

It is clearly not easy for men to give up the satisfaction of [their] inclination to aggression. They do not feel comfortable without it. The advantage which a comparatively small cultural group offers of allowing this instinct an outlet in the form of hostility against intruders is not to be despised. It is always possible to bind together a considerable number of people in love, so long as there are other people left over to receive the manifestations of their aggressiveness.<sup>120</sup>  
[Sigmund Freud]

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## *CHAPTER 2*

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### *THE SEARCH FOR MEANING* *CONFUSION AT THE DAWN* *OF AGRARIAN AND INDUSTRIAL LANDLORDISM*

In the act of creating the United States, the first large-scale experiment in representative government based on pluralistic socio-political arrangements was established. Although disagreement over principles combined with vested interest to forge a governmental structure built on compromise, those from the Old World who flocked to North America during the nineteenth century generally experienced more opportunity to rise above their circumstances than existed in their country of origin, although the risks associated with migration were enormous. Many perished of disease or shipwreck. Others perished attempting to settle somewhere along the vast frontier wilderness. Nonetheless, people continued to come. The resources provided by

nature yielded to new and powerful methods of human exploitation. In the process, at great cost in human lives and with almost no thought to the permanent damage to the fragile ecosystem, the settled way of life spread throughout the North American continent.

As the *Americans* migrated inland, the indigenous tribal societies were pushed westward or into Canada or Mexico—or annihilated, or forced to live under terrible conditions as prisoners of the United States government. Not until the middle of the twentieth century—when the agitation by African-Americans for equal protection under the law of their own rights reached a level other *Americans* could no longer ignore—would the “first Americans” also begin to challenge the socio-political arrangements that denied them their rights. However, whereas African-Americans sought to participate as equals in the pluralistic society ostensibly established under the United States Constitution, the descendants of the first Americans sought something altogether different. They demanded that the United States government recognize each tribe as a sovereign nation not subject to the laws of the United States. As we begin the twenty-first century, a final resolution to this drama is still to come.

As terrible as conditions remained for ethnic and racial minorities in the United States of the early nineteenth century, an overwhelming sense of optimism was shared by *American* population. Nothing remotely similar to their republic existed in the Old World. The first decades of the nineteenth century demonstrated that Old World societies were not going to collapse under pressure from below. Thomas Paine’s hopeful vision of a new world order built on “*the representative system*” never materialized. The French people suffered greatly during the competition for power between radical and moderate factions, but the entire European continent was brutalized by warfare during the reign of Napoleon Bonaparte. Paine could not have been more wrong when he declared: “*The present age will hereafter merit to be called the Age of Reason, and the present generation will appear to the future as the*

*Adam of a new world.*"<sup>121</sup> Paine failed to recognize the unique circumstances out of which *Americans* had established their republic. The French had merely flirted with restructuring their society based on just principles before yielding to the despotism of the Directory and Napoleon Bonaparte. They were driven more by a desire for vengeance against one another than by a commitment to a better future. Their final opportunity to resurrect participatory government disappeared with the failure of a coup led by Gracchus Babeuf.<sup>122</sup> Babeuf and other leaders in this plot were executed, leaving the power of the Directory unchallenged until the final fall of Napoleon Bonaparte.

Among prominent leaders in Britain, the French Revolution and the Napoleonic wars fostered a growing desire to retreat from any political involvement with nations on the European continent. The dangers seemed far greater than any potential rewards. Certainly, the possibility of territorial gains on the continent was long past. Instead, conservatives united in opposition to any challenge designed to reduce their privileges. As Winston Churchill observed:

The Government were by their background and upbringing largely unaware of the causes of the ills which they had to cure. They concentrated upon the one issue they understood, the defence of property. In a society which was rapidly becoming industrial most of them represented the abiding landed interest. They were incapable of carrying out even moderate reforms because of their obsessive fears of bloody revolution.<sup>123</sup>

British interests and a British presence would continue to expand around the globe throughout the nineteenth century, but the common person in Britain would be hard-pressed to see meaningful improvement in life at home as an outcome. Britain's entrenched elite continued to rely on Canada, Australia, New Zealand, South Africa and the United States to absorb the people left unemployable under its constitution of government.

The Napoleonic wars also brought important changes to Russia. Under Alexander I there occurred a "*reorganization of the state...based on principles of strong centralization*"<sup>124</sup> that challenged the feudal aristocracy and advanced the interests of those who sought to mold Russia into a modern, efficient, militaristic State. Elsewhere, the people who inhabited many parts of the Eurasian continent found themselves the subjects of new rulers within different empires. From a practical standpoint, their miserable condition changed not at all. Bourbon rule was restored to France within the framework of a constitutional-monarchy similar (in form if not in function) to that of the British. Dutch and German princes also submitted to the constitutional form of government. Holland and Belgium were temporarily united. The Danes (who had allied themselves with the French) ceded Norway to the Swedes. Russia remained in control of Finland. South of the Austrian empire, the Ottoman Turks continued to control all of Greece, Serbia, Wallachia and Moldavia.

The British government had been financially drained to the breaking point by its involvement in continental warfare. At the peace conference, they pressed hard to structure a balance of power within the Eurasian community that would maintain the peace and allow them to consolidate their global and commercial empire without opposition. As a result of the efforts of individuals such as Austria's Clemens von Metternich and Britain's Robert Castlereagh (the second Marquis of Londonderry), the Eurasian peoples were to experience their first prolonged period of relative peace since the era of the nation-states had arrived. Civil wars and regional uprisings continued, demonstrating to the small number of transnationals scattered throughout the continent the artificial nature of established borders and the oppressive nature of the governments still controlling the Eurasian peoples. Change was in the wind, but what sort of change remained to be seen.

## RENEWING THE WAR AGAINST AMERICAN INDEPENDENCE

Although the British government from the 1790s on into the early nineteenth century had concentrated its energies on the defeat of the French, or on measures to contain internal challenges to the British constitutional system of privilege, the *American* threat to Canada and to British commercial interests remained an unresolved problem. *American* settlers were pouring into the Northwest Territories of the United States and even into Canada itself, and *American* political leaders such as Henry Clay repeatedly declared their intent to annex Canada—by force, if necessary. Others clamored to drive the Spanish and the remaining indigenous tribes from Florida. *Americans* who held pacifist views were voted out of office in the congressional elections of 1811, replaced by a nationalistic group of political leaders willing to take the nation into war against Britain to achieve territorial aspirations. At the same time, James Madison was desperate for peace with France and sent Joel Barlow to negotiate with Napoleon Bonaparte. The United States, ill-equipped to carry on a prolonged conflict with any of the Old War nations, needed to achieve a rapprochement with France if there was to be any realistic hope of thwarting the British.

In the view of the *Federalists*, Madison and the *Republicans* had entered into an alliance with the devil by negotiating with the French. In April of 1812, Madison asked the Congress to impose an embargo on trade with Britain. Madison then awaited further word from the British minister, Augustus Foster, as to whether the British government would rescind its Orders in Council and respect the neutrality of *American* ships. None came, and war was declared against Britain on June 17. Only one day earlier, Robert Castlereagh, Britain's Foreign Secretary, announced to the House of Commons that the Orders in Council would be suspended.

To the remaining contingent of radical *Federalists*, the declaration of war against Britain threatened whatever potential remained for the

expansion of republican government in the Old World. John Adams, on the other hand, was heartened by Madison's policy decisions and felt vindicated in his earlier assessment of *American* interests in the global struggle. Adams long felt that Jefferson's policies had left the United States wholly unprepared for an inevitable war. Only during Madison's second term, however, did the President make a concerted effort to materially bolster the nation's defenses. Opposition in New England to war with Britain was so great that the British in Canada were able to secure large quantities of supplies directly from merchants in the northeastern States. The governor of Massachusetts refused to call out the militia or provide supplies to Federal troops, and a group of radical *Federalists* nearly succeeded in a call for a convention to consider the withdrawal of Massachusetts from *the Union*. Despite this outward dis-sension among *Americans*, a determined effort by the United States seemed certain to yield victory in Canada, where a long and thinly defended border seemed an easy conquest by a determined force.

When the first United States troops under the aged revolutionary war veteran, William Hull,<sup>125</sup> advanced from Detroit with some 2,000 men, their expectation was for a quick victory and little opposition. Hull's ineptitude and indecision (combined with insufficient support from the war department), undermined his advantage in men and allowed the British commander, Isaac Brock, commanding a largely militia force to drive Hull out of Canada. Brock then marched against Detroit and later drove the *Americans* from the heights above the Niagara River, an action that cost him his life. During the following year, the *Americans* gradually regained control of the Michigan Territory and were victorious against the British fleet on Lake Erie. The capital of Upper Canada, York (now Toronto), was also captured and the Parliament buildings burned. In mid-1813, however, the *Americans* suffered several defeats in their drive to take Montreal. The Canadians were reinforced the following year by British regulars freed from duty on the European continent after the defeat and exile of Napoleon

Bonaparte. A large force under George Prevost crossed into the United States in August of 1814 but was forced to retreat when the British fleet supporting him was defeated on Lake Champlain. A British blockade of the United States' eastern coast was initiated, which then provided the British the opportunity to attack and burn the Federal capitol in the District of Columbia.

Negotiations for peace began in August, and the Treaty of Ghent was completed in February of 1815. Despite Britain's possession of Maine and the effectiveness of the blockade, Arthur Wellesley (now Duke of Wellington) urged a settlement without territorial demands. Wellesley was aware that Andrew Jackson had handed a much larger British force a crushing defeat at New Orleans, and that another British force had been repelled from an assault against Baltimore. Wellesley understood what the costs would be of a prolonged campaign against the United States and that Britain was in a far too weakened condition to meet the challenge. With the departure of British forces, the *Americans* now had their opportunity to subdue the remainder of North America without interference from the Old World.

### **The *Federalist* Death Rattle**

The radical *Federalists* of New England and New York heatedly denounced the conflict with Britain; to them, this was "*Mr. Madison's war.*" In the Presidential election of 1812, the *Federalists* supported the leader of the New York *Republicans*, DeWitt Clinton, and Clinton won not only in New York but in three of the New England States as well. To encourage disunity among the *Americans*, the British government granted special licenses to New England merchants allowing them to export goods into Canada. Madison countered by pushing for an embargo against trade with British merchants; and, after lengthy debate in the Congress, the measure was finally adopted at the end of the year.

