

## The Ideology of the Laissez Faire Program

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**ABSTRACT:** Over the last 35 years, a free market, laissez faire program has increasingly dominated perceptions as to what constitutes correct economic theory and policy. Most adherents of this program trace its origins to Adam Smith, and claim that its dominant position is the result of superior theory.

The argument here is that Adam Smith is not the theoretical ancestor of modern laissez faire economics, and that there are fundamental differences between Smith's position on laissez faire and that of conventional neoclassical theory. A difference between "soft" and "hard" laissez faire is made, where Smith represents the former position; neoclassical theory the latter. Further, and more important, it is argued that the current laissez faire program is an outgrowth of a political program instituted in the 1930's and financially supported in the present era by conservative foundations to promote an ideological framework that permits the development of specific governmental (and non-governmental) actions.

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It is usually held that orthodox economic theory supports a (generally) laissez faire, noninterventionist position that is traceable to Adam Smith. Perhaps the strongest argument for this view emanates from Chicago (see, for example, Coase 1976), but it is the prevalent position among most economists. Yet, a thorough reading of social theorists leading to Smith, and a critical evaluation of Smith himself does not support this position. It is true, however, that a generally laissez faire position did dominate the profession by the late 19<sup>th</sup> century, and while this view waned in the first half of

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the 20<sup>th</sup> century, it has resurfaced in the present period. The libertarian wing of the discipline has led this recrudescence, in particular through the work of von Hayek, though the promotion of the laissez faire program should not be confined to the Austrians: the theoretical work of Robert Lucas in particular is clearly of this persuasion (see Kasper 2002). In general, “free trade” or “market fundamentalism” are current watchwords in the discipline, and the Washington Consensus, regardless of its observable dismal record, remains a standard by which proper policy is to be judged. It should also be noted that this resurgence is not confined to economic theory, but has permeated social theory in general. The initial success of Robert Nozick’s *Anarchy, State, and Utopia* (1974) and the encroachment of rational choice theory in political science and sociology are indications of this general trend (see Friedman 1996; Green and Shapiro 1994).

To introduce some order into the argument that follows, a preliminary statement as to what constitutes a laissez faire ideology is necessary. I believe it is necessary to distinguish between what I term a “soft” laissez faire and a “hard” laissez faire position. It is also necessary to clear the ground on the distinction between government interventions in society in general from intervention in the economy, specifically in market relations. Let us initially consider the second issue.

It is rare, perhaps impossible, to find any thoughtful economist who advocates a hands off policy for government in influencing at least the social order within which the economy functions. All recognize, though not all emphasize, the need for some supra-economic organization to determine the rules within which the economy then operates. Even Jean Baptiste Say, one of the most ardent laissez faire advocates, saw government as the mechanism through which not only would property rights be developed and enforced, but also the institution in charge of developing a broadly defined educational program through which the “ignorant” sections of the population would come to understand their “true” self-interests. Government was also to develop a civil code that would enforce “proper” behavior necessary to allow markets to function well (Forget 2001). So, while the economy might arise as a spontaneous natural order, it could only do so within a strongly interventionist government in the social order. This same view is contained in Milton Friedman’s very influential *Capitalism and Freedom* (1962), and forms part of the core argument of Austrian theorists.

Such a stance, however, does not imply government intervention in the workings of the market. Once that market economy is up and running, adherents of a laissez faire program confine their arguments to analyzing economic arrangements that appear as disembedded structures functioning within a framework initially established by the state-imposed rules of the game. The quest, then, is for a theoretical structure demonstrating that a market system, responding to its internal workings, leads to a smoothly operating equilibrium system where natural tendencies, left to themselves, generate optimal outcomes.

The distinction between soft and hard laissez faire ideologies is linked to the above. Early economists, including Smith, were soft laissez faire ideologists – they advocated limited government intervention in the economy itself, including violations

of the supposed law of markets. For example, William Petty recommended that government should hoard stocks of grain to prevent market adjustment processes resulting in lower prices of foodstuffs. The reason for the maintenance of a price floor in grain was to reduce real wages, forcing workers to a greater work-effort, thus facilitating the early British capitalist accumulation process (Petty [1690] 1899, 275).

James Steuart implored government to assist in the structuring of a capitalist economy, in particular through the organization of the social division of labor so that exchange relations might be quickly established. He also recommended regulation of both profits and wages, though he was considerably more emphatic about the need to regulate the latter: "when a statesman looks coolly on, with his arms across, or takes it into his head, that it is not his business to interpose, the prices of the dexterous workman will rise" (Steuart [1767] 1967, 314).

