# Liberalism and Socialism

**TIME LINE**

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| 1776 | Adam Smith publishes ***Wealth of Nations*** |
| 1789 | Jeremy Bentham publishes ***Principles of Morals and Legislation*** |
| 1798 | Thomas Robert Malthus publishes ***An Essay on the Principle of Population*** |
| 1817 | David Ricardo publishes ***The Principles of Political Economy and Taxation*** |
| 1825 | The Count of Saint-Simon publishes ***The New Christianity*** |
| 1826 | Robert Owen establishes the socialist community of New Harmony, Indiana |
| 1840 | Louis Blanc publishes *The Organization of Work* |
| 1848 | John Stuart Mill publishes the first edition of *Principles of Political Economy* |
| | Karl Marx and Friedrich Engels publish *The Communist Manifesto* |
| 1859 | John Stuart Mill publishes *On Liberty* |
| 1867-1894 | The three volumes of *Das Kapital* ("Capital") by Karl Marx are published |
| 1889 | Eduard Bernstein publishes *Evolutionary Socialism* |
| 1891 | Pope Leo XIII issues the encyclical *Rerum Novarum* |

*During the early nineteenth century, the laissez-faire doctrine of classical liberalism won increasing support among the middle class, whose wealth and influence were increasing as a consequence of the industrial revolution. Laissez-faire appealed to the middle-class owners and managers of industry because it provided a justification for a free enterprise economy that produced increased profits for the middle class to enjoy.*

*Some sensitive liberals, however, were increasingly troubled by the hardships suffered by the workers. Retreating from strict laissez-faire doctrine, these liberals proposed state intervention to improve these conditions.*

*The socialists went even further, insisting that the poverty of the workers could be eliminated only by a radical transformation in the ownership of property, establishing some form of social ownership of the means of production.*

*Other reformers proposed a wide range of different solutions to the problem of poverty, including anarchism and Christian Socialism.*

## Classical Liberalism

At the heart of the ideology of liberalism was the belief in individualism and individual freedom. In the economic realm, this liberal belief expressed itself in the doctrine of laissez-faire. The economists who championed this doctrine are known as the classical economists.

### Adam Smith (1723-1790)

The first major advocate of *laissez-faire* in the English-speaking world was Adam Smith, a professor at the University of Glasgow in Scotland. In *The Wealth of Nations* (1776), Smith argued that government attempts to regulate the economy, as the mercantilists had been doing, interfered with the operation of the natural laws that governed the economy (see Chapter 12).

### Thomas Malthus (1766-1834) and David Ricardo (1772-1823)

The work of Malthus and Ricardo brought a further development of *laissez-faire* doctrine.

#### *Malthus on Population*

In *An Essay on the Principle of Population* (1798), Malthus contended that the population was increasing in a geometric ratio, while the food supply was increasing only in an arithmetic ratio. The inevitable result of population outstripping the food supply would be misery for most of humanity. Some slowing of population growth might result from war, famine, and disease. Malthus believed, however, that "moral restraint" – postponing marriage and practicing chastity until marriage – would serve as the most effective way of limiting population growth.

### *Ricardo on Wages*

Influenced by Malthus's work, Ricardo set forth what came to be known as the Iron Law of Wages. In *The Principles of Political Economy and Taxation* (1817), he argued that wages would tend to hover around the subsistence level. In Ricardo's view, labor should be regarded like any other commodity whose price fluctuated in accordance with supply and demand. If the supply of labor was less than the demand for it, wages would increase. When wages rose above the subsistence level, workers would be encouraged to have more children, thereby enlarging the labor supply. In turn, if the supply of labor exceeded the demand, wages would decrease, causing workers to have fewer children, thus reducing the labor supply. Ricardo concluded that it was useless to raise wages in an effort to improve workers' lives, since higher wages would serve only to encourage them to have more children, thereby increasing the labor supply and forcing wages down once again.

## The Retreat from *Laissez-Faire*

### **Jeremy Bentham** (1748-1832)

The retreat from *laissez-faire* began with Bentham. Although Bentham believed in the fundamental validity of the doctrine of *laissez-faire*, he argued that in some instances the government should not be merely a passive policeman but should intervene on behalf of the disadvantaged.

Bentham developed the doctrine of utilitarianism in his *Principles of Morals and Legislation* (1789) and other writings. Central to this doctrine was the belief that every human practice and institution should be evaluated in terms of its utility, which Bentham defined as the amount of happiness it provides. In turn, he defined happiness as the presence of pleasure and the absence of pain.