In conciliatory terms, Madison expressed his hope that the embargo would hasten an end to the war and to the policies of the British government that had, in his view, ignited the conflict:

As to a systematic exclusion of commerce, a belief of it, is still more incomprehensible. Temporary abridgments or suspensions of it, must have for their object, its permanent freedom, as interruptions of peace, have for their object, a re-establishment of peace on improved foundations. In such a light only can the restrictive measures applied to our commerce be rationally viewed. The avowed object of them, in fact, was to liberate our commerce from restrictions equally obnoxious to all parties.<sup>126</sup>

Ironically, despite the inflammatory rhetoric and the very real escalation of hostilities, the war brought prosperity to much of New England. The embargo encouraged domestic manufactures at the same time that merchants channeled goods flowing through Canada from Britain into the middle and southern States. The *Federalist* press nonetheless hammered away at Madison and the *Republicans* for damaging the natural affinity most *Americans* were said to possess toward the people of Britain. In the Fall of 1814, with British forces occupying part of Maine and in control of coastal shipping lanes, Massachusetts *Federalists* called on representatives from the New England States to meet in Hartford, Connecticut to debate what ought to be done for their mutual defense and to pressure the Federal government to end the war. The radicals, led by Timothy Pickering and John Lowell, urged the convention attendees to draft a new Federal constitution that would protect the commercial interests of New England. They were prepared, if necessary, they stated, to seek a separate peace with Britain. Moderate leaders, realizing that civil war would certainly erupt should the convention sanction secession or any other radical measures, acted to direct the convention's attack against Madison's foreign policy and not against the Constitution or *the Union*. Months later, Thomas Jefferson wrote to Lafayette that, the "*British ministers...found some hopes on the state of*



*[American] finances [but] have hoped more in their Hartford convention.*"<sup>127</sup> Jefferson added that he had full confidence in the dedication of *Americans* to protection of the republic:

I do not believe there is on earth a government established on so immovable a basis. Let them, in any State, even in Massachusetts itself, raise the standard of separation, and its citizens will rise in mass, and do justice themselves on their own incendiaries.<sup>128</sup>

Yet another political crisis was averted by the course of events. The news of Andrew Jackson's victory at New Orleans and the signing of the peace treaty ended the radical *Federalist* threat to the Union. As observed by Samuel Morison and Henry Commager, however, the question of whether the individual States were, in fact, sovereign remained unresolved:

A stigma of unpatriotism, from which it never recovered, was attached to the Federalist party. Yet no stigma was attached to the doctrine of state rights; and within a few years it was revived by states like Virginia, which with one voice had denounced the Hartford Convention as treasonable.<sup>129</sup>

With the nation again at peace, Madison moved quickly on the legislative front to consolidate the mood of national unity. In his message of 5 December, 1815 to the Congress, he advocated a far-reaching expansion of Federal power. In order to establish the nation's credit he called for a "*uniform national currency*" and a "*National Bank*" with sufficient power for maintaining a stable exchange value for paper currency. To better prepare the nation for any future external threats, Madison proposed the "*immediate extension and gradual completion of the works of defense*" and of military academies in each section of the nation, which would be linked by "*roads and canals...under the*

*National authority.*” Finally, he aligned himself with mercantilists on trade policy:

In adjusting the duties on imports, to the object of revenue, the influence of the Tariff on manufactures, will necessarily present itself for consideration. However wise the theory may be, which leaves to the Sagacity and interest of individuals, the application of their industry and resources, there are in this, as in other cases, exceptions to the general rule.... Under circumstances giving a powerful impulse to manufacturing industry, it has made among us a progress, and exhibited an efficiency, which justify the belief, that with a protection not more than is due to the enterprizing citizens whose interests are now at stake, it will become, at any early day, not only Safe against occasional competitions from abroad, but a source of Domestic Wealth, and even of external commerce.... It will be an additional recommendation of particular manufactures, where the materials for them are extensively drawn from our agriculture, and consequently impart and ensure to that great fund of national prosperity and independence, an encouragement which cannot fail to be rewarded.<sup>130</sup>

These were measures the Hamiltonian faction would have rallied to with great enthusiasm. Such was the change in general sentiment that the Congress responded in 1816 by passing a protective tariff and by granting a charter to the second Bank of the United States. In the struggle over whether the nation would be governed by a strong Executive, the Hamiltonian system was emerging victorious; that espoused by *Republicans* was being set aside as unworkable under current conditions. Jefferson himself had opened the door for such inroads.

The transition in Jefferson's thinking is revealed, for example, in an 1804 letter to Jean Baptiste Say, who had recently forwarded to Jefferson a copy of his treatise on political economy. Jefferson had just finished reading the first essay on population written by Thomas Malthus, which he described to Say as giving rise to a remarkable comparison of the “*differences of circumstance between [the United States] and the old*

*countries of Europe.*"<sup>131</sup> That difference, Jefferson understood, rested on the widespread access to nature enjoyed by *Americans*:

There, for instance, the quantity of food is fixed, or increasing in a slow and only arithmetical ratio, and the proportion is limited by the same ratio. Supernumerary births consequently add only to your mortality. Here the immense extent of uncultivated and fertile lands enables every one who will labor, to marry young, and to raise a family of any size. Our food, then, may increase geometrically with our laborers, and our births, however multiplied, become effective.<sup>132</sup>

From these observations, Jefferson concluded that the wisest course of development for the republic was along agricultural lines, so that "*its surplus [would] go to nourish the now perishing births of Europe, who in return would manufacture and send us in exchange our clothes and other comforts.*"<sup>133</sup> Here also, from Jefferson, was advocacy of specialization carrying a moral message. Self-sufficiency does not yet appear in his writing as a strategy he thought necessary to resist Old World ambitions. Rather, specialization in agriculture carries benefits Jefferson sees as morally superior to manufactures, an insight acquired from his exposure to Physiocratic ideas.

By 1815, the long period of chaotic and threatening relations between the United States and the Old World had a sobering effect on Jefferson's thinking. Renewing the subject with Say, he declared that "*experience has shown that continued peace depends not merely on our own justice and prudence, but on that of others also; that when forced into war, the interception of exchanges which must be made across a wide ocean, becomes a powerful weapon in the hands of an enemy domineering over that element, and to the other distresses of war adds the want of all those necessaries for which we have permitted ourselves to be dependent on others, even arms and clothing.*" Jefferson goes on to ask, rhetorically, "*whether profit or preservation is the first interest of a State.*"<sup>134</sup> Clearly, he worried that the pursuit of private interests was already threatening

the socio-political arrangements most necessary for the preservation of republican virtue. Yet there was no way to close off the country from the outside world. Open trade did not guarantee peaceful relations, and even a strong defense did not seem to dissuade foreign aggressors bent on conquest or empire. Not to prepare against aggression, however, provided an inviting target to the ascending militaristic regimes of the Old World.

Although Jefferson never lost sight of the importance of justice as a standard, he was finally reconciled to the geo-political realities of his era. Philosophically a standard bearer for human rights, in practice he acted out of utilitarian and pragmatic considerations. He was interested in the theoretical development of political economy as a “*regular science*” but could not bring himself to advancing public policy solely on the basis of “*sound and valuable principles*” unless such policies were “*consonant with the circumstances and sentiments of the country.*”<sup>135</sup> At an intellectual level, Jefferson considered Say’s work on political economy rather superior to that of Adam Smith; and, in 1816 he also took the time to translate from the French a treatise on political economy written by Destutt Tracy. Jefferson’s international reputation and experience placed him in contact with individuals who believed that in the scientific exposition of political economy could be discovered the fundamental principles directing economic and moral relations between individuals. Smith had shown in countless ways that government was an externality that enhanced or thwarted the natural processes at work. The approach taken by Smith and others was primarily deductive, working from a few general principles to construct a model of how people behave and institutions affect outcomes. “*In the early years of the nineteenth century,*” wrote F.W. Kolthammer in his introduction to David Ricardo’s treatise on political economy, “*men breathed the air of deduction.*”<sup>136</sup>

Jefferson had been born during what I have called the Age of Franklin and had come to know many of the late eighteenth century’s

most celebrated intellectuals. Now a new generation of individuals with scientific minds—building on and challenging the theoretical work and observations made by Cantillon, Smith, Quesnay, Turgot and others—entered upon an examination of the emerging industrialized markets and national economies. Theirs was not, however, a quest wholly or nearly *value free*; rather, the rise of participatory government and widespread ownership of landed property in the United States, followed by the violent overthrow of monarchy and aristocracy in France, stimulated a variety of responses by individuals who desired to prove, in part, that either the old or new order was the true *natural* order, or that something altogether different and untried was called for.

Nearly continuous warfare on the Eurasian continent was certain to add considerable stress to the lives of the millions of people living under socio-political arrangements and institutions with longstanding histories of protecting privileges for the few. As these societies were largely agrarian in habit, embargoes, blockades and high tariffs on all sides stimulated the development of manufactures in many countries sooner than might otherwise have occurred. Commercial agriculture spread more slowly across the Eurasian continent; however, with each extension of large-scale, commercial farms the remaining enclaves of feudalism were overturned. In the process, millions of peasants were separated from the land and from their traditional role in society. The Napoleonic wars also brought other changes characteristic of authoritarian regimes and centralized power. At a minimum, the militaristic State required changes in the operation of government in order to feed, clothe, arm and transport land and naval forces numbering in the hundreds of thousands. Despite the innovations made by the French under the direction of Napoleon Bonaparte, the British ultimately proved superior in balancing the needs of the private and public sectors. Historian John W. Osborne goes so far as to conclude that “*Napoleon... was eventually defeated because he was unable to cope with Britain’s gold and manufactured goods, just as he was unable to overcome*

her navy.”<sup>137</sup> Bonaparte failed in his quest for French hegemony in the Eurasian theatre for many reasons, including those cited by Osborne. Another, perhaps more important cause, was that his was a campaign of conquest rather than one of liberation. The system he planned to extend throughout Eurasia and into Northern Africa offered no universal principles upon which to build a new system of nation-states. Had the French embarked on a moral campaign to purge monarchy and aristocracy from the Old World, to replace despotism with participatory government and constitutional protections for human rights, and to distribute land titles to producers, the subsequent history of the Old World might have been quite different. His armies might have been assisted by local populations anxious to throw off the yoke of aristocratic rule. Even Britain might have succumbed to this strategy and to pressures for dramatic reforms of its constitution of government. The people of Ireland and Scotland might have demanded—and gained—permanent independence and the right of self-determination. Instead, the rise of the Directory and of Napoleon Bonaparte brought to a catastrophic end the hope and the promise of participatory government based on equality of opportunity.