And, while it is true that Smith adhered to a natural order framework in the main, it is also true, that in addition to the standard exceptions surrounding defense, the provisioning of justice, and the construction of public works, he proposed so many exceptions to a generally laissez faire program in market relations themselves that it is unseemly to cast him as a forerunner of modern Chicago. As enumerated by Jacob Viner, such exceptions included a government-imposed ceiling on interest rates, government programs to direct capital toward beneficial investment, export restrictions on agricultural products, subsidies to business firms to assist them in reaching an economically viable size (a primitive "infant industry" argument), and so on. An actual reading of *The Wealth of Nations* (Smith [1776] 1937) would convince many, if not most, to agree with Viner's assessment: "He did not believe that laissez faire was always good, or always bad. It depended on circumstances; and as best he could, Adam Smith took into account all of the circumstances he could find" (Viner 1928, 155; see also, Samuels 1966, *passim*).

Further, as Samuel Fleischacker has recently demonstrated, Smith was quite keen for his time to point out the need for governments to undertake some redistribution program in a system of private property rights as those rights, necessary for "natural liberty," could well result in poverty. And poverty, as caused by the market system arising on those rights, was unjust (Fleischacker 2004, 203-26). Essentially:

No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed and lodged. (Smith [1776] 1937, 79)

Equity or justice, then, required interference with the workings or outcome of the market processes. That is, Smith and other soft laissez faire theorists did not adopt laissez faire as a standard by which economic relations and outcomes should be judged. Rather, laissez faire was a policy recommendation only if it was in conformity with larger social concerns, including concerns that clearly involved or resulted from

the operations of a capitalist market economy.

The “hard” ideologists, while perhaps allowing for a quite limited number of exceptions, particularly surrounding externalities (though, since Coase (1960), even these issues have become less exceptional), do promote a clearly articulated *laissez faire* program as the only correct approach to economic matters, and devote a great deal of energy demonstrating the inefficiencies associated with government activity. The hard *laissez faire* program was aggressively promoted in the 19<sup>th</sup> century, and is clearly associated with neoclassical rather than classical political economic theory. It was the French School, led by Say and promoted by the brilliant popularizer Frederic Bastiat, that established the most consistent foundation on the basis of which *laissez faire* not only made impeccable logical sense, but which led to a particular view of the consequences of *laissez faire* for the social order. If one adopted exchange as the foundation for economic activity, and one hypothesized an economy of rational, self-interested individuals attempting to maximize utility, then one could posit an outcome of economic relationships that were not only optimal, but harmonious: “*All men’s impulses, when motivated by legitimate self-interest, fall into a harmonious social pattern*” (Bastiat [1850] 1964, xxi; emphasis in original).

This rather unassuming foundation leads, through Walras, Pareto, and Arrow-Debreu, to modern theory demonstrating the efficacy of a (perfectly) competitive market order in allocating resources to make everyone as well off as possible in utility terms. If one posits that voluntary exchange between two parties must increase the welfare of each – or exchange simply would not occur – then, it is argued, voluntary exchange among  $n$  parties must also be welfare-enhancing. Hence, unrestricted, unlimited exchange will generate an equilibrium outcome that is optimal, as resources have then been allocated and outputs have been produced to be in accord with the subjective interests of all members of the (Benthamite) community. Ostensibly, the germ of this theory is found in *The Wealth of Nations* (Starr 1997, 146).

But, as most recently pointed out by Marc Blaug (2007), this attribution to Smith is not correct, and the distinction between Smith’s position and that of conventional economics further augments the argument above pertaining to Smith’s “soft” *laissez faire* position. In addition to basing theory on exchange rather than production (as did Smith), the neoclassical welfare demonstration requires the assumption of perfect competition – a theoretical abstraction necessary for the argument’s conclusions to follow. Firms are atomistic, output-adjusting only (as they are mere price-takers), and exist in a non-rivalrous environment. That is, perfectly competitive firms are not competitors. Essentially, the theory requires that all economic agents, consumers, producers, and “factors of production” have no influence over the economic process that leads to the optimal equilibrium outcome.

