus ranks himself among those economists who seek to bring to the vexed question of the functions of government the solvent of a single principle. The extreme idea of *laissez faire* (as held, for example, by Spencer) had at least the merit of enunciating a simple and precise formula of universal validity. The discredit of that formula has seemed by false analogy to necessitate to the substitution of some other single and uniform principle. Hence this solution of a 'single principle' has hovered as an alluring *ignis fatuus* before the eyes of modern economists. Thorold Rogers, as has been seen, seeks to find it in the idea of 'rectification of the past': Professor Adams in the rectification of the present. Sidgwick lays hold of the principle of maximum utility and even Cairnes himself, while disclaiming a single principle of action, adopts what is very similar to it in his attempted unification of the point of view.

The main difficulty with this theorem of Professor Adams would seem perhaps to lie in its application. In this it resembles the principle of maximum utility as examined above. The objection against it arises not so much against the theoretical aspect of this criterion of state action, as in deciding in practice what actual cases come under the rule. Several modern economists seem inclined, however, to follow the lead of Professor Adams in their discussion of the present trust question, which may be considered the American form of the problem of the functions of the state. Thus Prof. J.B. Clark in his 'Control of Trusts' looks to state prevention of 'predatory competition' as the proper attitude to be adopted by the government. Of similar character is the whole 'publicity policy' as recommended by Professor Jenks and others, the intent of it being to curb the unfair advantages of over-aggressive competitions.

An admirable critique of the tendencies of this 'new school' of economists is offered by the late Professor Dunbar, writing in the first number of the *Quarterly*

Journal of Economics. The main purpose of the article is conciliatory, the writer attempting to harmonise the claims of deductive and inductive reasoning and to shew their mutual dependence and support. Turning from this more general topic to the discussion of *laissez faire*, the argument hardly appears so convincing. He prefers to regard *laissez faire* not as a precept but as merely one of the conditions assumed in the argument, a part of the hypothesis of economic science. Thus the absence of governmental interference is assumed as one of the conditions of the economic milieu that serves as the groundwork for economic thought. The science having thus reached certain general conclusions based on this original hypothesis, the principle of compensation may be introduced to offset particular variants. Yet even if we grant that *laissez faire* is introduced merely as one of the conditions of the argument in the analysis of economic forces, may not the result of the analysis, as thus made, cast a corroborating reflection on the desirability of the condition assumed? In other words, if on making the general assumption of non-interference by government, it is presently found that such a state of things leads to the maximum of gross production and maximum justice of distribution, is not that conclusion a recommendation in favor of non-interference? The assumed condition is thus of necessity converted, positively or negatively, into a precept.

The point of view of Professor Dunbar is, however, typical of the attitude of open-minded compromise now prevalent among American economists.^[165] Both in the general treatises on the principles of political economy and in the special discussions on the trust question the position taken is practically identical with that of the English economists discussed above.

XI

German Economists and the Kulturstaat

Turning from English and American to the present German economists, one finds an entirely different atmosphere. Here the individualist doctrine of the state has been expressly and avowedly abandoned and in its place has been substituted the idea of the 'social' state.

Reference has been made earlier in this essay to the rise of the German historical school in the middle of the century. Inspired primarily by protest against the scope and method of previous economic theory it was but natural that the doctrine of the school should have carried with it by implication a new view of the functions of government. It has been already seen that the idea of relativity of economic truth, of dynamic change in economic life and thought, precluded the existence of universal formulas and universal rules of economic control: among such economic universalities the doctrine of non-intervention seemed to occupy a prominent place. The tenets of the historical school, therefore, though not immediately directed towards the question of governmental control, were capable of an easy and evident application thereto.

This application, the political circumstances of the time (1855-75),—the rise of Prussian supremacy, the establishment of the German State and its aggressive policy of concentration into a national unit,—appeared in a high degree to invoke. Consequently just as in England, forty years earlier, the course of national expansion ran in close relation with the development of individualist political economy, which appeared at once as a product and an interpretation of it, so in Germany the exponents of the new national economy found themselves in close touch with the new national policy. The extreme importance which state-intervention has assumed in the evolution of the German empire has given to their doctrines a distinctively national complexion and a species of patriotic sanction. The economist, though not as once in England, the fountain source of legislative policy, appears at any rate as its exponent and interpreter. Thus it is for example that Professor Wagner stands in the role of hierophant of the state socialistic policy of Bismarck.