Within Britain a climate of resistance and dissent did exist and might have emerged victorious had the right combination of circumstances resulted in a full-scale upheaval. Importantly, there was a widespread and growing animosity toward the small and privileged landlord class. The enclosure of the commons and the creation of an active market for the purchase and sale of land titles had stimulated the growth of commercial agriculture (and speculation), particularly in southern England. Despite the creation of a large *class* of propertyless farm laborers who toiled for subsistence wages, the nation’s total output of agricultural commodities greatly increased beyond the capacity of domestic markets. British landlords—industrial, agrarian and urban—were developing an export economy and shifting production away from foodstuffs the bottom groups could afford and into what today are

called *cash crops* exchangeable for great profit in foreign markets; they were also looking for even lower cost environments into which production could be shifted for maximum profit. The textile mills of Britain were also by the late eighteenth century producing vast quantities of cloth for export after satisfying the needs of the domestic market. Advances in the smelting of iron ore stimulated the mining of coal deposits, and James Watt's steam engine, perfected before the end of the century, helped to make all this possible. Moreover, the expansion of canals and new and better road surfaces reduced travel time between cities and changed the way goods made their way to market. A growing urban population of propertyless workers assured the owners of mines and factories an unlimited supply of cheap labor, while at the same time establishing the foundation for serious unrest over the worsening disparities in living conditions.

On the European continent, Frederick William II of Prussia had been one of a number of princes also concerned with improving agricultural production. He ordered the draining and reclaiming of several hundred thousand acres of land in isolated pockets across Prussia, attracting some three hundred thousand colonists from other parts of the continent. The rule of law was also rewritten with greater specificity under the General Prussian Code, removing some of the arbitrary ways in which power had traditionally been wielded. An internal migration from the land to the cities also coincided with a rapid increase in population, generating conditions significantly worse than in Britain because of Prussia's lagging industrial development. As the nineteenth century arrived, Johann Fichte appealed to an awakening *German* nationalism, calling for establishment of a command economy and system of publicly-directed education. These ideas were first presented in his work *Closed Commercial State* (1800) and then again in *Addresses to the German Nation* (1808), at a time when German patriotism was called upon to rally against the occupying French.

In the first decade of the nineteenth century, the Prussian minister, Heinrich von Stein (1757-1831) pushed through reforms “*which freed the nobility by allowing them to engage in trade and industry and to enter the professions, freed the middle classes by allowing them to buy land, and freed the peasants by abolishing serfdom on noble estates and allowing them to buy and sell land.*”<sup>138</sup> Stein looked closely at the successes achieved under the British constitutional structure and wanted to take Prussia even further in securing for the general citizenry a meaningful stake in both politics and property. Although his radicalism caused his dismissal from the Prussian ministry, Stein is rightfully viewed as the key figure in the vanguard of German liberalism. One of his primary aims was to eliminate serfdom within the German confederation and move toward a market system of land ownership, use and taxation. As described by W.M. Simon, Stein and those who shared his reformist zeal “*were inspired partly by general humanitarian motives, but chiefly by economic arguments. They were economic liberals, indirect disciples of Adam Smith, for whom serfdom violated the principle of economic freedom and militated against the optimum use of labor and resources.*”<sup>139</sup> Although legal serfdom might have been prohibited, the pattern of *land reform* virtually dictated the continuing concentrated control over land by the few. Free peasant farmers without financial resources or management skills almost always ended up propertyless and at the mercy of a new class of landowners themselves freed from any obligations to provide for those who worked the land to which they held title.

More than any other European people, however, the Danes after the creation of a Land Commission in 1786 introduced meaningful reform to the aristocratic system of land control. The commons had been consolidated under the Enclosure Act of 1781, legislation that also promoted a wider distribution of land ownership than existed elsewhere in Europe. “*Peasants were encouraged to move out of the old nucleated villages into their own homes on enclosed farms by government loans at low rates of interest,*” explains Frank Huggett, “*so that by 1820 over half of*



*Denmark's farmers had become freeholders.*"<sup>140</sup> Elsewhere, feudalism and extremely large, landed estates continued to dominate and retard the introduction of new agricultural methods and industrialization. In Hungary, for example, one family controlled some seven million acres. Joseph II (1741-1790) of Hungary attempted but failed to impose some level of reform (or, modernization, depending upon one's point of view) on this poverty-causing system. Similar efforts failed in Poland.

The influence of modernization on Russian peasants was somewhat more complex. Alexander I ruled over a society dominated to an extraordinary degree of religious authority. At the same time, the Napoleonic wars not only intensified the militaristic nature of his regime but also planted seeds of dissent among some Russian nobles who, exposed to the world outside, returned determined to bring change to Russia. "Heretofore it was only rarely that Russians went beyond their own border," writes S.F. Platonov, "but after their first visit to Paris, London and Berlin they traveled abroad more and more."<sup>141</sup> Experiencing first hand the manner in which other Eurasians lived and thought, they knew Russia had to change or falter, forever destined to remain backward and a peripheral power:

They came in contact with the intellectual movements of the age, with the German idealistic philosophy, with the French social teachings, with the English political agitation and their whole point of view changed. They returned home with boxes crammed with books, heads full of ideas and hearts aching over the shortcomings and backwardness of their own country.<sup>142</sup>

Conservatives in Russia stood in opposition to reform and what they viewed as the corrupting influence of Western Europeans. When they compared their own society with those of the British and French, they felt superior in all but the materialism that had in the West produced not general equality but "*luxury, egotism, violence and class hatred.*"<sup>143</sup> Consolidation of power within the central government accelerated

under Nicholas I, who succeeded Alexander I as tsar, and who distrusted and shunned the nobility. Nicholas I saw to it that Russian law was codified and published. A new bank of deposit for gold and silver was established, from which deposit notes were issued to compete with the depreciating paper currency then in circulation. As for the millions of Russian serfs, Nicholas authorized P.D. Kiselev to reorganize crown lands into rural communes that were given a high degree of self-government over their own affairs. "*Kiselev's work*," writes S.F. Platonov, "*forms one of the brightest pages in Nicholas' reign.*"<sup>144</sup> In the end, of course, all of this was far too little to alter the course of events that was to follow. There were few transnationals in Russia, or in any of the other Old World nations for that matter, and none with real influence. Even within the small community of transnationals there was not as yet any fundamental agreement over what changes ought to be pursued.

### Human Rights And Natural Law What Is Versus What Ought To Be

The period beginning with the rebellion by *Americans* against British domination and ending with the defeat of Napoleon Bonaparte, although characterized by intense warfare and political turmoil, also opened wider the door for scientific investigation and freer expression of thought. There remained many societal and political pressures on investigators to limit the scope of their work, or direct their conclusions in a manner supportive of the status quo; however, balanced against this circumstance was a growing willingness by serious thinkers to sail against the wind—none more so, as has been earlier documented, than Thomas Paine. Henry George, who came to epitomize transnational thinking in the late nineteenth century, unfortunately did not give much attention to Paine's contribution as a socio-political philosopher or political economist. George did closely examine the work of many

others among his predecessors and came away feeling they had fallen victim to the acceptance of conventional wisdom or defended without sound reasoning positions in harmony with those who had long benefited by privilege and license. Even of Adam Smith, George was forced to conclude “[t]here [were] passages in the ‘Wealth of Nations’ where Adam Smith check[ed] his inquiry with a suddenness that show[ed] an indisposition to venture on ground that the possessing classes would deem dangerous.”<sup>145</sup> Smith’s contemporaries within the French school of *Physiocratie* may have fallen “into the mistake of declaring agriculture the only productive occupation,”<sup>146</sup> observed Henry George, but they were consistent not only in their presentation of what constituted wealth and how it was produced but in their discussion of distributive justice. Of the Physiocrats, George wrote:

They saw that there is but one source on which men can draw for all their material needs—land; and that there is but one means by which land can be made to yield to their desires—labor. All real wealth, they therefore saw, all that constitutes or can constitute any part of the wealth of society as a whole, or of the wealth of nations, is the result or product of the application of labor to land.

They had not only grasped this first principle—from which any true economy, even that of a savage tribe or an isolated individual, must start—but they had grasped the central principle of a true political economy. This is the principle that in the natural growth of the social organism into which men are integrated in society there is developed a fund which is the natural provision for the natural needs of that organism—a fund which is not merely sufficient for all the material wants of society, and may be taken for that purpose, its intended destination, without depriving the unit of anything rightfully his; but which must be so taken to prevent the gravest injuries to individuals and the direst disasters to the state.

This fund Quesnay and his followers styled the *produit net*—the net, or surplus, or remaining product. They called it this, evidently because they saw it as something which remained, attached, as it were, to the control of land, after all the expenses of

production that are resolvable into compensation for the exertion of individual labor are paid.<sup>147</sup>

That they had come far closer to identifying the underlying principles of political economy, and that Henry George argued so, has not resurrected the reputation of the Physiocrats among modern day economists. Even the contributions of Henry George remain undiscovered by the overwhelming majority of individuals who consider themselves schooled in economics—or political economy, for that matter. The reasons for this I shall examine later in this work. George's own observation on the comparative success experienced by Adam Smith is, however, quite revealing of how difficult is the task of advancing truth in the face of entrenched resistance and vested interest in conventional wisdom. "*The larger fact,*" wrote George, "*is that Adam Smith, opening the study of political economy at a lower level than the Physiocrats, found less resistance, and his book began to secure so permanent a recognition for the new science that its continuance to our time is properly traced to him as its founder rather than to them.*"<sup>148</sup> Those who in recent years have argued the case for strict rules against deficit spending by government, for lowering or removing taxation from wealth-producing activity, for a currency system fully backed by precious metals or other commodities (or other structural changes in the way externalities affect markets) find this same type of resistance at every turn. None who are the beneficiaries of monopolistic privilege—deeply penetrating or superficial—will passively submit to reforms; and, in those societies where privilege is even somewhat widely distributed those who benefit most have been quite secure in their positions. To suggest that this was a lesson the powerful learned from the investigations of Smith's successors overstates the case. Throughout the nineteenth century, however, the impetus to reform was found not in a quest for equality of opportunity or to establish just socio-political arrangements, but to preserve the State and the existing distribution of wealth and power. Doing so in an era of

dependency on industrial output required a recognition that more than brute strength and a submissive population were needed. Resources needed to be identified, harnessed and channeled to serve the needs of the State. If a small elite became enormously wealthy in the process, that was simply the natural order of things.