Smith’s position on competition, on the other hand, “was a behavioral one . . . (implying) rivalry by price and by nonprice means, rivalry among consumers bidding for a limited supply, and rivalry among producers to dispose of that supply on the most advantageous terms” (Blaug 2007, 188-9). And such a conception of competition does not lead to the neoclassical *laissez faire* conclusions, or to equilibrium in any

sense of maximization.

Further, while Smith did believe that competition promoted beneficial outcomes, these outcomes were the result of the accumulation process that was stimulated by competition among rivals. Output would grow; incomes, in particular the incomes of the poor would increase, and the population would benefit. Efficiency, the hallmark of now-conventional economics, was never the issue for Smith, and, indeed, there is no reference to such a concept in Smith's great book (Blaug 2007, 189).

Thus, while continually paying lip-service to Smith as the "father" of (modern) economics, there are quite fundamental differences between the theoretical stance of Smith and that of neoclassical theory resting on the work of Say, et al.

By the end of the 19<sup>th</sup> century, the French-Manchester hard laissez faire program had achieved dominance in the discipline. To be sure, opposition existed and at times was vehement, but the trend was clear. Indeed, accepting a laissez faire standard became a test in the professionalization process then underway in economics and other disciplines. In the United States, Francis Amasa Walker would derisively announce: "(Laissez faire) was used to decide whether a man was an economist at all" (cited in Furner 1975, 40).

The adoption of the hard laissez faire program does not mean that economists opposed all interference in the (supposed) natural workings of a market economy. Laissez faire was the standard rather than a pragmatic policy recommendation as in Smith, around which specific recommendations for modification in extant relations and institutions would be proffered. Government could step in when the institutional arrangements were such that the conditions leading to the optimizing benefits of laissez faire were not satisfied. For example, if monopolies developed that were the result of various manipulative schemes of business interests, thus in violation of the competitive order of markets, governments could be called upon to utilize legal means to force different behavior that would at least mimic competitive structures (Clark 1901). The general position was enunciated by William Stanley Jevons in his book, *The State in Relation to Labor*.

The all-important point is to explain if possible why, in general, we uphold the rule of *laissez faire*, and yet in large classes of cases invoke the interference of local or central authorities . . . . (T)he outcome of the inquiry is that we can lay down no hard-and-fast rules, but must treat every case in detail upon its merits. (Jevons [1882] 1968, vii)

In his analysis of labor unions, then, Jevons, while clearly arguing that unions are damaging in that they distort the wage structure that would arise under competitive principles, disrupt production through striking and thus do harm to the larger economy, including harm to other workers, nevertheless finds room for government legislation that would be friendly toward unions. In summing up his position, he

writes:

(T)he interference of trade societies in productive industry was . . . deprecated; yet the existence and proceedings of certain professional unions . . . were defended. Though it was held that trades unions ought not to settle the course of trade, yet it was argued that courts of conciliation, if not of arbitration, might decide many matters which, according to the pure principles of political economy, ought to be left to the action of the laws of supply and demand. (Jevons [1882] 1968, 170)

In this work, Jevons never questions the nature of the economic system, the efficiency outcomes associated with the law of supply and demand, nor the benefits of adopting *laissez faire* as a principle on which to recommend policy. As a standard, *laissez faire* provided the foundation on which to argue the merits of specific cases. Those cases may well incorporate arrangements or have non-economic aspects that then require modification of the standard. Economists, for example, might support minimum wage programs on the basis of some ethical concerns even though such wages are claimed to violate the competitive, equilibrating wage determination process that generates efficient outcomes. Even Hayek and Friedman could note some exceptions to their quite strident *laissez faire* positions, specifically in the area of government-sponsored income maintenance (Waller 2006, 65-66). But the foundation that establishes the framework from which exceptions are then developed is that of a market economy free of interventionist constraints that would generate sub-optimal results.

By the turn of the century, the underlying assumptions, assertions, and arguments that had been developed over the previous 200 years and the debates that differing economic theories had ignited were largely forgotten (or ignored). Economists (and others) had fallen into a comfortable acceptance of the *laissez faire* program and no longer wrestled with or scrutinized these assumptions and the claims resting on them. *Laissez faire* was simply taken as an axiomatic, non-contestable principle. Writing in the 1920's, Keynes had to remind his readers that the whole *laissez faire* program rested on a rather flimsy foundation:

Let us clear from the ground the metaphysical or general principles upon which . . . *laissez-faire* has been founded. It is *not* true that individuals possess a prescriptive “*natural liberty*” in their economic activities. There is *no* “compact” conferring perpetual rights on those who Have or on those who Acquire. The world is *not* so governed from above that private and social interest always coincide. It is *not* managed here below that in practice they coincide. It is *not* a correct deduction from the principles of economics that enlightened self-interest always operates in the public interest. Nor is it true that self-interest generally is enlightened . . . . Experience does *not* show that individuals, when they make up a social unit, are always less clear-sighted than when they act separately. . . . (Keynes [1926] 1972, 287-9; emphasis in original)

In the 1920s and especially the 1930s, the laissez faire program fell on hard times and proponents were clearly on the defensive. Keynes's work should have put an end to any subsequent theorizing along laissez faire lines but this obviously has not been the case. Rather, initially led by Hayek and Lionel Robbins in particular, we have seen a resurgence of laissez faire ideology in the discipline, and governments justify reductions of certain kinds of spending programs notably health, education, and welfare expenditures, deregulation, privatization, etc., on this basis. (For a partial list of various programs that have been instituted under the rubric of laissez faire over the last 25 years, see Waller 2006, 68-71.) What is not generally recognized, however, is that the current ascendancy of laissez faire theory in modern economic thinking is not the outcome of superior theory, but the consequence of a long, well-considered, well-organized, and well-orchestrated campaign begun in the 1930s in response to the government interventionist programs of the depression period that enveloped a host of celebrated figures of the post-World War II era. Hayek, Robbins, Karl Popper, Michael Oakeshott, Raymond Aaron, Ludwig von Mises, Aaron Director, Milton Friedman, Henry Hazlitt and others organized themselves as a floating center for the exchange of free-market ideas and a publishing program that advanced the theoretical justification for laissez faire. Politicians, media magnates, and public officials were recruited into a number of organizations (the Mont Pèlerin Society; Institute of Economic Affairs; Center for Policy Studies (the latter two located in the U.K.); The Heritage Foundation; American Enterprise Institute; Cato Institute, etc.), that established the institutional framework within which this laissez faire counter-offensive succeeded. Indeed, the Thatcher and Reagan governments were the direct result of this offensive. (On all this, see the much neglected work by Richard Cockett (1994), for a detailed historical analysis of the 40-year process that led to the recrudescence of laissez faire ideology as dominant. Diamond (1995) and Steinfels (1979) provide instructive information on the conservative campaign in general.)

This *political* campaign incorporated a massive propaganda effort that essentially "sold" laissez faire as a palliative for all society's ills (Aune 2001). This campaign included the publication, arranged by Hazlitt, of the 1945 *Reader's Digest* condensed version of *The Road to Serfdom* and free distribution of the free-market oriented *Intercollegiate Review*, published under the auspices of the Intercollegiate Studies Institute, to college students in several countries. One should also note that the campaign against government involvement in the economy was part of the campaign against socialism. Indeed, socialism was defined as *any* form of collectivist activity. Mises' (1922) *Socialism*, from which so much of this literature springs, was very clear on this point.

In the 1970s, major conservative foundations, in particular the John M. Ohlin, Sarah Scaife, Smith Richardson, Henry Salvatori, Carthage, and Earhart Foundations, began directing monies toward think tanks, academic institutions, programs and individuals, religious organizations, and media groups, specifically to promote the laissez faire program. Indeed, think tanks were created specifically to propagate this ideology and to develop policy that supported a "free market" approach to various

concerns. Responding to a call by Supreme Court Justice Lewis Powell speaking before the U.S. Chamber of Commerce in 1971, for “American business – which has demonstrated the greatest capability in all history to produce and influence consumer decision – to apply their greatest talents to the preservation of the system itself,” the California Chamber established the Pacific Legal Foundation in 1973 (Covington 2005, 90-91). Over the last three decades, such foundations have given hundreds of millions of dollars to organizations and individuals (for specifics, see Covington 1997.) In the words of William Simon, former Secretary of the Treasury and former president of the Ohlin Foundation, these foundations were to “funnel desperately needed funds to scholars, social scientists, writers, and journalists who understand the relationship between political and economic liberty” (Covington 1997, 90). (It might be noted that most, if not all, of the above foundations have also funded the various evangelical organizations, such as Focus on the Family, to promote “traditional family values,” the standard watchword in the current “culture wars” that have confounded the U.S. political arena (see Russell (2005)). Also, Diamond (1989) provides evidence for the financial support of conservative evangelical organizations.)