As far as the duties of government are concerned, the modern German economists may be spoken of collectively as forming a single school. It is not necessary to sift them out into orthodox historians, neo-historians, socialists of the chair and so on. In the matter of national policy they are practically at one. This is not meant to disregard the various divisions of opinion, serious or minute, that exist

and have existed among them. In the matter of method, for example,—the relative doses of deduction and induction to be put into the economic compound,—they are not entirely united. Wagner, for example, prefers a great many facts and some conclusions, while Schmoller^[166] and Cohn, partisans of a straighter covenant, would like ever so many facts but no conclusions, and thus turn the economics of the present into an enormous record or *dossier* for the use of a more fortunate later generation, something akin to the ‘record of human conversation’ that Bagehot sneeringly demanded. So too they may differ in their conception of the nature of economic society. Roscher used to think it an organism, Schäffle the Austrian, who practically belongs with the German School, thinks it very much an organism, but Schmoller does not think it an organism at all. But their point of view, when interpreted in terms of the present scope of government, finds them largely at one. This point of view is explained in general terms by Wagner (*Handwörterbuch der Staatswissenschaft*. Art ‘Staat’), by Conrad (*Leitfaden zum Studium der Volkswirtschaftspolitik*), by Schönberg in Part I of Schönberg’s *Handbuch* and in most of the general treatises on economics.

This ‘social state,’ as Wagner calls it, rests on a new basis. It discards as insufficient the ‘Rechtstaat’ of the individualist; it disclaims also any identity with the ‘Zukunftstaat’ of the socialist, while admitting, however, the value of socialist doctrine in acting as a sort of ‘ferment’ in hastening the evolution of ideas in Germany. But while stopping short of the socialist principle of authoritative monopolistic control they are nevertheless in favor of a wide expansion of the functions of government. The state, while retaining the functions of the ‘Rechtstaat’ as a ‘producer of security’ and arbiter of contracts, is to add to this the role of a ‘Kulturstaat’ or agency of general welfare. Its functions in this form are laid down by Wagner thus:—‘The clearly recognised cultural purpose of the modern state consists in the furthering of its citizens in the pursuit of their avocations in life, of their physical, economic, ethical, spiritual and religious interests, in so far that is to say, as common necessities come into play.’^[167] Such a programme as compared with the ‘single principle’ of complete *laissez faire* has, as a scientific dogma, the inferiority consequent upon its indeterminate vagueness: even if accepted it offers no simple and self-evident plan of applicability. This of course its advocates are willing to admit. ‘It always remains to be considered,’ writes Wagner, ‘whether, how, and when the state shall undertake anything, shall interfere to regulate it, and shall itself prepare the natural means for the accomplishment of its services. Simple principles expressed in cut and dried formulas, towards which there is always a tendency to doctrinaire teaching, can never alone and finally effect a decision which must always

be done from case to case and on the basis of investigation into the controlling circumstances.’^[168]

A similar general statement of the purpose of government is made by Dr. Conrad,^[169] who professes not to occupy an extreme ground and while claiming that the free trade school ‘went too far in thinking that everything would be attained with a purely negative function of the state,’ declares that ‘the complexity of the economic organism must impose short limits on state interference.’ The function of the modern state he expresses in general terms thus:—‘To pursue its higher cultural purpose the state must influence economic activity, where necessity has appeared, in the following way,—first, by legislation directed to establish universal normal conditions (Normen) for all the citizens, according to which they may carry on their economic activity without injuring others and by which they are protected from the attacks of others: secondly, by direct aid such as loans, bounties, concessions of privilege, state institutions etc.; thirdly, by indirect help such as technical schools, improvement of transportation, harbours, international treaties and so on.’^[170] This wide category is, however, somewhat modified by the ensuing statement that ‘the state must only act in this way when the citizens alone are not competent to accomplish what is necessary by their own capacity: for state institutions are not an object in themselves but a means.’

So much for the general principles or rather the general point of view of the German economists of the present. The application of these two specific instances involves a long category of cases of interference of which the leading ones may be mentioned.

Foremost among these is, of course, the system of protection to national industry a policy upon which the economists are in practical agreement. ‘The state,’ says Conrad, ‘has undoubtedly the right and even the duty of imposing sacrifices on a portion of the population, in this instance on the consumers, if by that means certain single factors of production can be made to flourish and if factors already in existence can be maintained in permanent validity, for this accrues in return to the benefit of the community.’^[171] Here theory has been closely associated with practice. During the era of the sixties Germany had shared with the other leading countries in the influence of the doctrine of cosmopolitan free trade. The idea had been certainly effective in accomplishing the Zollverein or customs union of the German states by which commercial unity was achieved before the political communion of the formation of the empire. Even the imperial government at its inception seemed under the influence of the free trade doctrine and the Chancellor himself was in favor of the

reduction of the still existing duties. 'The mightier the German empire became,' says a protectionist writer of the present day, 'the less did it follow the example of other states in applying its strength to the furthering of its efforts and its influence and the smaller was its success in commercial policy. It folded its hands in its lap, opened its territory in the most liberal fashion to the outside world and expected everything from the operation of the free trade policy. England's example was slavishly imitated without regard to the great geographical and economic differences of the two countries.' The course of the next decade, however, witnessed a complete change of front in national policy. The clamor for protection on the part of the German industries, which saw the possibilities of a rich commercial field in the now consolidated country, in especial the protests of the iron masters whose industry, by a law of 1873, was to be open to the competition of the world in 1877 and finally the conversion of Prince Bismarck to the idea of national protection, presently led to a complete break with the free trade programme. 'Sooner or later,' says Zimmermann^[172] rejoicingly, 'the collapse of such a doctrinaire policy was inevitable.' The prolonged debates in the Reichstag ended in the tariff reform of 1879. The speech from the throne pronounced by Bismarck on the 12 of February of that year marks the inception of the present high tariff policy of Germany. 'I hold it to be my duty,' was the imperial utterance, 'to aim at maintaining the German market at any rate for the national production as far as this is compatible with our common interests and accordingly to bring our legislative policy nearer to those principles upon which for nearly half a century the flourishing operations of the customs union has been based and which has since the year 1865 been abandoned in some essential particulars.' Since the year 1879 the high tariff policy of Germany has been consistently maintained.