Among those who followed in the footsteps of Smith, several individuals in particular would have an immediate and lasting influence. These were William Godwin, Thomas Malthus, Jeremy Bentham and David Ricardo. The time had not yet arrived when Smith's successors thought to question his intellectual integrity; however, Britain was home to others besides Thomas Paine who were willing to take on the established order. William Godwin (1756-1836), following in the wake of Paine's *Rights of Man*, found an attentive audience for his own two-volume *Enquiry Concerning Political Justice* published in 1793. Godwin later married one of the era's most outspoken proponents of educational reforms and equality of opportunity for women, Mary Wollstonecraft (1759-1797).<sup>149</sup> As one of only a few women journalists with an international reputation, Mary Wollstonecraft also had been one of the first British writers to indignantly respond to Burke's condemnation of the French Revolution. Godwin, somewhat more dispassionately and with more lasting effect than Paine, did his best to carry the cooperative individualist torch and rekindle its flame. He believed strongly that "[i]f a man have a right to anything he has a right to justice;"<sup>150</sup> and, integral to this right, Godwin joined with Paine in recognizing that "the good things of the world are a common stock, upon which one man has as valid a title as another to draw for what he wants," limited, however, "by the equal sphere of his neighbour."<sup>151</sup> Commerce and learning, he was convinced, would gradually remove many of the impediments that continued to thwart political liberty and equality of opportunity. The same processes, Godwin optimistically hoped, would also bring peace between nations.

The French Revolution also catapulted Jeremy Bentham (1748-1832) from his position as a legal theorist into a resolute if rather confused advocate for incremental reform. As early as the 1770s Bentham initiated an *a priori* criticism of William Blackstone's *Commentaries* on the law, including those dealing with natural rights. In his subsequent writings he attacked both the *American* Declaration of Independence and the French Declaration of the Rights of Man as having no practical value in the construction of law. With the publication of *Principles of Morals and Legislation* (1789), Bentham argued the need for coercive force in the interest of justice. The source of his philosophical beliefs came from David Hume, and Bentham became the architect of a reform movement built on the linking by Hume of virtue to the principle of *utility*. The translation of Bentham's work into French by Etienne Dumont turned the Englishman into a philosopher of international reputation.

What distinguished Bentham from Paine and Godwin was a conviction that human rights could not be incorporated into law with sufficient specificity to secure a consistently just result. Only by applying the principle of utility to individual laws and asking whether a given law resulted in the greatest good for the greatest number was appropriate reform possible. As explained by Bentham:

By the principle of utility is meant that principle which approves or disapproves of every action whatsoever, according to the tendency which it appears to have to augment or diminish the happiness of the party whose interest is in question; or, what is the same thing in other words, to promote or oppose that happiness. I say of every action whatsoever; and therefore not only of every action of a private individual, but of every measure of government.<sup>152</sup>

Early in the twentieth century, the legal scholar John M. Zane responded that "*Bentham's test [of utility] is applicable to raw untutored men, not to civilized human beings in a complicated condition of society.*"<sup>153</sup> Social

utility and individual utility must be balanced as well by consideration of moral principles, which are basic to the human experience and central to any understanding of human behavior. Moral judgment and the construction of a just system of law (one that achieves distributive justice) constitute the great difference between scientific investigation of the physical world and our behavior within the constraints of the physical world. None of this was important to Bentham, who saw in the reliance on an abstract doctrine such as that espoused for human rights the means by which the substance of reform was being subverted by form and rhetoric.

In his earlier work, *A Fragment on Government* (1776), Bentham went beyond challenging natural rights and attacked the principle that government rested on a compact between the monarch and the people. He failed to see how such an arrangement could be prescribed by natural law (and therefore conform to a natural order), arguing that investing in a king the power to make law and not merely to execute law as agreed upon by the people was inherently despotic. Bentham reasoned that people were under no obligation to quietly suffer the harmful consequences of the king's actions where such actions failed to meet a test of positive utility. Moreover, he asserted that all individuals have both rights (i.e., "*advantages*") and obligations (i.e., "*duties*") as members of society. The law provides to the legislator the means by which decisions are made concerning the distribution of rights and obligations. Bentham denies the ability to distinguish between acts of liberty and those of license when he concludes "*the law cannot grant a benefit to any, without, at the same time, imposing a burthen on some one else.*"<sup>154</sup> By this reasoning, then, all law empowers some to exercise license against the liberty of others. Utility, Bentham believes, determines whether such empowerment is just or not.

Bentham's application of the utility principle also has important implications for the treatment of nature as private property. He first raises the question as follows: "*In what manner is a right of property in*

*land conferred on me?*" Answering: "By imposing upon every body except myself the obligation not to touch its produce."<sup>155</sup> By what measure of utility the greatest happiness is guaranteed to the greatest number is achieved in this instance Bentham does not clarify. The second statement suggests that utility demands a labor theory of property in conjunction with laws prohibiting absentee landownership. Only under such an arrangement would the direct payment of ground rents to non-producing titleholders disappear. One can acknowledge that considerable happiness to a significant number of individuals would, in many cases, result from these measures. However, because direct access to land of equal potential productivity cannot be guaranteed for all, some injustice (great or small) inevitably would result. Looking at the same problem, Godwin argues that what the individual needs is, first, a protected access to nature (with just compensation to society for the privilege received), and, second, protection of what is produced as legitimate private property. The responsibility of the State is, therefore, to protect the producer's right or liberty to freely use or dispose of property (so long as in doing so the owner exercises no criminal license against others). License or advantage is created not in wealth production but in the monopolistic restriction of access to nature created by the granting of legal control without just compensation to society. These perspectives were outside the range of Bentham's thinking, preventing him from making the crucial connections between utility and justice.

Bentham certainly understood the political and economic power arising from licenses. He might even have agreed with Thomas Paine that "[s]ociety is produced by our wants, and government by our wickedness; the former promotes our happiness positively by uniting our affections, the latter negatively by restraining our vices."<sup>156</sup> Nevertheless, when Bentham concludes "[t]he sole object of government ought to be the greatest happiness of the greatest possible number of the community"<sup>157</sup> he ignores the crucial test to which law and its enforcement is morally



accountable. A law that benefits the majority may meet a test of utility while constituting a gross violation of the liberty of many others. Therein lies an irreconcilable difference between the principles espoused by Paine and those of Bentham. A society may move incrementally in the direction of justice, aided sometimes by decisions reached on the basis of utility. At best, however, utility allows greater specificity where human rights are firmly established. The first and most fundamental application of principle must distinguish between acts that fall within the realm of liberty and those within the realm of license. One must first understand, as explained by philosopher Mortimer J. Adler that “*unlimited freedom—freedom unrestrained by justice—cannot be maximized for all.*”<sup>158</sup> Liberty has a cost in terms of individual action:

Liberty is freedom exercised under the restraints of justice so that its exercise results in injury to no one. In contrast license is freedom exempt from the restraints of justice and, therefore, injurious to others in infringing their freedom as well as violating other rights.<sup>159</sup>

Whereas Bentham argues that the individual must sacrifice part of one's liberty in return for the acquisition of certain advantages, Paine advances a doctrine of moral principles that puts demands on government to protect liberty not because of utilitarian considerations but because to do otherwise is unjust. Admittedly, Paine and others who espoused the *rights of man* made no systematic attempt at specificity in their explanation of which actions fell within the realm of liberty or that of license. How, then, could a system of positive law be created that treated everyone justly? The principle of utility provided an imperfect but incrementally effective vehicle for those who desired to reform existing socio-political arrangements and institutions. As Bronowski and Mazlish conclude, the principle of utility also served

those who sought the immediate overthrow of existing socio-political arrangements:

Bentham's principle of utility meant that governments were to be judged solely on performance and not to be accepted merely because they had existed since time immemorial. This was the hidden dynamite in Bentham's legal "theodicy." Admitting that governments were coercive agencies, he insisted that their coercion was to be accepted only if they could explain logically why offenses were offenses. Obedience to government was required only if government was useful.<sup>160</sup>

I would add, however, that Bentham was unable to bring himself to directly challenge the British constitution of government and so settled on a program for reform of the departments. He sought an end to corruption, so that government would act in the general interest of the citizenry, which tended over time to justify adding layers of bureaucratic controls rather than a dismantling of functions. Meeting resistance at every turn, he finally accepted the need for more fundamental Parliamentary reforms, including the secret ballot and suffrage for women. He went on to call for an end to the monarchy, a dismantling of the House of Lords and the system of peerage and for a complete separation of church and state. In matters involving private contracts, he was consistent in his defense of *laissez-faire* and against government interference other than as an agent of enforcement.