Perhaps more important than the total monies expended by free-market oriented foundations is their well conceived project to organize the development and propagation of the *laissez faire* program. Richard Fink, president of the Koch and Lambe foundations, articulated the specific features of this project in a 1995 conference of the Philanthropy Roundtable. As Sally Covington summarizes: “invest in change along the entire production continuum, funding scholars and university programs where the intellectual framework for social transformation is developed, think tanks where scholarly ideas get translated into specific policy proposals, and implementation groups to bring these proposals into the political marketplace and eventually to consumers” (Covington 2005, 91-92).

Thus, individual academics and specific academic programs such as those at George Mason University, Boston University, and Hillsdale College are targeted for funding. One indication of the thrust of the programs sponsored, is the mission statement of the Institute for Humane Studies at George Mason University. It reads in part:

The mission of HIS is to support the achievement of a freer society by discovering and facilitating the development of talented, productive students, scholars, and other intellectuals who share an interest in liberty and who demonstrate the potential to help change the current climate of opinion to one more congenial to the principles and practice of freedom. (Institute for Humane Studies)

In addition to funding the development of specific programs and curricula and supporting research promoting *laissez faire*, free-market oriented foundations have sponsored fellowships, mainly in law, economics, political science, and public policy, endowed academic chairs, and sponsored book projects. “Over \$88.9 million was extended to approximately 145 academic institutions, programs or higher education

organizations during 1992-1994” (Covington 1995, 98-99). In particular, monies are directed toward the development and growth of law and economics programs, helping “to institutionalize the ‘Chicago school’ version of law and economics” (99).

In addition to actively promoting the laissez faire program, sizable sums have been directed toward the attack on the supposedly liberal (or leftist) bias in the university, a bias that adopts a strong interventionist stance. In particular, the Intercollegiate Studies Institute has been the recipient of much of these monies, receiving, for example, over \$14 million between 1999 and 2001 (Covington 2005, 101). The American Council of Trustees and Alumni (ACTA), organized in 1995 as the National Alumni Forum by Lynne Cheney, when she headed the National Endowment for the Humanities, and Senator Joseph Lieberman, receives major funding by the Sarah Scaife, Earhart, Ohlin, Carthage, and Bradley Foundations among others. While ACTA was “created to refocus alumni giving by college graduates to conservative purposes” (American Council of Trustees and Alumni), it has since evolved into a major force in attacking this supposed liberal/leftist bias in academe and in promoting the conservative, laissez faire agenda (Gonzalez 2001). The anti-liberal agenda undertaken by such organizations was stated clearly by T. Kenneth Cribb, president of the Intercollegiate Studies Institute (ISI):

We must . . . provide resources and guidance to an elite which can take up anew the task of enculturation . . . . The coming age of such elites has provided the current leadership of the conservative revival. But we should add a major new component to our strategy: the conservative movement is now mature enough to sustain a counteroffensive on the last Leftist redoubt, the college campus . . . . We are now strong enough to establish a contemporary presence for conservatism on campus, and contest the Left on its own turf. We plan to do this by greatly expanding the ISI field efforts, its network of campus-based programming. (Covington 2005, 100)

Specific think tanks are funded to both develop and mold ideas produced internally and externally by academics associated with foundation funding programs into policy statements. The American Enterprise Institute (AEI), an organization once viewed as “centrist,” and now responsible for a good deal of policy formulation in the current period, informs us that:

AEI’s purposes are to defend the principles and improve the institutions of American freedom and democratic capitalism – limited government, private enterprise, individual liberty and responsibility, vigilant and effective defense and foreign policies, political accountability, and open debate. Its work is addressed to government officials and legislators, teachers and students, business executives, professionals, journalists, and all citizens interested in a serious understanding of government policy, the economy, and important

social and political developments. (American Enterprise Institute)

Once articulated, policy prescriptions and the free-market argument behind these are communicated to not only government officials, but the public at large via only the usual media outlets but also through the work of foundation sponsored journalists, journals, newsletters, and other media forms, and helping to secure access to standard radio, television, and newspaper outlets (Covington 1995, 101). In 2002, The Heritage Foundation reported that:

Ideas, proposals, scholarship and views of Heritage's analysts and executives were featured on more than 600 national and international television broadcasts and more than 1,000 national and major market radio broadcasts, and in some 8,000 newspaper and magazine articles and editorials. They produced more than 230 research papers . . . . During the second quarter of 2002, government relations staff members at Heritage briefed three Cabinet secretaries, 164 senior administration officials, 33 senators and 48 House members. (Covington 1995, 95)

