

New Liberalism

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“Liberty , Fraternity, Equal Opportunity”

by Alexandra Wagner Lough

After decades of sustained economic growth and industrial progress, a long depression stifled trade and production in the United States and Great Britain at the end of the 19 th century. Poverty and unemployment inflicted urban and rural life with disease, starvation and restlessness. Best-selling literature decried the conditions of the poor and spawned the creation of charity societies and government commissions to investigate the depths of slum and misery. Between 1873 and 1896, the economy boomed and busted for 20 years. During each cycle, like a machine, it manufactured poverty, wealth and an ever-increasing chasm between the “House of Have and the House of Want.”

In 1879, a relatively unknown California journalist offered an explanation of the causes of industrial depression and a solution to poverty. Although Henry George lacked formal academic training in economics, his book, *Progress and Poverty*, ignited fierce intellectual debate in the highest circles of American and British academia. George’s book also was read by the middle and working classes in Europe, New Zealand and the United States , contributing to sales of more than two million and making him one of the top selling authors of the 19 th century. Brilliance to some, blasphemy to many, *Progress and Poverty* challenged the academic community’s blind acceptance of the tripartite industrial order governed by the doctrines of laissez-faire, social Darwinism and classical economics.

George alleged that industrial depressions and the poverty that followed were not caused by the natural ebb and flow of the competitive market as the classical economic doctrine held. Based on his observations while living and working as a journalist in California between 1858 and 1879, George determined that depressions occurred as the result of two, avoidable conditions: speculation and private monopolies in land:

A consideration of the manner in which the speculative advance in land values cuts down the earnings of labor and capital and checks production leads irresistibly to the conclusion that this is the main cause of those periodical industrial depressions to which every civilized country, and all civilized countries together, seem

increasingly liable.

America's Manifest Destiny and the discovery of gold at Sutter's Mill in 1848 sent settlers pouring West into California eager for cheap land and an easy fortune. Simultaneously, federal railroad subsidies and land grants enabled industrialists such as Central Pacific's "Big Four" – Leland Stanford, Collis Huntington, Mark Hopkins and Charles Crocker – to amass empires of land. Together, population growth increased the demand for land in California while private monopolies decreased the supply. Speculators exploited the 'sellers-market' and inflated the price for land well beyond its productive value. Under this system, rents increased faster than wages, especially during periods of economic recession, and a great divide formed between the upper and working classes.

To solve this problem, George proposed a tax on the unearned increment of land – the value not earned by improvements made to land, but the value increased by demand, speculation and the surrounding community. George believed that taxing land values would discourage private ownership and could fund public services such as libraries, universities and museums. No longer burdened with inflated rent prices, workers would take home more in wages and increase their standard of living. George hypothesized that land taxation would provide sufficient income for government to end all other forms of taxation. George's remedy became the single tax: the tax to end all taxes:

What I propose, as the simple yet sovereign remedy, which will raise wages, increase the earnings of capital, extirpate pauperism, abolish poverty... is to appropriate rent by taxation. In this way the State may become the universal landlord without calling herself so, and without assuming a single new function... we may put the proposition into practical form by proposing— To abolish all taxation save that upon land.

American economists immediately denounced George's taxing scheme. In a speech at the convention of the American Economic Association in 1898, Columbia professor John R. Commons dismissed land taxation as too simplistic to solve the perennial problem of poverty:

Mr. George, you ask us, if the single tax is not the remedy, what is the remedy? Ay, that is the question... this is not the first time the enthusiast has supposed that he has discovered a world-saving panacea. The remedy lies not in any such lopsided

idea: the remedy is slow and gradual evolution in a hundred ways of the moral conscience of mankind.

Classical economists also argued that land taxes unjustly punished landowners. Francis A. Walker, a union general in the civil war, President of the Massachusetts Institute of Technology and former professor of political economy and history at Yale, argued that George's plan was "mad and anarchical" and tantamount to confiscating private property without compensation.

On the other side of the Atlantic, George's ideas found acceptance among several social reform groups that emerged in Britain at the end of the 19th century including the Fabians, Christian Socialists and new liberals. The new liberals – also called social liberals, progressive liberals and modern liberals – were especially drawn to George's ideas on land and rent influenced by liberal theorists John Stuart Mill and David Ricardo. By the late 1880s, progressive liberals were dissatisfied with the failure of the Liberal Party to constructively address the social problems associated with poverty and unemployment, many abandoned the Party for more progressive movements including the Democratic Socialist Federation and the Independent Labour Party. Even as more than 30 percent of London's families lived in poverty, Liberal leaders clung to laissez-faire and the protection of private property over the need to secure a minimum standard of living for the working people of Great Britain.

The new liberals did not seek revolutionary change to the structure or system of government and political economy. New liberals sought to modernize classical Liberalism as espoused by Adam Smith and Jeremy Bentham to incorporate new concepts such as idealism and the common good to reconcile the tension between social interests and individualism. Liberalism historians Atival Simhony and David Weinstein wrote in the introduction to a collection of essays on new liberalism at the end of the 19th and beginning of the 20th centuries that, "The new liberals transformed liberalism by ridding it of its self-interested, narrow individualism," and, "connected and applied liberal principals [sic] to communitarianism." To that end, according to leading new liberalism historian Michael Freeden, new liberals sought to alter three main tenets of classical liberalism: the doctrine of natural rights, private property and economic freedom and unrestrained competition.