The economists, therefore, in defending the protective system are preaching to a nation already converted. Of the theoretical basis on which they rest this form of state interference, the following quotation from the *Grundrisz* of Philippovich^[173] may be taken as representative.

The weak point of the (free trade) theory lies in its neglect of the fact that any given conditions of production and culture are a historical fact and rest upon political and national separations of communities, which, along with their economic interests possess numerous particular interests real or imaginary, which render the distribution of production that is economically the best not necessarily the most expedient for the community. If the freedom of trade and the cheapening of products

accompanying it had to be purchased at the price of widespread loss of capital value, fall in wages and dismissal of workmen then it may be more costly than the higher prices of certain products occasioned by the protective system. In this need of protecting from catastrophe productive organisations already existing, the protective policy finds its strongest ground, together with that of List who on incontestable grounds regarded the tariff as a protection for infant industries (Erziehungszoll).

The same defense, together with the added argument of national independence, is given by Conrad in his *Leitfaden* already referred to. Both Conrad and Philippovich modify their doctrine of protection by declaring that protection to all the industries all the time is not a feasible policy in as much as the resulting general dearness would counteract the intended effect.^[174] The modification is not one calculated to elicit serious discussion.

A closely analogous feature of German national policy is the system of bounties and subsidies by which production has been further 'encouraged.' The theoretical defense of these (the now repealed sugar bounties, the steamship subsidies etc.) at the hands of the economists rests on the same grounds as the protective system.^[175]

Another wide class of governmental interference particularly characteristic of the modern German state is a body of legislative provisions grouped under the collective name of *Arbeiterschutz*. The general idea here is a policy of 'social help,' the state being called upon to fulfil a remedial office in behalf of those whose economic environment will not permit a complete reliance upon the principle of self help. 'It is a question,' says Schönberg, 'of effecting a reform in the circumstances of certain classes of society which are at variance with the objects of the state and of society and which have assumed such magnitude that they cannot be ameliorated solely by the efforts of the persons who suffer by them.'^[176] The theoretical discussions of the German economists under this head are largely an interpretation of the practical policy of the German empire. Here again Prince Bismarck was the fountain source of legislative policy: shortly after his identification of the administration with the policy of protection to industry, he adopted also the policy of state help to working men. The imperial message to the Reichstag^[177] declared that 'the state must occupy itself more than it has done with its indigent citizens,' and the Chancellor in introducing his new policy announced that 'the state is a benevolent institution.'^[178] In addition to a protective factory law of the empire (1892), three important measures have been adopted in the direction of *Arbeiterschutz*. The first of these is the law of 1883 under which the state enforces compulsory insurance against illness upon all working

men.^[179] The law is paternal rather than beneficent in its operation in as much as the insurance payments, though in part payable by the employer, are not in any way supplemented by the state. The system thus amounts to a form of special taxation in the workman's own interest. A law of the succeeding year (1884) made similar provisions for insurance against accidents. A more distinctive illustration of the new state interference is afforded by the Old Age Pension Law of 1889. By this all workmen are called upon to make compulsory payments to insurance against old age. On reaching the age of seventy and after having made payments for thirty years the workman receives a pension, based on the accrued value of what he has contributed plus a fixed contribution of \$12.50 from the state, this sum being the same for all insured.

A further specific application of the question of governmental control is found in the matter of the relation of the state to the means of transportation, especially to the management of railroads. Here of course the fact that the German states, and notably Prussia, own about ninety per cent of the existing roads^[180] and that the imperial government has the constitutional power to construct, purchase, and operate railroads again places the state-socialistic economist in the position of the apologist of national institutions. All the modern Germans lay stress on the intimate connection between the state and transportation, drawing attention to the quasi-monopolistic character of transportation services and their peculiar functions as public utilities. Of the leading authorities, Cohn^[181] who made an especial study of the railroad question in England, is a partisan of public ownership of railroads. So too is Wagner who considers the difficulty of controlling private roads to be insuperable. Not all the economists, however, are so decisive in their views. Conrad recites as against state railroads the dangers of self interested political construction and management.^[182] Emil Sax, author of a special treatise on the subject, decides that:—'The scientific treatment of the question after unbiased consideration of the shortcomings and advantages of state and private ownership, after an investigation of the circumstances of each of them in present experience of all countries comes to the conclusion that the decision can be made only for the concrete case, but that generally speaking under the supposition of regulation of private roads properly carried out, the arguments for and against are about balanced. For any particular country in a given case the *vis inertiae* of the historical environment is of the greatest influence.'^[183]