For the most part, Bentham believed, the government could assure happiness (the most pleasure and the least pain) for the greatest number of people by permitting them the maximum possible amount of individual freedom. If, however, the pains

suffered by the many exceeded the pleasures enjoyed by the few, then the government could justifiably intervene to redress the balance. In this way, Bentham began to develop the ideas that ultimately led to the creation of the twentieth-century welfare state.

### John Stuart Mill (1806-1873)

Mill's thought represented a further evolution of liberal doctrine away from the doctrine of laissez-faire. He shared the liberals' belief in individual freedom, a belief he expressed in his eloquent essay *On Liberty* (1859). He was ahead of his time in advocating women's rights, including the right to vote, in *The Subjection of Women* (1869).

In his *Principles of Political Economy*, published in 1848 and in several subsequent editions, Mill expressed growing disagreement with the views of the classical economists. Concerned about economic and social injustice, he contended that society could and should exercise some control over the distribution of wealth. He believed that workers should have the freedom to form labor unions to promote their interests and that the government should adopt laws to restrict child labor and to protect women workers. He endorsed the establishment of universal suffrage, which would give workers a degree of influence over the actions of government. He also called for the creation of a system of state-supported elementary education, as well as the enactment of income and inheritance taxes to place limits on the concentration of wealth.

## Socialism

While John Stuart Mill and some other liberals advocated a redistribution of wealth to benefit the disadvantaged, the socialists called for a fundamental change in the nature of property ownership itself. They urged that private ownership of the means of production, and perhaps also of the means of distribution, should be replaced by some form of community or state ownership. This social ownership of property, the socialists argued, would insure that property would serve the interests of all the people. The

socialists also believed that people were – or could be educated to be – cooperative, rather than competitive, and that they should work together to promote their mutual wellbeing.

While the socialists agreed on these general principles, socialist thinkers offered a variety of proposals outlining their conceptions of what a socialist society would be like and how it could be brought into being.

## Utopian Socialism

The socialists of the early nineteenth century are known collectively as Utopian Socialists.

***Robert Owen*** (1771-1858)

Owen was one of the first Utopian Socialists to gain wide attention. After achieving an early success in the cotton textile industry, in 1799 Owen acquired part ownership of several textile mills at New Lanark in Scotland. He improved the conditions of health and safety in the mills, increased the workers' wages and reduced their hours, and provided them with decent housing. Owen made a substantial profit, thereby demonstrating that successful industrial capitalism did not require the exploitation of labor.

Owen's great dream, however, was to establish a socialist community. Selling his interest in the New Lanark mills, he went to America where he bought land in Indiana. In 1826, he established his community of New Harmony, where people would share both the ownership of property and the fruits of their labor. Within a few years, New Harmony failed. Owen returned to England and devoted the remaining years of his life to other reform projects.

***The Count of Saint-Simon*** (1760-1825)

France produced a number of prominent Utopian Socialists. Saint-Simon expressed his ideas in a number of works, including *The New Christianity* (1825). Modem society, he believed, was shaped primarily by the nature of its industrial economy. Therefore, the focus of government should be on economic, rather

than political, issues. Government should be directed by scientists and technicians who understood the operation of the modem industrial economy. This managerial elite would direct the economy so it would serve the interests of all the people. In this new society, all would willingly work for the benefit of society and all would be rewarded according to what they produced, although all workers would be assured that their needs would be met.

***Charles Fourier*** (1772-1837)

Fourier urged the establishment of socialist communities known as phalanxes. Each of these largely self-sufficient phalanxes, he believed, should consist of about 1600 people who would work together in farm and workshop. Individuals would perform the type of work they most enjoyed and would change their jobs frequently in order to avoid boredom. Fourier hoped that philanthropists would come forward to subsidize the establishment of phalanxes, but none ever did. While no phalanxes were organized in France, a number were founded in other countries. None enjoyed an enduring success.

***Louis Blanc*** (1811-1882)

In *The Organization of Work* (1840), Blanc proposed the use of competition to eliminate competition. The first step toward the socialist society of the future would involve political reform, including the creation of a French republic based on universal manhood suffrage and the establishment of a workers' party. As the number of industrial workers increased, the workers' party would ultimately win control of the government. The government would then nationalize the railroads, using the profits of the railroads, as well as tax revenues, to subsidize the establishment of what Blanc called a social workshop in each area of industry. These social workshops would be owned and managed by their workers, who would share in the profits. The workers would be happy and enthusiastic and would therefore produce better products at a lower cost than privately owned factories. The competition of the social workshops would thus drive privately owned factories into bankruptcy. These factories would then be acquired by their

workers, who would convert them into social workshops. In time, all of industry would consist of cooperative social workshops. In this new socialist society, the principle of "from each according to his abilities, to each according to his needs" would prevail.