New liberals advocated greater government intervention to improve the lives of individuals through measures that would secure positive rights such as the right to

a living wage, health care and primary education. In the decades preceding the arrival of new liberalism in the 1890s, government had enacted measures to secure positive rights, i.e. the Employers Liability Act of 1880, Education Act of 1876 and the Factory and Workshops Act of 1878. However, these acts failed to relieve widespread poverty and unemployment which new liberals saw as the most crucial issue facing government. New Liberal writer, philosopher and member of Parliament from 1902-18 and 1929-35 Herbert Samuel argued in a 1902 pamphlet, *Liberalism: An Attempt to state the purpose and proposals of contemporary liberalism in England*, that the primary purpose of government was to relieve poverty and address its causes:

Of all the obstacles which obstruct men's advance towards good living, and of all the evils with which politics can help to deal, there is no obstacle more formidable and no evil more grave than poverty... Our first principle leads clearly to a policy of social reform. Whoever admits that a duty of the State is to secure, so far as it is able, the fullest opportunities to lead the best life, cannot refuse to accept the further proposition, that to lessen the causes of poverty and to lighten its effects are essential parts of a right policy of State action.

A central component of new liberalism's approach to social reform was to establish an ethical and theoretically sound platform to justify government intervention to improve the lives of the poor. New liberals also maintained that the process of government assistance to the poor should adhere, to the greatest extent feasible, the fundamental principles of liberalism. Thus, new liberals rejected the Socialists' redistribution method for relieving poverty as well as the methods advocated by social Darwinists and the Charity Society, which sought to end poverty through individual salvation and 'self-help.' Instead, new liberals looked to their radical past and tried to recast the social ideas of Mill and other classical theorists in light of modern problems. Through historical investigation of Liberalism's past, new liberals gave legitimacy to land taxation as advocated by Henry George, as a method of social reform.

The policies of the new liberals, including George's land tax scheme, is the focus of this paper. Writing roughly one decade apart and on separate continents, Henry George and the new liberals profoundly influenced the way Liberal governments viewed the industrial order and its effect on society. After George popularized the idea of land value taxation as a means to reduce poverty, the new liberals effectively made it part of the Liberal Party platform. New liberals recast other

progressive policies advocated by the new Socialist and Independent Labour Parties through a Liberal lens, and in doing so, according to Freedon, rescued Liberalism from obscurity and laid the foundation of the modern welfare state:

In the generation preceding the First World War the basic tenets of liberalism were fundamentally reformulated in a crucial and decisive manner. A band of eager and dedicated men of ideas, immersed in the pressing social issues of the day, transformed liberalism quietly from within, and retrieved for it the qualities of immediacy and relevance without which every ideology must ossify.

Who the new liberals were

Like George, many new liberals were journalists. Two of the most prolific new liberal theorists, Leonard Trelawny Hobhouse and John Atkinson Hobson, wrote for The Manchester Guardian, known today as The Guardian. Additionally, both Hobhouse and Hobson held university posts. Hobhouse was a Martin White Professor of Sociology at the London School of Economics and Hobson lectured at Oxford University. Several new liberals served as members of Parliament and had lively political careers. Most notably, Herbert Louis Samuel served in Parliament from 1902-1918 and again in 1929-1935. Additionally, Samuel also served as Home Secretary for the Liberal government in 1916, High Commissioner for Palestine from 1920-1925 and leader of the Liberal Party in 1931.

The Evolution of New Liberalism

In 1884, at the heels of the 1895 election which would remove power from the Liberal Party to the Conservatives for 10 years, a group of like-minded and socially driven men began meeting at the Rainbow Tavern in Fleet Street, London, to discuss politics, economics and vent their frustrations over the Liberals lack of cohesion on social issues. These men, who included professors, journalists, socialists and Liberal members of parliament called their discussion group the Rainbow Circle and were determined to “provide a rational and comprehensive view of political and social progress, leading up to a consistent body of political and economic doctrine, ...a programme of action, ...and a rallying point for social reformers.” In 1896 the Rainbow Circle decided to publish the ideas held in common by its members which, as Freedon wrote, were “neither Fabian nor socialist; not even, on the whole, akin to the Liberal party positions.” Instead, the Rainbow Circle’s monthly magazine, The Progressive Review professed new

liberalism.

Similar to Fabianism and other types of socialism, the roots of new liberalism emerged at the peak of Victorian England's heightened social awareness in the late 1870s and 1880s as the result of several studies on the conditions of the poor and working classes. Most famously, General Charles Booth's investigation of working class families in East London produced several volumes of data on the extent of poverty in London's poorest district. Among Booth's most important discoveries was that 30.7 percent of the population of London lived in poverty. Similarly, descriptions of London's "slum neighborhoods" by Arthur Mearns in *A Bitter Cry of Outcast London* (1883) shocked the Victorian conscience and demanded explanation: "Seething in the very center of our great cities concealed by the thinnest crust of civilization and decency, is a vast mass of moral corruption, of heart-breaking misery and absolute godlessness."