The political and ideological program surrounding the inculcation of *laissez faire* as the standard by which policy should be judged, begun in the 1930s and reaching maturity in the late 1970s and 1980s, has now ripened into full flower. From the very beginning, this program has been organized, nurtured, and, now, well-funded. Its ascendancy has not been the consequence of theoretical superiority – the fundamentals of that theory are no different than those discredited by Veblen in the early 1900s and Keynes and others in the 1930s – but the result of a well-articulated, long-run “vision” that was originally conceived by intellectuals, underwritten by business and political leaders, and supported by the largesse of moneyed organizations and individuals who have a vested interest in promoting free-market ideology and policies. And with the collapse (or destruction) of the Soviet Union and Eastern European countries with their various social programs that guaranteed at least a somewhat comfortable life, it is no longer necessary for capitalist states to demonstrate to their own populations that they, too, can somewhat replicate the welfare benefits of their political competitors.

Now, as a practical policy, *laissez faire* is only honored in the breach. This has always been the case. It is a useful ideology for providing a façade under which large corporations – that certainly violate every underlying assumption on which the free market optimizing conclusions are reached – are increasingly organizing the world in their own interests, for promoting certain programs, denigrating certain activities, and punishing one's theoretical or political rivals. But *laissez faire* has *never* been implemented on a wholesale basis. Rather, it is a program employed selectively to accomplish particular objectives.

As an ideological construct, however, *laissez faire* has had an enormous impact on people's conception of proper economic and social organization and policy. Why

is this? What is contained in the laissez faire ideology that speaks so compellingly to such large segments of the population, particularly those populations in the advanced sections of the capitalist world?

To address this issue, one must turn to the dawn of the laissez faire ideology and situate that set of ideas in its social context. Laissez faire evolved out of the concept of natural law, which was gradually linked to the concept of natural order. While Hugo Grotius (1583-1645) and Samuel Puffendorf (1632-1694) were clearly influential in resurrecting the Roman concept of natural law, it was the work of Shaftesbury, Locke, Hutcheson and Hume who stressed a natural order view of the world within which the economic order was incorporated. Why was a natural order perspective so important?

Soft laissez faire arose in the context of the transition from a feudal to a capitalist society. In England, a bloody civil war had been fought, various political forces unleashed, and order was being re-established through the restoration of a somewhat tamed nobility. But the specifics of that new order were still in flux.

Natural order theory countered the divine order position favored by the pro-feudal elements in this debate, notably the nobility (and their representatives) and, in England, the Anglican state church – a feudal institution. Natural order theory could be developed to defend any position (as, for example, in the United States where it was used to defend slavery), but in the English (and Dutch, and French) case, it was promoted by the capitalist forces of the period, notably those who surrounded the noted figure, the Earl of Shaftesbury – for whom Locke served as personal secretary. Not surprisingly then, the natural order promoted by such figures looked very much like a capitalist order – naturally.

The natural order argument led directly to the concept of natural liberty – individual freedom. But freedom to what end? Too often we use the word “freedom” as a general catchword without qualification. It then becomes meaningless except perhaps as part of a propaganda effort to enlist the support of sections of the population in some unworthy endeavor by substituting a slogan for the thinking process. But the English ideologists were in a fight in which the specific issues were prominently displayed and prominently understood, and, thus, advocates of freedom had to be clear as to what they meant (Viner 1960, 46-7). An examination of the literature of the period shows that freedom was directly associated with four, interrelated arguments.

- 1) Freedom *from* feudal political authority: to this end, the Whigs – the party of the capitalists – advocated republicanism in which a government of “merchants, tradesmen, artisans, shopkeepers, *and* yeoman farmers and the gentry . . .” would hold political power and institute governmental programs in the interests of advancing the objectives of capitalism (Ashcraft 1986, 228, *passim*).

The capitalists and proto-capitalists of this period were not against government or government intervention in society or the economy. They were against the arbitrary nature and class orientation of a government operated by the

nobility.