### *Auguste Blanqui* (1805-1881)

Blanqui was an advocate of direct revolutionary action. He proposed that the working-class leaders in Paris should seize power by revolutionary violence. They would then establish a temporary dictatorship, eliminating private ownership of the means of production and distribution, reorganizing the economy so it would serve the interests of the workers, and reeducating the workers out of individualistic selfishness. Once these tasks had been accomplished, the dictatorship of the working-class leaders would end, and a democratic, socialist society would emerge.

## Marxism

Karl Marx (18 18-1883) was the most influential socialist thinker of the nineteenth century. Born in western Germany, the son of a successful attorney, Marx studied philosophy, earning his doctorate in 1842. While he had been a brilliant student, his reputation as a radical caused him to be denied a teaching position in the conservative universities of his native Russia. Marx turned to journalism, working for a radical newspaper in Cologne in the Prussian Rhineland. In 1843, however, the newspaper was suppressed by the Prussian censors.

Moving to Paris, Marx became acquainted with French socialist thought and in 1844, began his collaboration with Friedrich Engels (1820-1895), another young German radical, the son of a successful manufacturer. Engels had spent some time in England working for his father. There he had studied conditions in the industrial city of Manchester and had written *The Condition of the Working Class in England* (1845). The collaboration between Marx and Engels continued until the former's death in 1883.

### *The Communist Manifesto*

In 1848, Marx and Engels published *The Communist*

*Manifesto*, setting forth the major ideas of what they regarded as "scientific socialism." Although Engels made significant contributions to its development, the ideology set forth in the *Manifesto* is known as Marxism.

The Marxist theory of revolutionary change was based on the ideas of the early-nineteenth-century German philosopher G.W.F. Hegel (see Chapter 17), who had developed the concept of the dialectic. In Hegel's view, the conflict between the existing order (the thesis) and a challenge to it (the antithesis) resulted in a new social order (the synthesis). Marxism also embraced the philosophical doctrines of materialism and determinism. Materialism is the belief that physical matter is the only reality. Therefore, in the view of the materialists, God does not exist. Marx was an atheist and denounced religion as "the opium of the people," since it distracted their attention from the hardships of their lives. Determinism is the belief that every act and event is the inevitable result of prior acts and events and is independent of human will.

Combining these philosophic concepts, Marx developed his doctrine of dialectical materialism or economic determinism. He believed that economic conditions provided the foundation of the social order. These economic conditions determined the nature of everything else in society, which Marxism described as the superstructure: family structure, the political system, religious and moral beliefs, the educational system, and social classes.

The existence of social classes, in Marx's view, led to a class struggle, which ultimately produced social change. Applying the concept of the dialectic, Marx outlined what he regarded as the inevitable course of historical development. The dominant feudal aristocracy, who derived their wealth and power from the ownership of land (the thesis), faced a challenge from the bourgeoisie, the middle class, who derived their wealth and power from commerce and industry (the antithesis). This class conflict led to the bourgeois revolution, which resulted in the creation of a new

social order, dominated by the bourgeoisie (the synthesis).

This social order dominated by the bourgeoisie became, in turn, a new thesis and confronted an intensifying challenge presented by the proletariat, the industrial workers, who represented a new antithesis. The lower elements of the bourgeoisie, the small shopkeepers and artisans, would be unable to survive in an economic world dominated by the great capitalists and would gradually be forced into the proletariat.

The class conflict between the proletariat and bourgeoisie would become increasingly more intense, leading inevitably to the proletarian revolution. The proletariat would rise up, destroying the power of the bourgeoisie, much as the bourgeoisie had earlier destroyed the power of the feudal aristocracy.

Following the proletarian revolution, the leaders of the proletariat would establish their temporary dictatorship. The tasks of this dictatorship of the proletariat would include eradicating the last remnants of the bourgeoisie, reorganizing the economy by establishing the social ownership of the means of production and distribution so that the economy would serve the needs of the proletariat, and reeducating the proletariat so they would be willing to work in behalf of the interests of society rather than for individual gain.