Booth's study produced mixed public responses. Some appealed to religion and social Darwinism to explain the causes of poverty and promoted individual salvation and self-help to reduce pauperism. Others analyzed and critiqued the industrial system that produced vast amounts of wealth alongside vast amounts of poverty. In England, Arnold Toynbee was among the first economists to identify the industrial revolution and its negative impact on society. In *Lectures on the Industrial Revolution in England* (1884), Toynbee wrote:

A darker period – a period as disastrous and as terrible as any through which a nation ever passed; disastrous and terrible because, side by side with a great increase in wealth was seen and enormous increase in pauperism; and production on a vast scale, the result of free competition, led to a rapid alienation of classes and to the degradation of a large body of producers.

Similarly, Fabian co-founder Beatrice Webb, who was significantly affected by Booth's investigations, drew a direct connection between the industrial revolution and the widespread suffering in England:

To the working class of Great Britain in the latter half of the eighteenth and first half of the nineteenth century – that is four-fifths of the entire population – the "Industrial Revolution" ...must have appeared ...as a gigantic and cruel experiment which, insofar as it was affecting their homes, their health, their subsistence and their pleasure, was proving a calamitous failure.

British historian Asa Briggs claimed industrial poverty was the defining characteristic of Victorian cities: “Poverty was not merely a consequence of particular developments in industry,” Briggs wrote in *Victorian Cities*, part two in his trilogy of the Victorian era, “it was the biggest single fact of contemporary existence, ‘the problem of problems.’”

The attribution of poverty to the industrial system and the belief that it could be avoided and cured through state action separated new liberals from their classical counterparts and served as the formative issue of their existence. As the new liberals emerged, the classical liberals, who maintained *laissez-faire* and unrestrained competition, joined the Conservative Party. The new liberals did not abandon the tenets of classical liberalism; they expanded, morphed and applied them to modern issues of poverty, unemployment and state intervention.

Classical liberalism

According to English historian W. Lyon Blease, the aims and values of new and old liberalism are similar as both maintain a commitment to liberty:

Both aim at emancipating the individual from the things which prevent him from developing his natural capacities. The Manchester School (classical liberalism) saw only the fetters which directly impeded him. The modern liberal sees also the want of positive aids without which he is only half free.

The recognition of positive aids – housing, a living wage, education – according to Blease, represented the point of departure between classical and new liberalism.

Liberalism in England evolved gradually, each phase achieving greater individual freedom from traditional hierarchies while preserving a basic level of the established order. Unlike in other parts of Europe, the French Revolution of 1789 did not create upheaval in Britain partly due to the greater level of freedom enjoyed by the middle class. Since 1689, the British Parliament exercised sovereignty over the monarchy and operated a system of voting rights for men with property. Major liberal reform did not begin in Britain until the 1830s when Parliament passed the Reform Bill of 1832 expanding the franchise to include a greater portion of the middle class. Following the trend in the rest of Europe at this time, Britain also began to increase the power of the House of Commons in respect to the House of Lords.

Between 1830 and 1870, Liberalism in England focused on economic freedom. From the writings of David Ricardo, Adam Smith and James Mill, Liberals argued for free trade, greater property rights and the removal of all obstacles that impeded the economic development of the individual, who they saw as ‘the self-interested economic man.’ As British economic historian David Harris wrote in his survey of 19 th century European Liberalism: “...the role which these early liberals assigned to the state in relation to economic enterprise, one point stands out in all clarity: the protection of property from foreign aggression, from state encroachments, from the disorders of the mob, and from the tricks of rascality.” In 1846, free traders successfully launched a campaign to repeal the Corn Laws, which protected English farmers and landowners from both foreign and rival domestic competitors.

Along with greater economic liberty, Liberalism in the first half of the 19 th century also achieved greater religious freedom in Britain and throughout Europe. Religion was attacked for the privileges it afforded clergymen and also for denying individuals the right to worship and develop spiritually as one chose. In Britain, Liberals won disestablishment in Ireland, ended the Anglican monopoly at Oxford and Cambridge and restored civil rights to Dissenters. In 1874, Benjamin Disraeli became England’s first prime minister of Jewish heritage.

Despite its rhetoric – “ Liberty, Fraternity and Equality” – the spread of Liberalism in the 19 th century did not benefit everyone equally; the main beneficiaries were white, middle class men. The economic and political stake of women, lower and working class populations did not substantially improve in Britain. According to European historian J. Ellis Barker, the failure of Liberalism in the 19 th century to reap benefits for the working classes was due to the fact that it merely replaced the old system of privileges with a new one:

The old Liberalism, while pretending to be popular and democratic, merely endeavored to deprive the landed aristocracy its power and to make the monied merchant and manufacturer supreme. The territorial dukes and earls who had ruled England for centuries were to be replaced by similarly absolute merchant princes and factory barons.

The Corn Laws and the adoption of the free trade provided another example of how classical liberalism falsely promoted democracy in the early 19 th century. In repealing the Corn Laws, Sir Robert Peel, who was manufactured cotton, was following a cotton policy, not a democratic policy: “[Liberals] advocated the

abolition of the Corn Laws and the introduction of Free Trade, partly because they thought it would benefit the cotton industry, partly because they hoped that Free Trade in bread-corn would ruin their opponents, landowners.”

