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Laissez Faire in History—Fact and Fiction

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IN FRANCE, near the end of the seventeenth century, during a period of strife and unemployment following intense industrial regimentation, Premier Colbert is reputed to have asked the merchants and manufacturers of Lyons, "*Que faut-il faire pour vous aider?*" — "How might the government help?" Merchant Legendre is recorded to have replied, "*Laissez-nous faire.*" Freely translated, this appears to mean, "Let us alone!"

Keynes, in his *Laissez Faire and Communism*, written in 1926, appears to contend that Marquis d'Argenson, about 1775—nearly a century after the foregoing exchange—was the first writer to associate the phrase laissez faire with the previously-developed doctrine of the early seventeenth-century philosophers, that government has no right to interfere with "the working of natural laws of individuals pursuing their own interests (which) with enlightenment in conditions of freedom always tend to promote the general interest at the same time." This author also declares that the phrase laissez faire was first brought into popular usage in England by Dr. Franklin.

Henry George, in *Science of Political Economy*, says, "The English motto, which I take to come closest to the spirit of the French phrase, is 'A fair field and no favor.'"

Keynes, in the previously-mentioned volume, credits Bentham, of English fame, with the assertion: "The general rule is that nothing ought to be done or attempted by government." But, one may ask, how was it understood in those earlier days in England? How is it commonly understood in the United States today?

J. E. Cairnes, professor emeritus of Political Economy, University College, London, writing in 1874 was of the opinion that the phrase was then commonly understood to mean, ". . . wealth may be most readily accumulated and most fairly distributed—that is to say, the human well-being may be more effectively promoted—by the simple process of leaving people to themselves; leaving individuals, that is to say, to follow the promptings of self-interest unrestrained either by the state or by public opinion, so long as they abstain from force and fraud."

Donisthorpe, another English writer of that time said, "*laissez faire* is still commonly understood in its oldest sense to mean, let things alone, let them drift, let that which is filthy be filthy still."

Funk & Wagnalls New Standard Dictionary (1913) offers this major definition:

"The let-alone principle; non-interference; in economics, absolutely uncontrolled industrial and commercial competition . . . the motto of the French physiocratic economists, which is a protest against the interference of government with the liberty of the individual in production and trade."

It is apparent that the idea of a minimum, if not a non-existent government involvement



in the economic affairs of man had its day of "popularity and prestige." But, it appears not to have prevailed. Why?

Hake, in *The Coming Individualism*, written in 1895, declares that the factor that made possible the English acceptance of legislative restrictions in the latter part of 1800—such, as for example, the "Factory Act" and the "Merchandise Act," requiring British exporters to mark German-manufactured goods "Made in Germany"—was their willingness to substitute the omniscience and omnipotence of the state for that which they had regretfully experienced under "despots, churches, and aristocratic oligarchies!" "As invariably has been the case with nations whose destiny has passed into their own hands," the author observes, "the English people did not see their way to achieve their material happiness through liberty, but longed for new masters."

This author envisioned a new party with leaders picked from among the then present "coryphrees," or new men. His goal, he said, was individual freedom; his motto, "Measures, not men." His platform was the revision of the then existing legislation to achieve, imperial free trade, free competition in the supply of capital and labor, free trade in drink, free trade in amusements, and free trade in land.

The Right Hon. Goschen, in an address in 1883 on "Laissez Faire and Government Interference," before the Philosophical Institution of Edinburgh, named four reasons for the failure of laissez faire to secure the support of the British people.

1. THE PUBLIC SENSE OF MORALITY: Factory Acts and Education Acts envisioned "the state and its inspectors in the place of father and mother as guardians of a child's education, labor, and health." The awakening of public conscience demanded "legislation respecting ships and sailors, the prevention of accidents in

mines and manufactories, the curtailment of hours of labor, the employment of women and children *underground*, the state of canal boats, unsanitary dwellings."

2. DISSATISFACTION WITH THE DISTRIBUTION OF WEALTH: Regardless of whether or not laissez faire succeeded in producing wealth, the author presents the obvious fact of his day that laissez faire failed to bring a sound and just distribution of wealth. Laissez faire is a perfectly natural motto for capitalists, manufacturers, landlords, and tradesmen, and the cry is raised, "they have had their way and see what has come of it?" For the author, a special system of taxation held the promise of solving the problem.

3. COMPLICATIONS ARISING FROM THE CROWDED STATE: The complexity of society with its jostling, competing interests on the industrial highways, as well as the vehicular ones, demanded traffic control. The post office succeeded, why not try banking?

4. BELIEF THAT GOVERNMENT IS THE ONLY "DEUS EX MACHINA": i. e. "God out of a machine." Conditions being what they were, the rank and file of society came to demand control of the individual. The democratization of society tended to build up the people's trust in the state. To see what was done in certain areas of social health, safety, sanitation, and pure food control, encouraged sanction for government to be concerned about such things as housing.