In the new socialist society, since there would be only one class, the proletariat, there would in effect be no classes. Since there were no classes, there would be no exploitation of one class by another, there would be no class conflict, and harmony would prevail.

### *Spread of Marxism*

Although *The Communist Manifesto* was published in 1848, Marxism had no impact on the revolutionary events of that year. In 1849, Marx left Paris and went to London, where he lived for the balance of his life. Marx continued to develop his ideas, writing extensively and publishing *Das Kapital* ("Capital"), his analysis and critique of the capitalist system, in three volumes from 1867 to 1894. (Engels completed the writing of *Das Kapital* following

Marx's death in 1883.) Marx also worked to promote the spread of his ideas. In 1864, the International Working Men's Association held its first meeting in London and embraced Marxism as its program. This First International made little headway in the decade prior to its collapse in 1873. The Second International was formed in 1889, and in the final years of the nineteenth century Marxism won increasing acceptance by socialist parties in several countries on the European continent.

### Revisionism

In the late nineteenth century, some Marxists began to reevaluate Marxism in view of the fact that Marx's predictions were not being borne out by reality. In Germany, Eduard Bernstein (1850-1932) published *Evolutionary Socialism* (1889), noting that, despite Marx's predictions, the middle class was not becoming weaker, the condition of the industrial workers was improving, and capitalism showed no signs of collapsing. Bernstein's revisionism emphasized reform within the context of the existing order, rather than revolution, and the achievement of socialism through a democratic political process. Although the so-called orthodox Marxists denounced revisionism, the new doctrine won increasing support within the European socialist parties.

## Anarchism

Like the socialists, the anarchists denounced capitalism for its exploitation of labor and favored the abolition of private property. The anarchists went further, however, and demanded the destruction of the state itself, which they regarded as an instrument of exploitation and oppression.

### Pierre-Joseph Proudhon (1809-1865)

Proudhon is best known for *What Is Property?* (1840). He answered the question by declaring: "Property is theft." The people who do the work, he believed, should be the possessors of property, rather than the capitalists. He advocated the replacement of the state with a voluntary, cooperative society of peasants, shopkeepers,

and artisans.

### Michael Bakunin (1814-1876)

A Russian radical who spent many years in exile in Western Europe, Bakunin was an advocate of revolutionary violence. He believed that the revolutionary movement should be led by secret societies of committed radicals. Once these radicals had led the workers in the seizure of power, they should destroy the state and create a new social order based on a loose federation of autonomous communities.

### Assassinations

Although the anarchists never led a successful revolution, they did carry out numerous acts of violence, including the assassinations of President Sadi Carnot of France (1894), Empress Elizabeth of Austria (1898), King Umberto I of Italy (1900), and President William McKinley of the United States (1901).

## Christian Socialism

Some social and economic reformers found their inspiration in the teachings of the Christian religion. The Christian Socialists did not propose a specific ideology but instead advocated reforms, motivated by the Christian spirit of brotherly love, to benefit industrial workers and other disadvantaged groups.

### Frederick Denison Maurice (1805-1872)

In the mid-nineteenth century, the Christian Socialist movement developed in the Church of England. Maurice, an Anglican priest and professor at Cambridge University, emerged as a major spokesman for Christian Socialism. In addition to promoting economic and social reform, he was active in efforts to advance educational opportunities for women and factory workers. These efforts led to the establishment of Queen's College for women in 1848 and the Working Men's College in 1854.

## Pope Leo XIII and Catholic Social Concern

Pope Leo XIII (r. 1878-1903) expressed his concern about economic and social issues in his encyclical letter *Rerum Novarum* (1891), which was critical of both socialism and laissez-faire capitalism. He condemned socialism, especially Marxism, for its atheism, as well as for its opposition to the private ownership of property and the doctrine of the class struggle. The pope regarded laissez-faire capitalism as incompatible with the Christian faith because it regarded labor simply as one commodity among many.

Leo XII insisted on the moral obligation of employers to pay their workers a living wage and defended the right of workers to form labor unions in order to improve their conditions.

*Although the ideologies of liberalism and socialism took shape in the early and mid-nineteenth century, during the first generations of the industrial revolution, they continue to have a powerful impact on the world in the final years of the twentieth century. Regimes claiming to be guided by the principles of Marxism govern the Soviet Union, several Eastern European countries, China, and other states in Asia, Africa, and Latin America. In Western Europe, a number of countries have developed mixed economies, joining elements of both capitalism and socialism, while in the United States, public debate continues on the role of government in the economic and social spheres.*