England’s commitment to the doctrines of free trade and laissez-faire, even during the Irish potato blight, represented one of the most tragic shortcomings of Liberalism in the 19th century:

Liberalism showed its other face in England’s handling of the potato famine in Ireland. As the potato blight struck late 1845, disaster for a population so dependent on a single crop was not hard to predict. For the next several years some of England’s ablest officials struggled with bureaucratic earnestness to collect information, organize relief, and maintain order in a corpse-strewn land; yet they did so in a manner so inhibited by respect for the rules of liberal economics and the rights of property that, in practice, only a meager relief was offered while millions starved.

The Crisis of Liberalism

Liberalism and the Liberal Party faced a series of internal and external crises beginning in the 1880s and lasting through 1905. Externally, the rise of Socialism and the formation of the Independent Labour Party challenged the Party’s commitment to the working class and social reform. Internally, the Party split on the subject of Home Rule for Ireland. Under William E. Gladstone, Liberals supported a gradual path toward Irish independence that included compensating Irish landlords. More radical Liberals, such as Joseph Chamberlain, resented the cost of Irish independence and the amount of attention it consumed when more important issues such as poverty and unemployment demanded state action. Prior to the election of 1885, Chamberlain, who served in Gladstone’s Cabinet as President of the Board of Trade, broke Party ranks to devise and offer an ‘unauthorized program’ that included radical proposals for free education, Church disestablishment and small landholdings for agricultural laborers. Chamberlain’s program failed to garner significant working class support and isolated moderates, further splitting the already divided Liberal Party.

The lack of cohesion in the English Liberal Party reflected the overall struggles facing Liberalism throughout Europe at the end of the 19th century. For nearly a century, Liberalism had been chipping away at the privileges of the old aristocracy

and promoting democracy. By the mid-19th century, despite demands for universal male suffrage, “bourgeois liberals,” clung to a system of voting privileges for fear that democracy would challenge previous liberal victories. On this period in the history of European Liberalism, Harris wrote:

The dilemma for the liberals was increased by the fact that in times of need – for example in Paris during the crisis of the July Revolution and in Britain during the Reform Bill and Corn Law agitations – they themselves had not been above playing with the democratic fires. It was one thing, however, to use the masses, to turn them on and off like a spigot; it was quite another to put a ballot into their hands. In addition simple social prejudice, practical observations showed some ominous clouds on the horizon. There was danger that the bishops would command the vote of the faithful for their own illiberal purposes, and there was an even more threatening danger that a propertyless majority would lay reckless hand on the rights of property.

New Liberals

New liberalism triumphed largely due to the new liberals’ appreciation of the precarious situation of Liberalism in Britain and Europe at the end of the 19th century. New liberals understood that, while monumental change was needed to win back the support of the working class, change must come without monumental disruption of the social order or they would lose the middle class core of the Liberal Party. To these liberal reformers, neither the socialists nor Labour Party supporters offered a coherent theory of government or reasonable path toward social reform. What was needed, according to new liberals, was a new progressive movement within the Liberal Party to pick up where old Liberalism left off in providing a rational and just theory of government capable of securing genuine economic and social freedom. Herbert Samuel explained these goals in his paper “New Liberalism” read at the 10th meeting of the Rainbow Circle in 1895:

The Liberalism based upon Bentham’s philosophy and Adam Smith’s economics is sapped and riddled and its most successful opponents have been the Socialists. And yet, the [Social Democratic Federation] can only command a limited amount of intelligent support and the Fabians have no complete and self-sufficing theory of government. There seems to be the possibility of a third philosophy independent of the other two and towards its discovery the new liberalism moves.

At a time of heightened political tension and social awareness, the new liberals sought a third and in a sense, middle philosophy between Socialism and Conservatism that could still be labeled Liberalism. Equally as important to protecting Liberal roots was the need to create a progressive movement that would last, unlike prior “Radical” movements in Liberalism’s history. At the third meeting of the Rainbow Circle on January 9, 1895, William Clarke, editor of the *Progressive Review*, read a paper on the “Political defects of the Old Radicalism,” in which he stated that prior radical movements in Liberalism such as the democratic experiment in America, the French Revolution and the Manchester school of free trade failed because they sought too strong a departure from historical institutions firmly embedded in society. The weakness of the democratic movement in America, for example, Samuel wrote, “lay in its failing to make allowance for the adaptability of old institutions to new needs: it had not the historical spirit, and both criticized and reconstructed systems of government in the spirit of finality.” In a deliberate attempt not to repeat past mistakes, new liberalism built upon the institutions of classical liberalism, namely, the doctrines of natural rights, private property and laissez-faire.