The questions of protective duties, bounties, labor legislation and state ownership of railroads are the largest items in the discussion of the functions of the

modern state at the hands of the German economists. It is to be noticed that in their treatment of all of these topics the conception of any natural right on the part of the individual to be left alone,—the idea of non-intervention as a matter of political justice as Spencer put it,—is dropped entirely from the discussion. The argument proceeds entirely on the lines either of purely economic profitability or of national and social interest. The point of view is thus colored by the preconception of the kindred German political school, by which the idea of social solidarity, the organic view of society, is substituted for the individual as a starting point of political thought. It is also to be observed that the legislative policy referred to is not to be viewed as dictated or prompted by the teachings of the theorists. The railroad system is largely the outcome of military policy: the protective tariff in Germany as elsewhere stands for the pressure of powerful commercial interests. The labor legislation owes its origin to still more dubious motive forces, being intended chiefly to detach the working men from the programme of the socialists. In addition to these main items discussion is also devoted to the state regulation of forestry, colonisation and other minor questions.

XII

Summary and Conclusion

Having thus passed in review the opinions of the leading economists of the nineteenth century a brief summary may now be presented of the conclusions reached. The exact historical origin of the phrase *laissez faire* and the precise historical circumstances under which it was first used appear not only insoluble but insignificant. The first general use of the phrase as an economic tenet was undoubtedly at the hands of the Physiocratic School in the eighteenth century. With them, however, it stood for a peculiar and restricted conception: it referred not to a general theory of governmental functions but to the treatment in especial of competitive commerce and trade. It indicated a line of policy directed, not to make commerce flourish, but to reduce to the smallest compass possible, by force of competition, the parasitic effect of commerce on the really productive class. The problems of the modern state in the social and cultural environment that has grown up under the new industrial circumstances, had not come upon the horizon of the Physiocrats. Their motto of *laissez faire* had no connection with it.

It has been seen in the second place that in the case of Adam Smith the current conception of *laissez faire* is entirely at fault. Smith never used or referred to the maxim. His teaching in reference to the duties of government, though resting along with his whole system upon the preconception of a natural order, is neither absolute nor dogmatic. He specifically mentions various exceptions to the principle of non-interference and may by implication be held to sanction many others. In the school of orthodox economists who followed Smith it is true that considerable colour may be given to the popular estimate which identified them with the conception of a purely passive and negative state. A close examination of their doctrines seems to shew, however, that this aspect of their teaching is rather a matter of emphasis than of essence. The economic needs of their day, or at any rate, the economic needs of the capitalistic industry with which the national expansion was so intimately connected seemed to lay a natural stress on what was in reality only one side of the problem. The result is that in their teaching the positive functions of government are passed over with a hurried and unappreciative treatment while the main emphasis falls on those cases in which the abstention or non-interference of government is conducive to the social advantage. The fact remains, however, that the modifications of the principle of passivity which they adopt make it impossible to accept the maxim

laissez faire as the summation of their doctrine.

It must be admitted, of course, that there appear at this epoch certain extremists, as notably Bastiat and Herbert Spencer who practically accept *laissez faire* in the full sense of its popular signification. Of these, however, Bastiat, in despite of a literary power of the highest order, is scarcely to be taken seriously as an economist; Spencer is not an economist at all: his ethical and biological opinions lead him to make an incursion into economic territory but his views scarcely need refutation.

With the middle of the century the trend of economic circumstances begins to turn the emphasis the other way. Stress is now laid on the positive functions of government and the casual modifications to the *laissez faire* principle that were entirely subordinate in the earlier classicists now appear in comprehensive form in such economists as John Stuart Mill and Chevalier. Meanwhile the phrase *laissez faire*, now distorted entirely from its original Physiocratic sense, is carried along by the economists and constitutes a needless encumbrance to their theory. It has by this time inextricably mixed itself up with the current conception of the classical economy, the later exponents of which are at some pains to exorcise its evil influence. Thus Cairnes in England and Dunbar in America give themselves needless trouble to remove it to a neutral position where it may continue to exist though devoid of noxious effect.

While thus claiming, however, that none of the earlier reputable economists restricted the functions of government to the prevention of force and fraud, it must be conceded that the course of opinion from the classical school to the present day shews a very considerable expansion and alteration. Both in England and America, although the individualist principle is nominally left standing, the number and scope of the admitted exceptions in reality very seriously compromise the point of departure. The maxim *laissez faire* now loses all applicability. It is indeed only as a universal precept that the motto 'let things alone' could have any point: to say 'let things alone sometimes' seems a very diluted form of wisdom. While this is true of English and American economists, still more may be said for the German writers: here the individualist basis of the state is thrown overboard and an attempt made at reconstruction from the starting point of social solidarity. The way is thus opened to all manner of governmental interference.