Malthus, conversely, effectively shifted the attentions of his readers away from socio-political arrangements and institutions to explore the animal-like aspects of human procreation. Thomas Robert Malthus (1766-1834) had been born into what Kenneth Boulding described as a "*modestly prosperous*"<sup>161</sup> landowning English family. After completing his formal education at Jesus College, Cambridge, he became a parish priest in the village of Surrey, where he had been born and raised. The writing of his *Essay on the Principle of Population*, published anonymously in 1798, was initiated by his reaction to what he perceived as

William Godwin's "great error...[of]...attributing almost all the vices and misery that are seen in civil society to human institutions."<sup>162</sup> Even among Americans, Malthus quickly found a receptive audience. Thomas Jefferson, for example, wrote in 1804 to Joseph Priestley, asking if he had "seen the new work of Malthus on population" and expressing his view that Malthus had not only effectively identified the causes and consequences of population increases, but had "treated with a masterly hand...important questions in political economy" that had occupied the minds...of the era's practical philosophers.<sup>163</sup> In taking on Godwin, however, Malthus was out of his league. Godwin was searching for a remedy to the moral injustices he observed all around him. He needed no great theories to convince him that a privileged minority had become propertied at the expense of those who actually produced. In his writing, Godwin classified property into three types:

The first and simplest degree is that of my permanent right in those things...than could have arisen from their being otherwise appropriated. It is of no consequence in this case, how I came into possession of them, the only necessary conditions being their superior usefulness to me, and that my title to them is such as is generally acquiesced in by the community in which I live....

The second degree of property is, the empire to which every man is entitled, over the produce of his own industry, even that part of it the use of which ought not to be appropriated to himself....

The third degree of property is, that which occupies the most vigilant attention in the civilised states of Europe. It is a system, in whatever manner established, by which one man enters into the faculty of disposing of the produce of another man's industry. There is scarcely any species of wealth, expenditure, or splendour existing in any civilised country, that is not, in some way, produced by the express manual labour and corporal industry of the inhabitants of that country. The spontaneous productions of the earth are few, and contribute little to wealth, expenditure, or splendour....It is a gross imposition that men are accustomed to put upon themselves, when they talk of the property bequeathed to them by their ancestors. The property is produced by the

daily labour of men who are now in existence. All that their ancestors bequeathed to them was a mouldy patent, which they show, as a title to extort from their neighbours what the labour of those neighbors has produced....<sup>164</sup>

This third type of property is, in effect, the bundle of privileges protected by the State that create what is most aptly termed *unnatural* property (i.e., claims on production not directly associated with the expenditure of labor or capital goods). By this definition, Godwin exposes the system of awarding deeds for the control over nature to a high moral standard of scrutiny. He finds little difficulty in recognizing that the rent (whether directly in commodities or indirectly in coinage) paid by the producer to a deed holder is a confiscation—not of private wealth, but of public wealth. Malthus is, in fact, troubled to counter the political economy Godwin develops in his succinct but powerful exploration into the “*third degree of property*.” Godwin traces poverty and injustice to its source, to the issuance by kings of patents to nature that permitted holders to arbitrarily confiscate a very large portion of the wealth produced by those who actually labored. The beneficiaries of this privilege were then able, generation after generation, to utilize a constant stream of labor-produced wealth to expand the quantity of land they controlled, as well as cover the expense in materials and hired labor for the construction of improvements. Thus, under existing socio-political arrangements and institutions, improvements in productivity achieved by labor would continue to accrue to the privileged few in the form of higher and higher rents. To the extent capital goods were acquired in exchange for a payment derived from the private appropriation of rent (rather than whatever wages legitimately accrued to a deed holder in exchange for whatever labor the deed holder actually performed), the income derived from the use of capital goods is also a confiscation or, in more direct terms, a theft (i.e., a criminal license).

Despite his insights, Godwin inexplicably places all his hopes for positive change on the virtues arising out of greater equality of

opportunity for education and in a commerce unrestricted by the State or affected by legal privileges. He does not follow Paine in specifically advocating the public collection of rent, or (as a small number of modern *libertarians* recommend) its distribution to all or mostly all citizens on a pro rata basis. He does conclude that laws protecting the distribution of property to its producer would greatly stimulate the production of wealth.

Malthus makes no direct assault against Godwin's observations or reasoning; rather, he argues against reforms on the basis of assumptions about human procreative behavior. In one passage, for example, he cites the dramatic increase in population experienced in the frontier territory of the United States as having some relation to a general principle of population growth:

I have mentioned, on...authority...that the inhabitants of the back settlements of America doubled their numbers in fifteen years. England is certainly a more healthy country than the back settlements of America, and we have supposed every house in the island to be airy and wholesome, and the encouragements to have a family greater even than with the back settlers, no probable reason can be assigned why the population should not double itself in less, if possible, than fifteen years.<sup>165</sup>

The comparison made here by Malthus misrepresents the great differences in conditions between the many parts of the United States and those in Britain (experienced by the general population) at the time. The opportunity to acquire landed property in the United States remained nearly universal; in Britain, the percentage of the population denied access to land by both financial circumstances and privilege-based law represented the overwhelming majority. Having large families in the United States meant more hands to clear land, drain swamps and plant crops on virgin fields. Children gradually contributed more and more to the productive activities of the family-owned farm and the ability to acquire additional acreage for cultivation. A rough division of

labor then enabled the farmer to expand the physical improvements as well as the variety of commodities produced. Under these conditions, the quantity (and quality) of wealth produced by individual labor (assisted by an increasingly diverse array of capital goods) tended to rise.

Malthus looked around and everywhere seeing the deepest poverty concluded there was a natural tendency for population to outrun subsistence. Under conditions in Britain a society of yeoman farmers was never given an opportunity to obtain self-sufficiency or engage in a very active trade with those engaged in manufacturing. The propertyless of Britain depended on the small landed class or the owners of factories to provide them with sporadic employment at subsistence wages. In an aggregate sense, children represented additional mouths to feed and, when they became old enough to work on the farms or in factories, competition for available employment. At the same time, having a large number of children provided a nominal sense of security in an otherwise desperate future. Several generations, living together and sharing the minimal wealth received for their labor, was the one form of *social security* to which the propertyless had access.

For the very reasons cited, the factory owners in the United States had little choice but to import the poorest of the poor from Europe. The plantation owners in the southern states opted to make use of enslaved laborers, captured and brought to the New World from the African continent. Many of the Europeans arriving in the coastal cities of the northern states had no experience at agriculture or skills at self-sufficiency. They had little choice but to perform the grueling work rejected by third or fourth generation *Americans*. Factory owners in Britain made similar use of unpropertied Irish to prevent wages or working conditions from improving. In his own response to Malthus later in the century, Henry George argued that even in India, China or Ireland—countries providing “*the strongest...cases*”<sup>166</sup> that on the surface seemed to prove Malthus correct, widespread poverty had little to

do with overpopulation. After demonstrating the relatively low population densities of these countries, he went on to conclude that poverty “arises from the form which the social organization has... taken, which has shackled productive power and robbed industry of its reward.”<sup>167</sup> As part of his evidence, George quotes Macaulay’s essay on Robert Clive, the individual described by historians as most responsible for extending the reach of the East India Company and bringing India under the direction of British imperial interests during the early decades of the eighteenth century. “In no European kingdom was so large a population subject to a single prince,” wrote Macaulay, “or so large a revenue poured into the treasury.”<sup>168</sup> British arms opened that treasury and the wealth produced by the indigenous population for exploitation by the East India Company and, more directly, to Clive and a few others. Only a small portion of this wealth ever found its way into the treasury of the British government as compensation to the general citizenry for the expenses incurred reducing the people of India to their condition as vassals of British mercantilism.

Adam Smith, applying a benefit/cost analysis to empire, argued against the establishment of colonies because they were a “source of expence and not of revenue to their respective mother countries.”<sup>169</sup> Generations of political leaders in Britain were to discover just how expensive would be the challenge of maintaining control over India. Yet, as explained by Macaulay, those who benefited most contributed hardly at all to the endeavor:

The servants of the [East India] Company obtained, not for their employers, but for themselves, a monopoly of almost the whole internal trade. They forced the natives to buy dear and to sell cheap. They insulted with impunity the tribunals, the police, and the fiscal authorities of the country... Enormous fortunes were thus rapidly accumulated at Calcutta, while thirty millions of human beings were reduced to the extremity of wretchedness. They had been accustomed to live under tyranny, but

never under tyranny like this....[English] government, oppressive as the most oppressive form of barbarian despotism, was strong with all the strength of civilisation.<sup>170</sup>

British apologists like to say that an important legacy of Britain's empire-building was to bring the peoples of the world closer together through the spread of the English language and British socio-political institutions. Winston Churchill points out that Macaulay was no disinterested historian of British imperial power. He had held a high government office in India and had been one of the leading proponents of "*Christianising and Europeanising the sub-continent.*"<sup>171</sup> The desires of men such as Clive to exploit whatever people and resources could be exploited for personal enrichment was joined by what Churchill admits as a "missionary zeal" on the part of others to remake other societies in the image of modern Britain. The results have been enormously complex to describe and even more difficult to analyze. Britain's imperialist reach was to achieve its zenith during the life of Victoria, who ascended to the British throne in 1837 at the age of eighteen. Of this period and the influence of the British on the other peoples of the world, historian James Morris concluded the empire "*had been the principal agent of an immense historical evolution, the distribution almost everywhere of industrial civilization—which, having had its beginnings in western Europe, was implanted in Africa and Asia principally by this Empire.*" Adding, somewhat circumspectly: "*If it had not been done by the British, it would have been done by somebody else...*"<sup>172</sup>

What Henry George and quite a few others recognized in the Malthusian doctrine was its polemic and unscientific rhetoric. In the end, George dismissed Malthus as little more than an apologist for British imperialism as well as agrarian and industrial landlordism, which George condemned as a "*grinding weight...literally crushing millions out of existence.*"<sup>173</sup> By this he meant to include not merely those brought under subjugation in other lands but a citizenry at home forced to absorb heavy taxation and a subsistence existence in order that a few



might grow rich. This circumstance was clouded by the rapid expansion of industrial capacity that occurred, first in Britain, and then in other parts of the world. The explosion in scientific knowledge and technological advances brought a degree of positive change to the lives of a growing minority. Improvements in sanitation, housing and nutrition gradually lowered infant mortality and extended the average lifespan. The introduction of ever more efficient methods of agriculture and manufacturing, as well as in the transportation of commodities to market, made possible in Britain the expansion of its long-established production-oriented and export-driven economic engine from which an expanding minority enjoyed a rising standard of well-being. Within the bottom half of the population, however, conditions simply worsened.