The new doctrine of natural rights

Liberty and the recognition of natural rights are the oldest and deepest concerns of Liberalism. The phrase “ Liberty, Fraternity and Equality,” rallied French revolutionaries in 1789 and in the Declaration of Independence of 1776, America’s founders asserted that all men were “endowed” with “unalienable” rights to “life, liberty and the pursuit of happiness.” Despite the seemingly all-encompassing notion of liberty found in these declarations of freedom, classical liberals held a very narrow view of natural rights and what it meant to be free. Liberty in the 18 th century meant that man should be free from coercion by authoritarian governments and Church doctrine to shape his or her own life. From this definition, liberty would have been complete after the implementation of representative government and disestablishment, and it was, for the white, protestant, middle class men of the 19 th century.

By the late 1880s, after Booth and others revealed the slavery of poverty caused by the new industrial order, new liberals no longer accepted the view of liberty as held by classical liberals. The new industrial order, sustained by a competitive economic system , replaced the old organs of coercion by denying men the true value of their labor and the opportunity to cultivate individuality. New liberals redefined liberty

in a positive sense to mean not only freedom from the coercive state and church apparatus, but also freedom to develop personality through education, living wages, basic health care and all of the conditions necessary to flourish in the competitive, industrial society. This view of liberty is positive because it requires positive state action to secure opportunities for individuals to enjoy their unalienable right to pursue happiness.

The new liberal views of liberty and natural rights are most heavily influenced by the philosophies of Thomas Hill Green and J.S. Mill. From Mill, new liberals accepted the concept that at the core of man was not self-interest but individuality, and from Green, they argued that men were naturally social. The classical conception of man, on the other hand, assumed that individuals were naturally self-interested and that social life was merely the arena where individual interests competed for resources necessary to attain personal happiness. Natural rights, according to classical Liberalism, were the powers that enabled men to compete for their individual interests. Both Mill and Green rejected the self-interest argument of the nature of man due to the fact that in practice, it assumed that the natural rights of one individual to pursue self-interest conflicted with the rights of other individuals to do the same. By locating individuality, rather than self-interest at the core of man, and by assuming that men, who were inherently social, depended on others to fully develop their personality, new liberals argued that natural rights were social, rather than individual endowments. All rights, new liberals believed, required social recognition and harmony to be legitimately exercised:

Apart from society there would be no such thing as the intelligence, knowledge, and conscience of man...the self-distinguishing and self-seeking consciousness of man, acting in and upon those human wants and ties and affections which in their proper human character have as little reality apart from it as it apart from them, gives rise to a system of social relations, with laws, customs, and institutions corresponding.

In assigning a role to society in the development of individuality, new liberals also carved a role for individuals in enhancing the common good. According to British historian John Morrow, new liberals believed that “rights were recognized as such because they provided opportunities for individuals freely to pursue a common good which also constituted their personal good.” The belief in this convergence of individual rights and the common good is largely the product of new liberals ‘ view of the nature and role of society as influenced by Mill and Green. Both

philosophers rejected the classical atomist view of society as nothing more than the collection of individuals and instead, argued that society played an essential role in the development of individuality by providing an arena for individuals to coordinate activities that both fulfilled their individual desires and sustained the community networks that contribute to the personal growth of other individuals. On the influence of Mill and the new liberal conception of society, founding new liberal theorist L.T. Hobhouse wrote in 1911 that:

The teaching of Mill brings us close to the heart of liberalism. We learn from him that liberty is no mere formula of law...nor does it rest on the self-assertion of the individual...The foundation of liberty is the idea of growth. Life is learning, but whether in theory or in practice what a man genuinely learns is what he absorbs, and what he absorbs depends on the energy which he himself puts forth in response to his surroundings...Liberalism is the belief that society can safely be founded on this self-direction power of personality, that it is only on this foundation that a true community can be built...Liberty then, is not so much of a right of the individual as a necessity of society.

In addition to reconciling natural rights and the common good, new liberals maintained that the role of the state was not only to uphold the rule of law, but also the general will of society to further the common good. Unlike classical liberals who upheld the concept of “state neutrality” in which the state remained non-aligned and in a sense, disinterested in the moral or ethical direction of society, new liberals believed that it was the duty of the state to promote “the good life.” British historian James Meadowcroft explained the new liberal concept of the state in regard to social progress in an essay, “Neutrality, perfectionism, and the new liberal conception of the state.” According to Meadowcroft, new liberals believed “that the state should function to promote the good life – in particular, to further a common good of which each member of the community had some part.” In promoting the “good life,” new liberals did not envision the state interfering in the moral decisions of individuals, but rather, that the state show interest and promote social progress by curing social evils such as unemployment, crime and poverty.

A new conception of private property

The new liberal theory of private property embodied the elements most characteristically new liberal – concern for the common good, recognition of socially created value and a commitment to individualism. It also proved the most

controversial aspect of new liberal theory. Throughout the 18th and 19th centuries, private property occupied its own sacred doctrine due to the profound role of property in the cultivation of wealth and as a requirement for political participation. According to Harris, protection of private property stood out as the most important role of government in classical liberalism:

When one moves on into the story of the role which early liberals assigned to the state in relation to economic enterprise, one point stands out in all clarity: the protection of property from foreign aggression, from state encroachments, from the disorders of the mob and from the tricks of rascality. Among the last, the refusal to honor a contract was of prime and horrifying significance, since contract made the difference, so thoughtful men believed, between order and chaos.