- 2) Freedom of religion: the Whigs were dissenters. The Anglican state church exercised authority in the interests of the nobility. Thus, their anti-Anglican sentiments were linked to their anti-feudal politics.
- 3) Freedom of trade: significant elements of feudal restrictions to the free flow of goods in internal trade relations continued in this period – custom duties, etc. The crown-chartered mercantile monopolies against which Smith railed ran counter to the economic interests of the goods-producing business community, restricting the expansion of the capitalist market. The accumulation process was hampered by feudal constraints, or “the division of labor is limited by the extent of the market.” As Slingsby Bethel, a leading Whig, asserted in 1680: “the advancement of trade . . . cannot be improved without liberty” (Ashcraft 1986, 230).
- 4) Freedom of property: here’s the nub of the capitalist case. To free both the economy and society in order to accelerate the accumulation process, individual property rights had to be secured. Various feudal (and in some areas, semi-tribal) constraints to self-interested behavior had to be eliminated so property owners would have the ability to seek the most profitable opportunities regardless of the impact such actions may have on larger society. To buy and sell property, in particular land, was absolutely necessary if a capitalist economy, dependent on the free flow of resources, was to survive. To say that John Locke was merely the intellectual mouthpiece of Shaftesbury is clearly an exaggeration. But it is correct that Locke, more than any other individual of that group surrounding the First Earl, understood the exigencies of the tasks at hand and the need to develop a convincing argument that would have broad appeal while specifically attending to the needs of the emerging capitalist order. It is also true that Locke directed his *Treatises* against the work of Robert Filmer who was a defender of a government by noblemen and a harsh critic of a political order run by commercial interests (see, Henry (1999) on Locke’s general orientation).

But those needs required a large population which had no access to property and would thus be forced to provide their labor to the profit-making propertied class that was attempting to consolidate its political, thus economic power. While it may be laudatory to promote freedom from slavery and freedom from feudal bonds, the demand for free labor means something quite different. Free labor requires that people are not only freed of feudal bonds – the serf-lord relationship – or of the slave relationship, but also cannot be in an economic position to control the production of their own subsistence, forcing that labor to seek its subsistence in some different economic relationship. Indeed, in the 17<sup>th</sup> and 18<sup>th</sup> centuries (in particular), political and economic means were used to reduce the number of (small) property holders and access to the commons in order to provide a class of workers who only had property in themselves to sell. In addition, a veritable cacophony of propaganda was produced urging a reduction in idle hours, an expansion of the work-day, and intensification of the work-effort. Leisure was increasingly seen as the equivalent of sloth and

increasingly promoted as sinful. (See, among other works detailing these efforts Furniss 1965; Perelman 2000; Polanyi [1944] 2001. Ashcraft (1995) is very good in demonstrating that the resulting poverty that emerged during the early period of capitalist ascendancy was attributed not to this economic order, but to failings on the part of the poor themselves. “Moral depravity” was a convenient charge to divert attention from consequences of the new forms of property.)

Now, with regard to this emerging economic class, the defenders of capitalist property had a problem. Property was a key element of the natural order and a key element in the capitalist conception of individual freedom. In fact, such freedom revolved around property and the freedom to sell – free trade. So, how could the argument equating freedom with freedom of trade based on property rights be promoted as applicable and beneficial to all, including to those who held no property except that in their own labor? Freedom, after all, is a word that carries powerful ideological connotations. The question was a favorite of the pro-feudal contestants in this debate, and was constantly raised as a challenge to the defenders of property.

The usual answer to this challenge was silence – a useful stratagem then as now. At times, the propertied simply asserted that while the propertyless seemed to have no stake in the developing state of affairs, and surely should have no vote or representation in the forthcoming republican government, they should, as James Tyrrell set forth in his 1681 *Patriarcha non Monarcha*, “obey and maintain” this government because to “disturb the peace would violate natural law and introduce a state of war and anarchy” (in Ashcraft 1986, 236). Eventually the argument centered around the material benefits that would flow to all (though, unequally) as a result of successful accumulation, as in Adam Smith’s argument. More recently the standard position has it that the propertyless won’t be disadvantaged by such an economic arrangement as under competitive, free market conditions the price received for their labor services would be roughly in accord with what they produced – the marginal productivity theory of distribution. Thus, if poverty is observed it must be the result of a decision-making process where the individual prefers leisure over work or fails to invest sufficiently in human capital. But, at the time the laissez faire ideology was formulated, this sticky issue was simply glossed over.