The current of legislative policy has shewn a similar evolution to the evolution of opinion here indicated. The era of the classical economists was to a large degree an era of governmental passivity and of repeal of the state interference of the past. The repeal of labor laws, navigation laws and the protective duties are the largest features of this. Yet the legislative policy, like the opinions of the day, was not unmodified: the

passage of the factory acts shews the state in its positive capacity. During this period the movement of opinion and of practice is intimately connected, theoretical views exercising an influence on state action never equalled before or after. Within the last thirty years of the century the industrial changes have thrown the emphasis of legislative policy in the other direction. The positive functions of the state have been evidenced by various forms of semi-protective, remedial and paternal legislation. It has been seen that in Germany especially the state has assumed a sphere of operation whose theoretical defence cannot rest on the individualist principle. During this period, however, the relation of the theorist to the state has been rather that of an apologist than a guide.

Looking back over the path thus traversed one seeks in vain for the abiding place of the current idea of *laissez faire*. The Physiocratic doctrine, aiming only at the attrition of useless commerce, will not shelter it. From the elaborate doctrine of government laid down by even the English economist, it seems hopelessly remote. In the reconstructed state of the Germans there is no accommodation for it. Reviewing one by one the economists that lie between these chronological extremes, each is found to repudiate it as a tenet of his own, while presuming that certain others held it. To the Ricardians it stood as a tenet of the Physiocrats: to the later economists it figured as a tenet of the Ricardians. Thus it seems to flit to and fro as an economic will o' the wisp, seemingly near at hand and yet retreating on approach.

May it not be thought then that *laissez faire* has become a sort of historic shibboleth from which all reasonable signification has long since been extracted? Is it any longer more than a useless encumbrance to the economist that ought to go the way of the 'produit net,' the 'wages fund,' the 'balance of trade' and other debris that strew the path of economic science? Many economists seem unwilling indeed to altogether let it go: it serves as a peg upon which to hang the idea of a 'presumption against government action.' But has this so-called 'presumption' any basis to it that can elevate it to an economic precept? It is true that given a certain condition of things there is no motive in changing them unless a reason is at hand for doing so. Thus if a man is seated there is a presumption in favor of his remaining so until he has some reason for rising. And similarly if a certain industrial operation is performed by individual effort there is a presumption in favor of its remaining so until the advisability of managing it by the government is proven. Conversely, if an industrial operation, e.g., the railroads in Prussia, is managed by the government there is a presumption in favor of its continuing so until the advantage of individual control is proved. But all this, however, merely amounts to not doing a thing till one has a reason for it. It has no nearer connection with economics than with any other branch

of common sense. It may be stated with considerable intricacy and apparent profundity, but, devoid of the trappings of economic verbiage, it is but a sorry 'presumption' to raise to the dignity of an economic law.

To drop thus entirely the phrase and the idea of *laissez faire* may seem the more distasteful in that the loss of it in appearance leaves a hole in economic theory. To the question what are the economic duties of government? no universal and absolute answer can be given. Such at least seems to be the teaching inculcated by the current of opinion that has been traversed. To the question thus formulated we can only answer by demanding in turn, what government? when? under what circumstances? Yet might it not even so be an advantage to be rid of a floating idea of universality whose whole historical setting is detrimental to the advance of political economy.

Notes

- [1] [c.f. Michel] *L'Idée de l'Etat*. 'The question of the relative position of individual and state not arise under the administrative monarchy, the state having all the rights and nothing but rights ... with the individualist philosophy the question presented itself in more complicated terms. The individual now confronted the state armed with rights belonging to him as an individual.'
- [2] Mr. Wordsworth Donisthorpe. *Individualism*.
- [3] *Social Statics*. Chapter.
- [4] [The previous note number in the text is missing, although Leacock's reference is to the *Wealth of Nations*.] Even here Smith makes a characteristic reservation in thinking agriculture, though not the only productive employment, yet more productive than the others.
- [5] *Wealth of Nations*. Book V Chapter II.
- [6] The contents of these Acts are cited in Chapter IV below.
- [7] The term Act of Navigation, though common, is slightly inaccurate, the legislation in question being not one but a series of statutes.
- [8] Huskisson's ardent study of theoretical economics, though the most typical case in point, is only one of many.
- [9] Even Mill, at a rather late date, speaks almost regretfully of the completeness of political economy.
- [10] c.f. Malthus' *Principles*, p. 12. 'There are few branches of human knowledge where false views may do more harm or just views more good.'
- [11] On[e] observes this even in the titles of the works of the period: thus Torrens: *An Essay on the Production of Wealth* (1821): Poulett Scrope [left blank] and, a little later, Sargent: *The Science of Social Opulence*.

[12] Witness Mrs. Marcett's *Conversations on Political Science in which the elements of that science are familiarly explained* (1817): 'The best introduction to the science,' says McCulloch, 'that has yet appeared': also Miss Martineau's *Illustrations of Political Economy* (1832).

[13] Malthus. *Principles*. Chapter I pp. 18 et sqq.