As he examined conditions in Britain, Malthus did make a connection between the "*inclosure of commons [and] large tracts of land...converted into pasture*"<sup>174</sup> and a reduction in the number of people employed on the land as well as the quantity and variety of commodities produced. As for those removed from the land, Malthus states rather matter-of-factly that they "*must be employed almost wholly in manufactures.*" Although the industrial system was as yet in an early stage of expansion, Malthus might be describing any period over the next two centuries when he writes that "*it is well known that the failure of some of these manufactures...have frequently driven thousands on charity for support.*"<sup>175</sup> The connection Malthus declines to make, the one not even Smith or Godwin was ready to advance in specific terms, is brought to light by Henry George:

Whether overpopulation ever did cause pauperism and starvation, may be an open question; but...[h]ow could there fail to be pauperism and famine in a country where rackrents wrested from the cultivator of the soil all the produce of his labor except just enough to maintain life in good seasons; where tenure at will forbade improvements and removed incentive to any but the most wasteful and poverty-stricken culture; where the tenant dared not accumulate capital, even if he could get it, for fear the

landlord would demand it in the rent; where in fact he was an abject slave, who, at the nod of a human being like himself, might at any time be driven from his miserable mud cabin, a houseless, homeless, starving wanderer, forbidden even to pluck the spontaneous fruits of the earth, or to trap a wild hare to satisfy his hunger?<sup>176</sup>

What George refers to above as “*rackrents*”—what the landlord was able to take as a percentage of production or in coinage that was far above what anyone would have paid for access to land had they any reasonable employment alternatives—gradually came under analysis by Malthus, Ricardo and others as they formulated from Adam Smith their own particular expositions of principles dealing with the production and distribution of wealth. Needless to say, those who, in their investigations, sought to find the causes of widespread misery and advance the means by which to raise the general level of well-being for all were extraordinarily dangerous individuals. Despite the window of opportunity through which just principles had found partial acceptance among the practical philosophers in North America, ancient institutions and traditions remained firmly entrenched in the Old World and were to be extended throughout the globe by conquest. This is not to suggest that the structures supplanted were necessarily more just. The communitarian form of tribal societal structure was still in some parts of the globe functioning well, but in most cases traditional hierarchies imposed rigid forms of agrarian landlordism on impoverished and oppressed populations.

As the Old World powers completed their early nineteenth century phase of warfare over who would control the Eurasian continent, the scientific investigation of political economy was being tested (on the eastern side of the Atlantic Ocean) by a growing number of individuals. In 1805 Malthus rose to the position of professor of history and political economy at Haileybury, a college founded by the East India Company as a training ground for its employees. By this time, Bentham had already acquired a following of intellectuals and government (as

opposed to social) reformers, including James Mill (1773-1836), whose own intellectual reputation by 1808 had been established with the publication of his *History of British India*. David Ricardo (1772-1823) became an adviser to the British government and eventually entered the House of Commons.

These and many other individuals who developed an intense interest in political economy lived through incredible changes in the way societies were organized and how wealth was produced. Britain, and England in particular, was in the forefront of these changes. Population was increasing and becoming more urban. Industrial output accelerated with every new invention and great fortunes were in the making. Moreover, European occupation and control of lands and peoples outside the core powers of the Old World rapidly expanded, aided by advances in weaponry and military strategy and the construction of large ocean-going ships. Unlike their contemporaries on the Eurasian continent, however, some leading British statesmen adopted as their own the philosophy of *laissez-faire* (although not in as comprehensive a manner as espoused by Adam Smith). Over several decades their agitation resulted in the gradual dismantling of mercantilist protections, followed by an explosion in commercial and industrial activity.

At this critical juncture—with Britain's agrarian civilization moving headlong into manufactures, commercial agribusiness and finance capitalism—Ricardo, Malthus and several lesser known writers accepted the challenge of trying to explain why grain prices had suddenly fallen after the Napoleonic wars. The long years of embargo had fostered the need for self-reliance in food production and extended cultivation to ever more marginally fertile land. Observing that the same amount of labor and capital applied yielded less output in grain due to the natural qualities of the soil, Ricardo formulated not only a law of diminishing returns but a law that dictated that portion of production "*paid to the landlord for the use of the original and indestructible powers of the soil.*"<sup>177</sup> His work corrected a number of inconsistencies Smith had fallen victim

to in his own presentation of how land (i.e., nature) came to have an exchange value (i.e., a *rent*) that is capitalized into a selling price by the desire of people to acquire legal control over land. Under conditions prevailing in Britain there was, of course, little choice for tenant farmers but to pay whatever the landlord demanded. They had no cash of their own or access to credit to acquire land outright. What Ricardo's analysis revealed was the tendency for rent to rise to a level beyond which the cultivators of land could not subsist; and, when desperation was very great, the cultivators of the soil would bargain to turn over even more than this to the titleholder knowing full well the contract could not be fulfilled. Such is the nature of land monopoly and the power of the landlord when there are few if any alternative opportunities for the unpropertied person to find employment.

Among the contributions made by Ricardo to the clarification of the principles of political economy is the manner in which he distinguishes between returns to capital goods *use* versus those of land *ownership*:

[I]t is found that the laws which regulate the progress of rent are widely different from those which regulate the progress of profits, and seldom operate in the same direction. In all improved countries, that which is annually paid to the landlord, partaking of both characters, rent and profit, is sometimes kept stationary by the effects of opposing causes; at other times advances or recedes as one or the other of these causes preponderates.<sup>178</sup>

What Ricardo observed and what history confirmed was that land ownership is a static activity, producing no wealth but enabling—under circumstances of widespread land monopoly and/or an expanding population—the landlord to make a larger and larger claim on production as the entry fee charged to those who require access to nature in order to labor and produce wealth. “[W]hen land is most abundant, when most productive, and most fertile, it yields no rent,” writes Ricardo; “and it is only when its powers decay, and less is yielded in return for labour, that a

*share of the original produce of the more fertile portions is set apart for rent.*"<sup>179</sup> By "most abundant" he is referring to a supply/demand relationship in which there is free land of equal quality still available for use. Importantly, Ricardo distinguishes himself from his predecessors by recognizing that this principle applies not only to agricultural land but to land valued not for its fertility but for its location or mineral resources as well. Ricardo's application of logic and powers of observation are not, however, infallible; generalizing on the relation between population growth and the storehouse of capital goods, for example, he reveals a shallow appreciation for the social dynamics surrounding procreation (while at the same time aligning himself on the subject with Malthus):

Population regulates itself by the funds which are to employ it, and therefore always increases or diminishes with the increase or diminution of capital. Every reduction of capital is therefore necessarily followed by a less effective demand for corn, by a fall of price, and by diminished cultivation.<sup>180</sup>

The reasons why individuals in some societies under some circumstances tend to have many, few or no children are complex. What can be generalized, however, are the conditions that tend to result in rapid population growth. Large families are, as explained above, desirable under conditions where new lands are being settled and brought under cultivation. Over the course of several generations a greater reliance on goods and services provided outside the core *family* (however one might care to define such a group relationship), will have a tendency to result in the birth of a reduced number of children. Advances in medical science that contribute to reduced rates of infant mortality and longer life spans also have a strong influence over the number of children women have during their lives. When material wealth available significantly exceeds subsistence and when the amount of leisure time available increases, the individual begins to focus more on intellectual

and cultural interests. Having children at a later age becomes an option made desirable by the opportunity for status and achievement outside of the role of parent. Individuals postpone marriage and child-rearing, and the period of nurturing is extended to include longer exposure to formal education and other indulgences to individual desires.

Both Malthus and Ricardo observed that families possessing significant levels of material wealth tended to have fewer children. And Ricardo criticized Malthus for what he recognized as a far too simplistic theory of cause and effect, writing that "*Malthus appears to me to be too much inclined to think that population is only increased by the previous provision of food...that it is by first providing food that encouragement is given to marriage.*"<sup>181</sup> Ricardo then goes on to suggest a direct link between population increase and that of the storehouse of capital goods, which, he says, results in "*the consequent demand for labour, and the rise of wages.*"<sup>182</sup> In his own way, therefore, Ricardo fails to consider all of the behavioral and socio-political dynamics associated with human procreation. I suspect he was heavily influenced in his conclusions by the explosion in manufactures and factory employment occurring in Britain at the time. The population of Europe as a whole increased between 1750 and 1800 by some 45 million people, to almost 190 million. Britain's population had already reached 10 million by the end of the eighteenth century and continued to grow.

The innovation of using coal in the production of steam power fueled not only Britain's industrial development but a new era of land speculation as well. Millions of workers were drawn to new but haphazardly constructed industrial centers. Manchester, for example, grew from a sleepy village in the mid-eighteenth century to a city of over 230,000 people in the 1820s. Fully 30 percent of the working population of England was by the beginning of the nineteenth century already employed in mining and manufactures. The result, according to Ricardo, was a rise in the real wages of workers to a level capable of supporting large families:

In different stages of society, the accumulation of capital, of the means of employing labour, is more or less rapid, and must in all cases depend on the productive powers of labour. The productive powers of labour are generally greatest when there is an abundance of fertile land: at such periods accumulation is often so rapid that labourers cannot be supplied with the same rapidity as capital....In that case, wages during the whole period would have a tendency to rise, because the demand for labour would increase still faster than the supply.<sup>183</sup>

For the unpropertied laborer situation represented a window of opportunity soon to be closed by the continued increase in population and by the arrival of competing workers from Ireland. Given this expectation, Ricardo indicates there is an unfortunate "*iron law of wages*" that decrees population growth to be the enemy of the unpropertied laborer. "*In the natural advance of society,*" he writes, "*the wages of labour will have a tendency to fall, as far as they are regulated by supply and demand; for the supply of labourers will continue to increase at the same rate, whilst the demand for them will increase at a slower rate.*"<sup>184</sup> What Ricardo observed was a rapid transition from the first stage of industrial development, when the demand for labor was greater than the available supply and wages increased, into the next stage when powerful downward pressures were exerted on the wages received by workers. This common sense conclusion is supported by what actually occurred under such conditions. A new class structure emerged, perhaps not quite as iron-clad as that dictated under feudalism, but sufficiently universal to be characterized by historian Eric R. Wolf as fundamental to the industrial revolution:

In many parts of Europe, landowning nobles could not engage in trade, and merchants were barred from acquiring land. In England, merchants and landed aristocrats intermarried and interacted to an unusual degree.