To classical liberals, the recognition and protection of private property represented the main difference between the chaotic state of nature described by Thomas Hobbes and civil society governed by the rule of law. Private property was not only a natural right; its protection was a condition of economic liberty.

New liberals shared the classical notation that private property was an essential condition of liberty, but only in the sense that property contributed to the self-development of an individual within a community. In other words, the right to private property depended on its use. In "Private property, liberal subjects and the state," Morrow wrote, "New liberal thinkers argued that some form of private property is a necessary condition for liberal subjects. However, they do not see these rights as purely private claims...private property rights depend on individuals' embeddedness within a community. The conditional right to private property reflected the new liberal conception that individual rights required social recognition and that their exercise could not prevent other individuals from exercising their own. Property, being a limited commodity in Europe and especially in Britain, naturally excluded those who had not inherited land or lacked the economic power to purchase it. Thus, those who were fortunate enough to have land, new liberals believed, must use it for social good, which, according to the new liberal doctrine of natural rights, also constituted a personal good. On the use of land for social good, Green wrote:

The earth is just as much an original natural material necessary to productive industry, as are air, light, and water, but the latter from the nature of the case cannot be appropriated, the earth can be and has been. The only justification for this

appropriation, as for any other, is that it contributes on the whole to social well-being.

Central to the new liberal conception of private property, as well as other aspects of their philosophy, was the recognition of the role society played both in helping to create and maintain its value. New liberals believed that because society helped create and maintain its value, all property rightfully belonged to the people. In Hobhouse's 1911 book, *Liberalism*, the new liberal philosopher argued, "The basis of property is social. It is the organized force of society that maintains the rights of owners by protecting them against thieves and depredators." New liberals justified the view that private property in land was subject to the will of society based on the belief that value in land, and other forces of production, was mainly socially created and socially protected. In his 1922 book, *The Elements of Social Justice*, Hobhouse also argued that there is an individual as well as a social component to the creation of wealth in land and production:

...as the industry of a town expands, so does the population, and as population grows so does the value in land. The people must have houses to live in, and their mere numbers force up rents. Now this added land value is not any one man's creation. It is a social product.

While new liberals acknowledged a role of the individual in the creation of private wealth in land, they maintained that no individual could create wealth on his own. Society helped increase the value of land directly by making the community surrounding the land a desirable place to live and indirectly, by contributing to an individual's ability to use and make land productive through education and experience. Hobson described society's contribution to the creation of wealth in *Taxation and the New State* (1919):

An individual acting by himself can create no wealth. The materials and tools with which he works are supplied to him by elaborate processes of social co-operation. The skill he applies to their use has been laboriously acquired by past generations...and communicated to him by education and training.

Based on society's unique role in the creation of private wealth, new liberals adopted an economic program that called for the taxation of unearned increments of wealth in land and production heavily influenced by Henry George. Prior to discussing this financial scheme, however, it is important to explain the new liberal

stance toward poverty and social reform, for which these taxes would be directed.

The new liberal view on the causes of poverty

The new liberals viewed poverty as the greatest threat to individual liberty and social progress. The eradication of poverty served as the founding focus of new liberalism and the impetus for developing a coherent system of government that could relieve this social evil without compromising the key principles of liberal democracy. “Of all the obstacles which obstruct men’s advance towards good living, and of all the evils with which politics can help to deal,” Samuel wrote in his 1902 pamphlet on the tenets of modern Liberalism: “there is no obstacle more formidable and no evil more grave than poverty.”

Inequality of opportunity bred poverty and was the concern of new liberal social reform. Unlike their Conservative critics, new liberals did not view poverty as solely a symptom of individual failure nor did they believe poverty was part of the natural order. And while new liberals agreed in principle with the concept of “self-help,” which held that any willing individual could lift themselves out of poverty through hard work and industry, they did not see it as a viable means to relieve poverty. Poverty was a social problem that demanded a social response. In *The Crisis of Liberalism* (1909), Hobson explained the failure of the self-help and other methods to relieve poverty:

Now, while it is quite true that no cure for poverty will be really effective unless it raises personality, it is most unprofitable to identify degraded personality as the cause the cause of poverty. For such an analysis ignores the roots and the soil of personal efficiency. The factors of personal efficiency, industry, sobriety, energy of will, quickness of intelligence cannot be got out of ill-born and ill-nurtured children.”

To new liberals, an effective approach to relieving poverty would not only encourage strong work ethic, but also restore equality of opportunity, in education, health and employment. The fundamental question facing new liberals was how to restore equality of opportunity, without unfairly restricting personal liberty or interfering in the competitive, free market economy. The answer, new liberals believed, could be found in part, in the taxation and redistribution of socially earned wealth.

Toward Henry George’s Land Value Taxation

New liberals inherited their concern for the unequal distribution of rent and private ownership in land from Henry George and John Stuart Mill. Both theorists believed that economic rent, the portion of the produce of the land paid to the landlord for the use of the “original and indestructible powers of the soil,” rightfully belonged to the public, not private landowners. Since the early 19th century, classical economics used David Ricardo’s theory of marginalism, which described a hierarchy of land values governed by the fertility and mineral value of the soil, to explain the increase of economic rent. The failure of marginalism, as both George and Mill pointed out, was that it neglected to take into account the non-natural factors that contribute to the increase of land values such as the growth in population, demand for land and speculation. These factors, not being created by any one individual, George and Mill reasoned, belonged to the public. At the inaugural meeting of the Land Tenure Reform Association in 1871, Mill explained the factors of the unearned value of land:

Land is in limited quantity, while the demand for it, in a prosperous country, is constantly increasing. The rent, therefore, and the price, which depends on the rent, progressively rises, not through the exertion of expenditure of the owners, to which we should not object, but by the mere growth in wealth and population.