[14] *Principles*. Chapter XVIII: Knies in his *Politischen Oekonomie* (Book. Chapter.) has a discussion of Ricardo's general theory in its relation to this topic. Ricardo §41 decries the English poor laws as then existing (1819).

[15] Chalmers.

[16] This is not true, however, of Ricardo, who was an advocate of Parliamentary reform, frequent parliaments and vote by ballot. (Bonar's Preface to *Letters of David Ricardo*). Malthus also, who began his economic studies as 'an aristocratic parson,' was converted to political liberalism by the impact of his own theories. (Ibid, p ix. Citation from the correspondence of Francis Place).

[17] Op. cit. pp. 451 et sqq. Chapter XVI.

[18] The Ricardian theory of rent must here be excepted.

[19] That this is a conscious process with Ricardo appears in his discussion of natural and market forces §34.

[20] The exceptions to be made to this statement include Ricardo's, his denunciation of the existing poor law (§41) and of state regulation of interest §102. In his *Letters* (p. 139) he declares the futility of state regulation of wages.

[21] It seems hardly warrantable to consider this as equivalent to advocating a *laissez faire* policy in regard to modern monopolies: the conditions in mind were very different.

[22] Chapter X, p. 255.

[23] §41. 'The pernicious tendencies of these laws are no longer a mystery since it has been fully developed by the able hand of Mr. Malthus etc. etc.'

- [24] [Left blank by Leacock.]
- [25] c.f. Bagehot. *Economic Studies*.
- [26] [Left blank by Leacock.]
- [27] [Left blank by Leacock.]
- [28] [Left blank by Leacock.]
- [29] [Left blank by Leacock.]
- [30] Price. *Short History of English Industry and Commerce*. Chapter VII. Cunningham, *Growth of English Industry and Commerce*, says the assessment was ‘only occasionally enforced.’
- [31] [Left blank by Leacock.]
- [32] Cunningham, op. cit. §320 (c).
- [33] 53. Geo III. c. 40.
- [34] Thorold Rogers. *Work and Wages*. Chapter.
- [35] Under the act all laborers who occupied premises of a less yearly rental than £10 were liable to ejection: the consent of the justices had to be given before the wardens could act.
- [36] 35 Geo. III c. [?]. After this the laborer was not removable till he became a charge in the parish.
- [37] v. Harriet Martineau. *History of the Peace*. Vol. I. pp. 70-71.
- [38] [Left blank by Leacock.]
- [39] This was put in final shape in an act of 1718 which prohibited artisans from crossing the sea and called for the return of those who had done so.
- [40] The laws thus repealed were not however survivals of an earlier period as in the case of the Elizabethan and Caroline statutes. They dated from 1799 to 1800 ([blank] Geo III [blank]) and had been aimed to check the trade unions already growing up in Lancashire and Yorkshire (Price. *Short History*, p. 214). Previous to 1799 combinations of laborers were not illegal unless aiming at a violation of the Elizabethan statute or coming under the common law of conspiracy. The repeal accomplished

partly through the strenuous effects of the radical group in parliament, partly by reason of the inoperativeness of the laws themselves.

- [41] II. Car II c. 18 and 14 Car II c. 11.
- [42] e.g. Opening of the Fish and Wine trade to and from Spain and Portugal.
- [43] Orders in Co. July 2 1783 and in 1803 and 1806.
- [44] 3 Geo IV c. 44; 6 Geo IV c. 10 g; 8rg Vict. c. 88 and finally 12 and 13 Vict. c.g.
- [45] In 1825 foreign colonies paid 50 to 75 percent: woollens 50 to 67: linens 40 to 180: glass 80 per cent and so on. Walpole. op. cit. Vol. II Chapter VII.
- [46] The text of the entire petition is given in McCulloch's *Literature of Political Economy* as a 'most striking proof of the progress of liberal opinions.'
- [47] Morley. *Life of Richard Cobden*.
- [48] Toynbee. *Industrial Revolution*. Vol. I p. 49.
- [49] Price per quarter: 1782-53s 9 ¼d: 1795-81s 6d: 1795-85 (average) 81s-2 ¼d: 1800-1-128s 6d: 1815-25 (average).
- [50] Porter. *Progress of the Nation*.
- [51] Leone Levi. *History of British Commerce and Industry*.
- [52] Mr. Brand *Hansard* XXXII. 671.
- [53] e.g. Harriet Martineau. *History of the Peace*.
- [54] Walpole. *History of England*.
- [55] Molesworth. *History*.
- [56] c.f. Adam Smith's use of the term. Book [?].
- [57] Foxwell. Introduction to translation of Menger's *Right to the Whole Produce of Labor*.
- [58] Ibid.
- [59] *Munera Pulveris*. 1863.
- [60] Space will not permit elaborate citation to illustrate the opinions

of the humanitarians. As illustrative passages see:—Carlyle. *Past and Present* (1843) Book III Chapter II. VII. Book IV Chapter III. IX. ‘The general breakdown of laissez faire’: Carlyle’s *Latter Day Pamphlets*, of a rather later date (1850), still more directly arraign the Economists, c.f. No I. ... ‘let us hope that the leave-alone principle has got its apotheosis. ... Respectable professors of the dismal science ... your small “Law of God” is hung up along with the multiplication table itself ... the length of your tether is pretty well run.’