[T]hese merchants and landowners, in alliance, were able to turn to their advantage the peculiar status of the English "husbandmen."<sup>185</sup>

Wolf's observations are further substantiated by economist W.W. Rostow, who identifies several other crucial socio-political and institutional innovations that served to consolidate the power of those who gained control of land and capital goods. The resulting economic system is often referred to as *monopoly-capitalism*; however, as I have suggested, I believe the phrase *agrarian, industrial and urban landlordism* is more descriptive of actual circumstances. And, as Britain experienced the transition from mercantilism to landlordism, the result was to place a larger and larger portion of the population at risk to what is now referred to as *structural unemployment*; that is, a permanent decline in employment opportunities associated with changes in the nature of how capital goods are employed, accompanied by a reduced need for direct human labor to achieve the same or greater production. This type of change is quite distinct from the temporary and periodic employment losses inherent in what most economists accept as normal business cycles. Government policy is, in essence, a bundled set of externalities that become part of the productive (and/or speculative) investment decisions by owners of land and capital goods. In Rostow's view of what was occurring at the end of the eighteenth century in Britain, "*there is no doubt that capital formation was aided by price inflation,*" and that this combination of factors "*shifted resources away from consumption to profits.*"<sup>186</sup> A long period of high structural unemployment followed.

The price inflation referred to by Rostow means simply that domestic workers were receiving wages insufficient to allow them to be consumers to any great degree. The transfer of production to even lower wage environments outside of Britain yielded savings in the cost of production, but generated higher profits only so long as a steady global demand existed by persons with incomes high enough to be consumers. With periodic interruptions, Britain's producers were able to profitably sell their goods in the United States, where labor costs were much higher and manufacturing efficiencies much lower. As long as only some purely industrial landlords were able to maximize profits at the expense



of their laborers, and aggregate demand (i.e., purchasing power) was stable or increasing worldwide, the global economy as measured by total production exhibited a healthy appearance. The growing agricultural surplus coming from North America exerted a downward pressure on prices for many agricultural commodities, so that in Britain a considerable minority experienced some improvement in purchasing power, at least for bread and corn. Other countries maintained high levels of tariffs against imported goods and high taxes on domestically produced goods in order to subsidize production for export (and thereby build up stocks of gold and silver).

At the next level of exploitative institutional innovation, the landlords made sure that government would secure needed revenue by borrowing—primarily from themselves—at high rates of interest rather than taxing the incomes and assets acquired as a result of the privileges they enjoyed under the law. Somewhat perplexingly, Rostow makes no moral judgment; he merely describes the means by which this transition was achieved. P.B. Shelley, a contemporary of Ricardo, was one person quick to draw the appropriate conclusion, observing that “[t]he rich, no longer being able to rule by force, have invented this scheme that they might rule by fraud”<sup>187</sup> over the majority. Historian John Osborne adds that “[the shift of income flows into more productive hands has, of course, been aided historically not only by government fiscal measures but also by banks and capital markets. Virtually without exception, the take-off periods have been marked by the extension of banking institutions which expanded the supply of working capital; and in most cases also by an expansion in the range of long-range financing done by a central, formally organized, capital market.”<sup>188</sup>

Absent a system of law structured to guarantee to all citizens even a minimum standard of well-being built on principles of equality of opportunity, the socio-political arrangements that sanctioned such a high level of privilege to owners of land and capital goods could not help but result in an inevitable slide in real wages to workers.

Conditions worsened during the Napoleonic wars, which were then followed by a deep decline in global purchasing power resulting in mass unemployment, factory riots and strikes.

The small but growing group of reformers in Britain and elsewhere became gravely concerned that the new industrial cities had become overcrowded and unsanitary places where disease and immorality thrived. The widespread use of child labor, which was essential for family subsistence, also created generations of individuals lacking any formal education or attachment to the social fabric of their nation. Moreover, these individuals competed for the dwindling pool of wages offered by industrial landlords in the only way open to them—by having ever larger families. At the level of the core family this was an appropriate and necessary survival strategy; the aggregate effect was to shift the balance of power in favor of the landlords, generally, while creating a population destined for permanent impoverishment. Malthus, if he sensed any of these dynamics at all, championed no reforms that would diminish the power of the landlords. Others, such as Godwin, continued to call for mandatory public education and other reforms.

Another writer who became an outspoken critic of Malthus was William Hazlitt. Common sense as well as observations about how people really behaved convinced Hazlitt that Malthus was demonstrably wrong in his declaration that “*striking change for the better, in the form and structure of general society*” was of no value in the “*amelioration of the condition of the lower classes of mankind*”<sup>189</sup> Hazlitt knew better:

If working hard, and living sparingly are the chief lessons meant to be inculcated in their minds, they are tolerably perfect in their parts. As for the rest, it is in vain to attempt to make men do any thing else but what their situation makes them. We are the creatures not of knowledge, but of circumstances.<sup>190</sup>

To the extent the reasoning of Malthus found wide acceptance or sympathy, Hazlitt saw this as a serious “*stumbling block in the way of true*

*political economy.*"<sup>191</sup> History as well as their own contemporary experience argued against the Malthusian doctrine, reasoned Hazlitt. "It is evident that while most of the soil remained wholly unoccupied and uncultivated (which must have been the case for many ages...and is still the case in many countries) the power of increase in the productions of the earth, and consequently, in the support of population would be exactly in proportion to the population itself," he wrote, "for there would be nothing more necessary in order to the earth's maintaining its inhabitants, than that there should be inhabitants enough to till it. In this case, the cultivation of the earth would be limited by the population, not the population by the state of the cultivation."<sup>192</sup> What, then, kept the poor in a perpetual state of want? Examined from Hazlitt's perspective, the causes could not be natural; they must be artificial and, as Godwin argued, related to "social institutions, and the different forms of government, and all the other means in our power of affecting the condition of human life."<sup>193</sup> Again, Hazlitt returns to history as well as contemporary experience to firmly establish his point:

We have a sufficient specimen of the effects of bad government, of bad laws, of the worst execution of them, of feeble and selfish policy, of wars and commotions, or of diseases probably occasioned for the most part by the numbers of people who are huddled together in dirt and poverty in the great towns...—in altering the natural proportion between the produce of the soil, and the maintenance of the inhabitants; in wantonly diminishing the means of subsistence by a most unjust and unequal distribution of them; in diverting the produce of industry from its proper channels, in drying up its sources, in causing a stagnation of all the motives and principles which animate human life, in destroying all confidence, independence, hope, cheerfulness, and manly exertion, in thwarting the bounties of nature by waste, rapacity, extortion and violence, and spreading want, misery, and desolation in their stead.<sup>194</sup>

By their positions, Hazlitt and Godwin were at odds with the conventional wisdoms dominating the era of so-called *classical liberalism*.

They stood out as voices in the wilderness against Malthusian justifications for the continued sanctioning of privilege. Among the defenders of the status quo, the teachings of Locke, so important to the advance of participatory government, were forgotten or ignored in the quest to maximize private gain and power over others. Adam Smith and the doctrine of *laissez-faire* found frequent use by the landlords who demanded that government not interfere in the contractual relations between private parties. By extension of this argument, they defended their right to create private monopolies and trusts. One of government's primary responsibilities, they reasoned, was to maintain the military capability of guaranteeing their access to foreign markets and/or control over the people and resources of conquered territories. Another was to prevent workers from organizing and combining to negotiate for higher wages and better working conditions. When forced by reform legislation to deal with trades unions at home, the industrial landlords relied upon the nation's colonial empire to provide new sources of cheap labor.

Another characteristic of this marriage of interests was that every investment by government in public infrastructure tended to increase the exchange value of deeds to land. This was desirable so long as the landed were not asked by government to compensate their fellow citizens in proportion to the economic advantages and benefits received. Frank Huggett describes the society thus created as one "*with rich and dominant lords, prosperous large tenant and gentleman farmers, a relatively small surviving class of often poor peasant farmers, and a large class of exploited and crushed farm labourers whose smoldering fury at their low wages*" brought revolt—followed by "*vengeance from judges in defence of property.*"<sup>195</sup> Economic and political power was firmly in the hands of the landlords, and their interests were as indicated above defended and preserved by a government dedicated to that very purpose. To no avail, Ricardo might demonstrate, as he did, that the nation's system of taxation thwarted the production of wealth. One of

his main objections to taxation rested on the transfer of wealth from productive to unproductive individuals, the latter group specifically including the king and those whose livelihoods came from servicing the monarchy.

In his discussion of land rent as a source of public revenue, Ricardo observes that landlords, "*instead of contributing their full share to [a land tax], are the class peculiarly exempted.*"<sup>196</sup> From the standpoint of efficient tax policy, "*[a] tax on rent would affect rent only [and] fall wholly on landlords*"<sup>197</sup> because they could not pass the tax on to others; however, inasmuch as the existing system of taxation made no attempt to collect the rental value of land as compensation for the privilege of holding title and controlling access, the expenses of government were paid "*by all those whose income is derived from the employment of stock.*"<sup>198</sup> Ricardo goes on to explain that the only reason that laborers do not pay taxes is because they have barely enough left after paying rent to the landlords to survive (an indication that the charges of landlords significantly exceeded what a more competitive market would settle on as the natural level of rent). Armed with these insights, one might think Ricardo would, after examining the inefficiencies—if not the injustice—of taxing production, step forward as an advocate for the collection of rent as the primary source of revenue for the operation of government. He does not. After agreeing with Adam Smith that society could collect ground rents without harming production, he declares that "*it would surely be very unjust to tax exclusively the revenue of any particular class of a community*"<sup>199</sup> and gives support to Smith's fairness doctrine; namely, that the "*burdens of the state should be borne by all in proportion to their means.*"<sup>200</sup> Another reason Ricardo gives for not recommending the collection of rent to the exclusion of other objects of taxation is that many of the landed exchange money (or paper currency) earned in productive activity in order to acquire land. Thus, although land is not produced (i.e., is not created by the expenditure of labor and capital goods), the practice of buying and selling control over

land was already long established and acquisition costs were in many cases considerable. To exclusively tax land rent, even though an unnatural form of property existing only because deed transfers were protected by the State, was judged by Ricardo to be an unjust infringement on the security of property.