Despite both Mill and George’s belief that the unearned value of land rightfully belonged to society, only George went as far as to advocate for the reclaiming of that income for public purposes. Mill supported the idea of a special tax on the future increase of land prices, but hesitated to deny the private landowner the current value of his land. George, who adamantly opposed the concept of private property in land, argued that a tax on the current value of all land was not only just but necessary to abolish the evils of landlordism that allows one individual to intercept the labor of another:

The necessary relation between labor and land, the absolute power which the ownership of land gives men who cannot live but by using it, explains what is otherwise inexplicable – the growth and persistence of institutions, manners, and ideas so utterly repugnant to the natural sense of liberty and equality.

While George loathed the system of private property in land, he was committed to the competitive market system of capitalism and did not support redistribution of land or advocate land nationalization through confiscation. Through a single tax on the value of land, George argued that the system of private ownership could be

abolished without directly confiscating private property or disrupting the economy:

I do not propose either to purchase or to confiscate private property in land. The first would be unjust, the second needless. Let the individuals who now hold it still retain, if they want to, possession of what they are pleased to call their land. Let them continue to call it their land. Let them buy and sell, and bequeath and devise it. We may safely leave them the shell, if we take the kernel. It is not necessary to confiscate land; it is only necessary to confiscate rent .

Neither a fan of private property nor socialism, George also disliked taxes for their tendency to either reduce the earnings of the laborer or discourage production. According to George, the best tax to raise public revenues is one that most closely conforms with the following canons: (1) That it bears lightly as possible on production; (2) That it be easily and cheaply collected; (3) That it be certain, so to avoid corruption on the part of officials; and, (4) That it bear equally. A tax on land, George argued, not only adhered to all four conditions, but also had the tendency to increase the production by destroying speculation, which he attributed to the cause of industrial depression. Furthermore, taxes on land are born equally because they do not fall on the value of any one person's labor, but on the value produced by the labor of the entire community:

The tax upon land values, is therefore, the most just and equal of all taxes. It falls only upon those who receive from society a peculiar and valuable benefit, and upon them in proportion to the benefit they receive. It is the taking by the community, for the use of the community, of that value which is the creation of community. It is the application of the common property to common uses. When all rent is taken by taxation for the needs of the community, then will the equality ordained by nature be attained. No citizen will have an advantage over any other citizen save as is given by his industry, skill, and intelligence; and each will obtain what he fairly earns. Then, but not till then, will labor get its full reward, and capital its natural return.

New liberal taxation policies

As a result of George's philosophy, new liberals embraced the concept of taxes on unearned increments of wealth to exact social reform and create greater equality of opportunity. New liberals held a robust view of what constituted unearned wealth and could therefore be legitimately taxed. Sometimes called the unproductive

surplus, new liberals believed that in addition to rent, all forms of income not directly created by an individual or as the result of increased productivity belonged to the public. The unproductive surplus, for example, included the inflated earnings of monopolists, whose fortunes were not the result of greater productivity but from their greater comparative access to industrial capital – land, water, natural resources and labor. On this unproductive surplus produced by the industrial order, Hobson wrote:

Unproductive surplus includes the whole of the economic rent of land, and such payments made to capital, ability, or labour, in the shape of high interests, profits, salaries or wages, as do not tend to evoke a fuller or better productivity of these factors. This unproductive surplus is the principle source not merely of waste but of economic malady. For it represents the encroachment of a stronger factor upon a fund which is needed, partly for increasing the efficiency of other factors, labour in particular, partly as social income to be expended in enlarging and improving public life. The unproductive surplus therefore represents the failure of the competitive system to compete: it represents the powers of combination and monopoly.

New liberals reasoned that if government could not ensure equal access to capital, then at least it could secure equal opportunity to enjoy the wealth created by those who benefit from the various forms of social property.

The Triumph of New Liberalism

In 1909, the Liberal government passed a budget that for the first time, included taxes on unearned increments of wealth and embodied a “clear expression of the new Liberal principles.” Chancellor of the Exchequer and Liberal MP of Wales David Lloyd George introduced the “People’s Budget of 1909” as a method to exact social reform without running a deficit or raising taxes on the poor. The most new liberal components of the Budget included taxes on land values, estates, liquor licenses, high incomes, tobacco and mining royalties. Also reflective of new liberal concerns, was that the bulk of the income raised by these taxes – 8,750,000 pounds – was to be used to pay for old age pensions. On the new liberal character of the Budget, W. Lyon Blease wrote:

It carried the principle of graduation to a further point, both in income tax and in death duties, and it imposed for the first time a tax on the natural monopoly of land. To those who understand the meaning of Social Reform, the necessity of the

Budget is clear. Money must be found for the purpose of relieving poverty. To raise it by a general taxation of rich and poor would be to lay a new burden upon the poor.