[61] Children up to thirteen, nine hours: thirteen to eighteen, twelve hours.

[62] [Left blank by Leacock.]

[63] *Harmonies Economiques*. Chapter.

[64] Ibid. p. 27.

[65] *Harmonies* p. 145.

[66] Developed in his two essays ‘La Loi’ and ‘L’Etat’ and in Chapter XVII of his *Harmonies Economiques*.

[67] *Harmonies* p. 557.

[68] [Left blank by Leacock.]

[69] c.f. *L’Etat*.

[70] *Social Statics*. 1850. At a later date *The Man versus the State* 1884.

[71] *Social Statics* (Appleton 1892) Chapter ‘Duty of the State’ pp. 117 et sqq.

[72] [Left blank by Leacock.]

[73] One may compare in this respect the writings of Mr. Auberon Herbert with those of Spencer. Herbert abandons even the principle of coercive protection as contrary to natural right and falls back upon purely voluntary association as the basis of what he calls the ‘Voluntary State.’

[74] Godwin (*Pol. Justice 179[3]*): Tracy [blank] and others.

[75] Humboldt’s book was not published in complete state till 1815.

It appeared in fragments earlier.

[76] Op. cit. pp. 120 et sqq.

[77] Spencer himself retracted much of this in later life.

[78] An interesting criticism is here afforded by the late Professor Ritchie's *Principles of State Interference*.

[79] Chevalier. *Cours d'Economie Politique 1842-3*. Sixième Leçon.

[80] Mill. *Principles of Political Economy*. Book V Chapter XI p. 573.

[81] Op. cit. Book V. Chapter XI §2.

[82] 'The domestic life of domestic tyrants is one of the things which it is most imperative for the law to interfere with.' V. XI. §9.

[83] 'Freedom of contract in the case of children is freedom of coercion.'

[84] This refers especially to the marriage contract.

[85] Op. cit. V. XI. p. 58.

[86] Op. cit. Book V. XI p. 580.

[87] Ibid. p. 590.

[88] He approves of state help in the form of loans and guaranties. Op. cit. Leçon 7.

[89] *Grundriss zu Vorlesungen über die Staatswissenschaft [Staatwirthschaft] nach geschichtlicher Methode* 1843.

[90] *System der Volkswirtschaft* Vol. I *Grundlage* 1859.

[91] *Die Politische Oekonomie vom Standpunkt der geschichtlichen Methode* 1853.

[92] Op. cit. I.

[93] c.f. also op. cit. III. 8.

[94] Preface to Roscher's *Grundriss*.

[95] The references are to the 21st edition (1892).

[96] Hence there soon arose economists (Schmoller, Cohn, etc.) who

thought it better to have no conclusions at all but to pile up the enumerated minutiae of historical investigation, leaving it for the next generation to draw conclusions.

- [97] House of Commons Debates ... 1870 ... Hans.
- [98] Michel. *L'Idée l'Etat*. p. [?].
- [99] Delivered in 1870 on the occasion of Cairnes's elevation to the chair of Pol. Econ. of London.
- [100] see below. Chapter IX.
- [101] Cairnes. *Essays*. VII pp. 248-9 (MacMillan 1873).
- [102] Op. cit. pp. 252-3.
- [103] Op. cit. p. 255.
- [104] *Laissez Faire its Origin and History. Economic Interpretation of History*. 1885.
- [105] *Economic Interpretation of History* p. 359.
- [106] c.f. Op. cit. p. 345 p. 350.
- [107] [Leacock added in the margin: 'note cannot get a copy of the book here to fill in references—: will complete the missing lines in the proof.']
- [108] Op. cit. p. 351.
- [109] In the chapter referred to Rogers also mentions the regulation of Banking, of Railroad rates, prevention of adulteration etc. as admissible modifications of *laissez faire*.
- [110] *Industrial Revolution*. Vol. I c. I.
- [111] Op. cit. c.
- [112] Op. cit. Chapter VII pp. 83-4.
- [113] Op. cit. Chapter I p. 31.
- [114] Essays in *Fortnightly 1876*—; published later as *Economic Studies*.
- [115] *Economic Studies*. pp. 16-17, 64-5 et aliter.
- [116] Sidgwick. *Principles of Political Economy*. Book III. Chapter III.