Gradually, and in the current period quite forcefully, laissez faire has become equated with not only free enterprise or free markets, but freedom itself. That is, the freedom of the individual is defined as freedom from any form of coercive authority – or, in conventional terms, the government. The title of a recent text written by John Lott, until 2006 a resident scholar at the AEI, captures this supposed relation among laissez faire, a market order, the individual, and freedom, quite nicely – *Freedomnomics*. Obviously, the conservative appeal to freedom, to individual liberty is compelling. From this vantage point, all non-individualistic, collectivist (in any form) forms of organization reduce or eliminate freedom. Laissez faire, then, has enormous appeal on the ideological front. Further, this diverts attention from an examination of the economy itself. If a laissez faire, free market arrangement allows the maximum amount of individual freedom, then success or failure is a consequence of individual effort. The poor and others disadvantaged by the anti-interventionist program, then,

would really have no one to blame but themselves for their plight.

But there's a fundamental flaw in the above equation. As pointed out by C. B. Macpherson (among others) in his critique of Friedman's *Capitalism and Freedom*, for the argument to hold, individuals must not only be free to engage in the market as they choose, they must be free to *not* engage in markets at all (Macpherson 1973). That is, they must have the ability to produce their own subsistence rather than making purchases of goods and services produced by others. But this means they must have access to the means of production through which such goods are produced. This, in the aggregate, then means that the market for labor disappears as if workers can produce their own subsistence through either individual production of some form of organization in which the productive equipment is collectively controlled, they do not have to sell their labor to those who now privately own that equipment. This is, of course, antithetical to the very essence of a capitalist economy and is precisely the forms of economic organization that early capitalists fought so hard to destroy. For capitalism to exist, the majority *must* be forced to sell the only (productive) property it owns – its labor. (See, Haworth (1994) for a devastating – and witty – critique of the concept of freedom equating this word with free markets.)

Nonetheless, the astute campaign to impose the market-based notion of freedom on the public, the near-exclusion of opposing viewpoints in public forums, and the successful promotion of economists and others espousing this ideology has all but been eliminated from public discourse sound, critical commentary that undermines the credibility of this approach. Freedom is “the market.” When coupled to specific “reforms” – reduced taxes, balanced governments budgets, the promise of less government interference in one's life, etc. – and married to the diversionary campaign surrounding “family values,” this ideological onslaught has proven quite successful in convincing many, perhaps most of the citizenry that a supposed free market is the best guarantee of individual liberty and economic success. (See, Frank (2004) for a popular analysis of the relation between laissez faire ideology and specific economic and cultural recommendations that have convinced many to support programs that run counter to their own interests while promoting the interests of large corporations and wealthy individuals.)

### **Conclusion**

In the current period, the context of the original laissez faire political program has been forgotten. Hard laissez faire in the hands of Hayek, James Buchanan, and – most prominently for modern economic theory – Friedman and Lucas, has evolved on the foundations of theory that based itself not on production, as in the older, classical political economy framework, but exchange. Further, this theory then separated the examination of those exchange relations from their social moorings. Increasingly arid theory has emerged as the rigorous technical testing ground for modern economists, and that theory has proven irrelevant for any examination of a real capitalist economy. It thus provides no guidance for policy in pursuing the accumulation objectives that were the focal point of the original soft laissez faire

theorists.

But as an ideology, it is most useful. Many, perhaps most, of the population do not trust government – correctly so. Many, perhaps most, do believe that welfare programs are inefficient and merely reward the indolent, the corrupt, the incompetent. Many, perhaps most, see regulations as an infringement on *their* freedom, even when those regulations speak to matters such as preserving the environment (or at least slowing the rate of destruction). Let well-specified property rights and the workings of the free market dictate the results as this is a formula for optimal outcomes reflective of people’s *real* interests.

So, under the guise of laissez faire as a legitimate, defensible, theoretically sound social program, we see long-established and hard-won programs representing gains for the majority increasingly stripped of their authority. All the while, of course, large corporations continue to enjoy the benefits of an interventionist program that laughs at laissez faire.

As public policy, laissez faire is not practiced and never will be practiced. As an ideology, it continues to serve the interests of the major property holders, though the fight is no longer against feudalism: it’s now against that propertyless class that was wrought in the early stage of this social formation.

It is perhaps fitting to end by quoting the last sentence in Sidney’s Fine’s 1956 classic, *Laissez Faire and the General-Welfare State* to remind us of how far much of the modern world has traveled ideologically since that year. “Thus had the ideological conflict of the late nineteenth century between the advocates of laissez faire and the advocates of the general-welfare state been resolved in theory, in practice, and in public esteem in favor of the general-welfare state” (Fine 1956, 400).

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