Blease also pointed out that all of the taxes included in the Budget, embodied the new liberal principle of taxing only unearned values of income:

These taxes had one principle in common. They were based, not upon the enjoyment of property, but on the method of its acquisition. Those who drew incomes from permanent investments were taxed more heavily than those whose prosperity depended on their personal exertions. . . . Other taxes were imposed upon the luxuries of the working classes. These would in any case be paid by those who could afford them, and would not deprive a poor man of anything which was a real necessity of life.

In addition to the People's Budget, in 1909, new liberals called for the adoption of a new People's Charter to secure equality of opportunity. Similar to the People's Charter of 1848, which sought to secure political liberty for the working classes, the new liberal charter aimed to secure economic freedom for all members of society. As outlined by Hobson in *The Crisis of Liberalism*, the new liberal charter outlined six conditions necessary for economic freedom: (1) The value of the use of the land for the People; (2) Public ownership of the effective highways, railways, tramways, and canals; (3) Public organization of credit and insurance, essentials of modern business; (4) Full freedom of education and equal access for all to the social fund of culture and knowledge; (5) Equal access to public law; and, (6) The assertion of the popular power to tax or control any new form of monopoly or inequality to engage in economic enterprise.

Although often labeled as such, neither the new liberal charter nor the People's Budget of 1909 amounted to Socialism because they did not attempt to abolish the competitive system. According to Hobson, the new liberal charter represented "practical Socialism," which aimed "to supply all workers at cost price with all the economic conditions requisite to the education and employment of their personal powers for their personal advantage and enjoyment." Like Old Age Pensions, which removed some of the burden of caring for the elderly from working class families, the People's Budget sought to mitigate some, but not all, of the risk involved in economic enterprise for the working classes. "It is not Socialism," Blease explained, "It is not a system of doles. It removes only some of the risks or

failure, and only those which are beyond individual control.”

In addition to the People’s Budget, the success of a number of government acts signaled the triumph of new liberalism over Conservatism and Socialism at the beginning of the 20 th century. Consistent with the new liberal view that the ill-born and ill-nourished do not have an equal opportunity to enjoy economic and social liberty, Parliament passed the Children Act of 1908 to help provide for needy children. On the legitimacy of this legislation, Herbert Samuel stated in an address to the Rainbow Circle that the provisions of the Children’s Act “are designed to emphasize the responsibility of the normal parent for the normal child, whilst at the same time they enable the State to go much further where normal conditions do not prevail.”

New liberalism’s commitments to equality of opportunity and economic freedom also were embodied in the Trade Boards Act of 1909. Consisting of employers and employees, trade boards established minimum wages for certain employments based on the conditions of each trade and to insure the worker could enjoy a reasonable standard of health and comfort. Members of the Rainbow Circle supported the Boards on account of their tendency to “level up the bad employer to the good and sometimes to raise the standard of the good employer,” without excessive state intervention in industry. According to Blease, the Trade Boards, Old Age Pensions, and Children Act illustrated that a new conception of society and social reform had replaced the classical liberal view of laissez-faire and belief in the survival of the fittest in Britain:

Social reform is justified as a national army is justified. It is a system of common organization for the purpose of common protection... The concept of society is no longer that of an extended procession, the strongest pushing on to the full limit of their powers, while the country to the rear is strewn with the sick and injured. It is that of a compact of army, every man of which has to be brought in, with a sufficient organization of wagons and ambulance to pick up all the stragglers.

New Liberalism: “ Liberty, Fraternity, Equal Opportunity”

New Liberalism created the foundation of the modern welfare state through its devotion to liberty, the common good and equality of opportunity. Social legislation throughout the 20 th and 21 st centuries have embodied the new liberal commitment to providing all individuals with the necessary positive aids – living

wage, education, and health care – to exercise personal liberty and contribute to the common good. And, new liberalism justified the redistribution of socially created wealth in private property and industrial monopolies. In 1920, Liberal MP Charles Frederick Gurney Masterman described the new liberalism, and its doctrines of natural rights, the common good and commitment to equality of opportunity, that had transformed British government during the first 20 years of the 20th century:

Its ideal is Liberty, Fraternity, Equal Opportunity in all that is essential to human well-being, for all the family of mankind. It believes in personal possession, in the ownership of private property, in competition for success and attainment, in the stimulus of such competition amongst a race of men always inclined to ease, and amongst most of which no large unrest of mind furnishes a perpetual stimulus to action. It believes that such competition can be made an entirely beneficial force and without it energy dies, and mankind settles down to an ignoble content...It believes in Democracy...It knows no method of making all men equal...At home it is fighting for that national economy and forsaking of extravagance which is the only alternative to national bankruptcy. It is determined so to adjust the national burdens that they shall as little as may be hamper trade or intensify poverty. It demands drastic treatment of all the monopolies, natural or artificial, and the industries upon which all others depend...It is determined to take up the campaign against poverty...It is determined to remove the consequences of unemployment, the fear of which is the chief enemy of increased production, and the experience of which no man should be compelled to endure.