- [117] Op. cit. Chapter IV.
- [118] Op. cit. Chapter V.
- [119] Op. cit. Book III Chapter II.
- [120] Nicholson. *Principles of Pol. Economy* Vol. III. Book V Chapter I.
- [121] Op. cit. p. 189.
- [122] Mr. Wymndham's Land bill of March 1903. The ultimate effect of the measure if successful will not be state ownership but peasant proprietorship. But until the yearly annuities are paid off, the state will be the landlord.
- [123] J. McCarthy. *Short History of Ireland*.
- [124] McCarthy. *England under Gladstone*. Chapter.
- [125] Act of 1887 ([blank] Vict. c. [blank]).
- [126] [Left blank by Leacock.]
- [127] [Left blank by Leacock.]
- [128] [Left blank by Leacock.]
- [129] T.P. Russell. 'Ireland and Irish Land Once More' *Fort*. Feb. 1901.
- [130] Between 1709 and 1797 three million acres were enclosed under permission of 3,110 statutes.
- [131] Between 1845 and 1867, 484,893 acres were enclosed by Act of Parliament.
- [132] The act of 1887 first admits the principle of expropriation. The negligence of the local authorities rendered the acts quite inoperative till 1892. Since the 'Small Holdings' Acts of that year some progress has been made. Any of the different forms of local 'councils' may act under the statute: the parish councils have been by far the most active: thus
- [133] 31 & 32 Vict. c. 133: 42 & 43 Vict. c. 64: 45 & 46 Vict. c. 54: 48 & 49 Vict. c. 72 (The Housing of the Working Classes Act).
- [134] 1 Ed VII c.

- [135] 50 & 51 Vict. c. 46.
- [136] [Left blank by Leacock.]
- [137] [Left blank by Leacock.]
- [138] Workman's Compensation Act ([blank] Vict. C. [blank]).
- [139] [Left blank by Leacock.]
- [140] [Left blank by Leacock.]
- [141] Witness Shay's Rebellion, the Whiskey Insurrection, and Fries's Rebellion all directed against taxation.
- [142] Fiske. *Critical Period of American History*.
- [143] The 'Republicans' of 1800.
- [144] Randolph. *Correspondence of Thomas Jefferson*. Vol. III. Letter under date of July ... 1789.
- [145] *Recent Progress of Political Economy in the United States*. General Walker in Vol. IV Am. Econ. Association.
- [146] Chapters 25, 26, 27, 28, 29 (all very brief except on the subject of poor laws).
- [147] [Left blank by Leacock.]
- [148] Part I Chapter III.
- [149] [Left blank by Leacock.]
- [150] Schouler. *History of the United States*. Vol. II chapter.
- [151] Taussig. *Tariff History of United States*.
- [152] Carey. *Principles of Political Economy* 1837.
- [153] Bowen. *Principles of Political Economy* 1856. He differs from Carey in the basis of his argument for while Carey's protection rests on the idea of preventing exhausting of the soil by importation of agricultural products, Bowen defends the system on grounds of encouragement of infant industry, technical skill, etc. Op. cit. Chapter XXIV.
- [154] 1886.
- [155] 1866.

- [156] Carroll D. Wright. *Industrial Evolution of the United States*.
- [157] Publications of the Am. Econ. Association. Vol. I p. 6.
- [158] Op. cit. p. 9.
- [159] Op. cit. p. 16.
- [160] Op. cit. p. 22.
- [161] Op. cit. p. 35.
- [162] Walker, Adams, James, Clark, Ely and Seligman were its first officers.
- [163] e.g. following articles:—[left blank by Leacock].
- [164] Publications of American Economic Association. Vol. I pp. 478 et sqq.
- [165] The discussion for example in Walker and in Hadley. *Economics*.
- [166] Schmoller himself has fallen away from grace in preparing a *Grundrisz* (1900).
- [167] Wagner. op. cit.
- [168] Wagner. op. cit. infra.
- [169] *Leitfaden Einleitung I*.
- [170] Op. cit. §2.
- [171] *Leitfaden*. §44.
- [172] Zimmermann. *Handelspolitik der deutschen Reiches*. 1901. Book IV §1.
- [173] *Grundrisz der Politischen Oekonomie*. Vol. II Book II Part II Sec. III §1.b.
- [174] Philippovich, op. cit. Conrad. *Leitfaden*. §44.
- [175] Philippovich, as a moderate, defends bounties only in the shape of a drawback for some excise tax, or import tax on raw material already paid. op. cit. Vol. II Book II Part II [?].
- [176] Schönberg in Schönberg's *Handbuch* Vol. II. XXII 'Die Gewertliche Arbeiterfrage.'

[177] Leon Say. *Dictionnaire*. Art. 'Assurance (Etat).'

[178] Ibid.

[179] The law applies to all workmen whose pay is below \$500 and who are not already insured in a recognised society. The employer pays one third, the workman two thirds of each payment. Willoughby. *Workingmen's Insurance*.

[180] *Report of Industrial Commission of Congress*. Vo. IX.

[181] *Finanzwissenschaft*. [The footnote is not marked in the text by Leacock, although it appears at the foot of the page.]

[182] Op. cit. §48.

[183] Emil Sax in Schönberg's *Handbuch* Vol. I Chapter X. §52.

TRANSCRIBER NOTES

Mis-spelled words and printer errors have been fixed.

[The end of *The Doctrine of Laissez Faire: A Critical Essay on the Evolution of Theory and Practice in Reference to the Economic Functions of the Modern State* by Stephen Leacock]