The author further explains that even though government officials may not necessarily covet power *per se*, they do covet an extension of their power to serve. Moreover, the more the public puts up with civil servants the more civil servants offer to do for the public. Also, the author reminds, when a new departure is started it is, in the strictest sense, only a *departure*. It is not a terminus.

Even if we grant an admirable government control, the author contends, there is a serious risk of weakening individual responsibility. Furthermore, the protection secured by one group invokes another to attempt comparable protection. Thus, the author concludes, "Once pass a moral condemnation of 'laissez faire' in any particular case and its rehabilitation becomes a hopeless task."

Keynes, in *Laissez Faire and Communism*, states, but does not discuss, the provisional assumptions which he regards as the twin butresses of laissez faire, namely:

1. Unhindered natural selection leads to progress, and
2. The efficacy and necessity of the opportunity for unlimited private money making as an incentive to maximum effort.

Irving Fisher, who died in 1947, is listed in the 1943-1950 *Who Was Who in America* as a political economist—with a column of comment on his achievements. In addressing the American Association for the Advancement of

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Science in 1906, on the subject "Why has the doctrine of 'laissez faire' been abandoned?," in his opening sentence he said, ". . . the most remarkable change which economic opinion has undergone during the last fifty years has been the change from the extreme laissez-faire doctrines of the classical economists to the modern doctrines of government regulation and social control." (Mr. Fisher was fearful that the tendency was too greatly toward socialism.)

"The abandonment," Mr. Fisher noted, "has been gradual and is credited to the cumulative effect of experience which has brought men face to face with the practical limitations of the let alone policy." Among those limitations are the fallacious individualist doctrines implicit in laissez faire, which Mr. Fisher asserted to be:

1. "The individual is the best judge of what subserves his own interests and the motive of self interest leads him to secure the maximum well-being for himself, and
2. "Since society is merely the sum of individuals the effort of each to secure the maximum well-being for himself has its necessary efforts to secure also the maximum of well-being for society as a whole."

There is a close kinship between this parallel reasoning of Keynes and Fisher and that of Professor J. E. Cairnes, whom I quoted as to the early English meaning of laissez faire. This is Mr. Cairnes' analysis.

"The implied . . . assertion in this; that taking human beings as they are, in the actual state of moral and intellectual development they have reached; taking account, further, of the physical conditions with which they are surrounded in the world; lastly, accepting the institution of private property as understood and maintained in most modern states,—the promptings of self-interest will lead individuals, in all that range of their conduct which has to do with their material well-being, spontaneously to follow that course which is most for their own good and for the good of all . . . And you will see at once that it involves the two following assumptions; first, that the interests of human beings are fundamentally the same—that what is most for my interests is also most for the interests of other people; secondly, that individuals know their interests in the sense in which they are coincident with the interests of others, and in that sense follow them. If these two propositions are made out," Mr. Cairnes concludes, "the policy of 'laissez faire'—the policy, that is to say, of absolute abstention on the part of the State in all that concerns material well-being—follows with scientific vigor."

Cautioning that human interests and class interests are not "at one," the author accepts the first assumption—that the interests of human beings are fundamentally the same—and then undertakes to show the falsity of the second assumption—that individuals know their interests—and follow them—in the sense in which they are coincident with the interests of others.

This leads author Cairnes to observe, ". . . as if it were an *obvious thing* that people knew their interests in the sense in which they coincide with the interests of others and that, knowing them, they must follow them; as if there were no such thing in the world as passion, prejudice, custom, esprit de corps, class interest, to draw people aside from the pursuit of their interests in the largest and highest sense."

For evidence of the lack of "naturally harmonious" human interests, the author cites the action of the landlords incident to the passing of the Corn Laws and power by law given them to interpose "endless artificial obstacles between the land of the country and the living people who inhabit it; the attitude of the employers to the Statutes to limit labor to ten hours work," and trade unions, "who pass rules against task-work and in favor of uniform wages for the skillful and the inept."

Somewhat in the same spirit, Fisher comments on the drunkard not being the best judge of what is best for him, the building contractor not being trusted to provide fireproof constructions, the factory owner burning soft coal but not using a smoke-consuming furnace, thus forcing fellow citizens to seek remedial legislation.

The history of man is replete with complaints about the unequal possession and use of the

things that contribute to man's comforts and interests. From the smallest hamlet to the great metropolis people, when exposed to its existence, show amazement at the difference in comforts with which people are surrounded in various parts of their community.

Such conditions, these people declare, are not right. Protests in the market bring no amelioration. What is to blame, they have not the slightest idea. Finding no other to champion their complaints, they turn to government. The sweep of the eye over the map of the world pin points country after country where *government* has undertaken, in some way, to respond to these people and to alleviate these untoward conditions. The results are not encouraging. Hence the present-day pertinency of the flaming question: What is the function of government in the production for social maintenance?

To be continued next month.