### Experiments in Social Engineering

Although Ricardo's influence on political economists of the nineteenth century would prove to be considerable, he was not without his critics. One reason is that Ricardo was a reluctant author, undertaking the writing of his *Principles* only at the persistent urging of James Mill. To Malthus, Ricardo openly expressed his doubt that principles of production containing a measure of predictive power could be constructed. This may account for the difficulty he experienced attempting to formulate a tightly argued theory of value.

The motivations of individual producers, why they expend their labor and capital goods in the production of certain forms of wealth and not others, as well the distinction between expectation and realization of exchange values, are functions affected by time, space, government policies, technological advances, the distribution of purchasing power, scarcity and other externalities. Driving production is, universally, the prospect of consumption. Within subsistence level societies the nature of wealth produced tends to be limited to those things essential for survival. When such needs are routinely satisfied, some individuals will engage in productive activities resulting in greater comforts or other enjoyments. Where the monopolization of locations and natural resource-laden lands under landlordism results in the concentrated distribution of wealth among the few, the demand for ornamental luxuries is met by the labor of a small number of skilled craftsmen whose talents earn them above-average (and sometimes even extraordinary) rewards.

Industrial economies of scale realize the greatest return on investment when aggregate demand is widespread and where the worker's share of production is sufficiently high to raise purchasing power well above subsistence level. Although Adam Smith could not have envisioned the explosion in productive capability that followed only decades after his death, he could not have been more correct when he wrote that “[t]he scanty maintenance of the labouring poor...is the natural symptom that things are at a stand, and their starving condition that they are going backwards.”<sup>201</sup> In the long run, capital goods cannot be extensively and efficiently employed unless there is the kind of aggregate demand for what is produced that comes from high wages widely distributed. Smith makes this judgment but does not go on to suggest that government intervene in any way to maintain high wages. Ricardo, on the other hand, opens the door for programs designed to achieve distributive justice when he declares that “*the labouring classes should have a taste for comforts and enjoyments, and that they should be stimulated by all legal means in their exertions to procure them.*”<sup>202</sup>

Ricardo's primary occupation was not with amelioration but with providing a clearer exposition of the laws of distribution than had thus far been achieved. He was reasonably certain that political economy could be used to “*determine the division of the produce of industry amongst the classes who concur in its formation*”<sup>203</sup> even if a theoretical model of production could not. His predecessors had already established the fundamental relationship between nature and the labor of people. Moving forward in time from the original state of nature, Ricardo was able to add specificity to the natural process by which those who controlled land eventually gained a material advantage over those forced to less productive land or denied access altogether. The doctrine of *laissez-faire*, accepted as conventional wisdom in his own time, placed an obligation upon government not to interfere in the natural distribution of wealth despite the unequal nature of such distribution. Despite Ricardo's reference to the use of “*legal means*” quoted above, he

remained persuaded—as did virtually all of his contemporaries—that natural distribution equated to just distribution. This comes out in his discussion of taxation.

Ricardo examined the effects of taxation when applied to rent, as opposed to wages or the returns to capital goods (which he referred to as *profits* rather than the more appropriate term, *interest*). In 1842, Thomas De Quincey credited Ricardo as having “*deduced the true laws of taxation*,”<sup>204</sup> by which he meant that Ricardo correctly explained the effect of taxation on the three factors of production. Ricardo agrees with Smith that “[a] tax on rent would affect rent only, . . . would fall wholly on landlords, and could not be shifted to any class of consumers.”<sup>205</sup> He even admits that rent is the best source of taxation, but then goes on to argue, as noted earlier, “*it would surely be very unjust to tax exclusively the revenue of any particular class of a community*.”<sup>206</sup> He remained influenced, I believe, by the idea that the success of Britain as a core power required a leisure class from which leaders could be drawn who were able to devote themselves to affairs of state and in service to property. The rise of Britain as a global power had corresponded with the end of civil war and the security of title to land. Stability and security in a very unstable and insecure world were assets worthy of preservation, even if those at the bottom of British society continued to be trampled on in the process.

Ricardo’s sense of distributive justice where property and taxation were concerned would not, however, go completely unchallenged. Individuals concerned more with equality of opportunity and real distributive justice than with *laissez-faire* would use the knowledge gained from Ricardo to attack the status quo. A new struggle between statist and decentralist forces was about to be unleashed in the Old World with far-reaching consequences that have continued to this very day.

Inevitably, the first serious, organized pressure against the doctrine of *laissez-faire* occurred in Britain, where conditions for the men, women and children who labored in the mines and factories became so



terrible that riots continuously broke out during the early decades of the nineteenth century. Trades unions had been effectively outlawed under the Combination Act passed in 1799, and the landlords fought a long and eventually successful battle against the system of poor relief. Ironically, a small number of agrarian landlords continued to hold on to paternalistic attitudes fostered under feudalism, condemning the industrial landlords as having dangerously upset the social fabric that had given Britain its stability—and prosperity. A discomfort with the rapid change from a largely agrarian society to one now dominated by commercial agriculture and industrial landlordism lingered even among those who played important roles in the conversion. In terms of those in a position to act upon their ideas, Robert Owen (1771-1858) played an important role in bringing to light the conditions arising out of the very processes that were bringing him tremendous material wealth. Born in Wales to deeply religious Methodist parents, Owen adopted a personal philosophy he described as “*the spirit of universal charity*”<sup>207</sup> and which merged his humanitarian impulses with a commitment to Utilitarian principles.

While still in his twenties, Owen’s perseverance in the cotton industry earned him a partnership and the establishment of his own model factory in Scotland, at New Lanark. In principle, he believed in and advocated communitarian ownership of land and capital goods (i.e., the source and the means of production); in practice, he made the connection between well-fed and otherwise decently cared for workers and the efficient utilization of the means of production. After arguing with business partners who resisted his reforms, Owen joined forces with several other individuals, including Jeremy Bentham, who were sincerely interested in advancing his experiments in social engineering and management.

Owen’s relationship with Bentham also resulted in a brief period of activism on behalf of social change. Owen petitioned Parliamentary leaders for legislation that would restrict child labor and establish a

government-funded system of primary education. Although this resulted in passage of the Factory Act in 1819, Owen became disillusioned by the endless haranguing and compromise associated with achieving what he viewed as inconsequential results through the political process. Owen's sentiments against established religion also affected his influence in the political arena in a manner reminiscent of what happened to Thomas Paine after publication of *The Age Of Reason*. From this point on, Owen committed his personal fortune not to the propagation of a philosophy but for the establishment of new agricultural communities that de-emphasized the family in favor of communal living. In 1824, he came to the United States and purchased land and buildings in the State of Indiana from an obscure religious group and founded the community of New Harmony. Unfortunately, this new society was populated not by persons skilled in agriculture or other crafts necessary to the creation of a self-sustaining community; New Harmony became populated by too many dreamers. The communitarian element quickly dissipated and within a few years most of the residents moved on and the land and other property was sold to private individuals. Returning to Britain, Owen gradually joined the vanguard of the trades union movement. In this struggle he understood not at all the nature of the conflict; he did not foresee the long and bloody conflict to be experienced by the unpropertied for even modest gains.

As an industrialist himself, Owen was aware of the mindless character of factory work. The solution he advanced was based on his conclusion that "*a whole population engaged in agriculture, with manufactures as an appendage, will, in a given district, support many more, and in a much higher degree of comfort, than the same district could do with its agricultural separate from its manufacturing population.*"<sup>208</sup> Also contained within his decentralist and communitarian proposal, however, is a clear appreciation of the need individuals have for direct access to

land, with limitations imposed so they do not to control more land than they are able to productively use:

Sufficient land...will be allotted to these cultivators, to enable them to raise an abundant supply of food and the necessaries of life for themselves, and as much additional agricultural produce as the public demands may require from such a portion of the population.<sup>209</sup>

In the end, while awakening many to humanitarian concerns and the desperate condition of the working poor, the direct influence Owen had on the course of landlordism proved to be short-lived. Bentham's ideas, on the other hand, were strengthened by converts such as James Mill (1773-1836). From 1808 on they worked tirelessly together to advance their Utilitarian program, with Mill supplying the energy and tenacity that Bentham lacked. His reputation as an intellectual established, Mill was invited in 1819 to write an essay on government for the *Encyclopedia Britannica*. His contribution argued that the establishment of a proper government required an understanding of human behavior and of the role of scarcity in the ongoing struggle between individuals. "Of the laws of nature on which the condition of man depends," wrote Mill, "that which is attended with the greatest number of consequences is the necessity of labor for obtaining the means of subsistence."<sup>210</sup> The responsibility of government, therefore, is to guarantee to each individual "the produce of his [or her] labor"<sup>211</sup> and to prevent anyone from taking (by confiscation or other forms of theft) what others produce. For Mill, the takers were the aristocracy, who sought "unlimited power over the rest of the community, and to use it for their own advantage,"<sup>212</sup> against which only a system based on broad representation, sufficiently empowered under positive law, strikes a balance.

On the surface one might conclude that Mill's view of what motivates behavior is largely conflict based, hence the need for a strong—if democratically established—institution of government. Thomas

Macaulay attacked Mill's essay on these grounds in 1824, declaring that Mill ignored the cooperative instincts so apparent in our behavior. Describing Mill's theory of representative government as having for its foundation "*interest politics*," Bruce Mazlish describes the essence of utilitarian policy-making that continues to dominate governmental actions within the social democracies to the present day:

Interest politics, based on the assumption that there existed a landed-, a middle-, and a working-class interest, dominated the theory of nineteenth-century parliamentary government. It allowed for rationality and calculation. It was unsentimental. In theory, it could offer a "scientific" basis for legislative action. Perhaps paradoxically, it could also offer a basis for compromise; after all, interests could be traded, just as could property.<sup>213</sup>

The dynamic described by Mazlish above summarizes the core weakness of reliance upon the Utilitarian principle as fundamental rather than secondary. The *rights of man* are unalienable. Justice requires that they not be compromised under the law or traded away by the individual. If the statement is true that we come together, forming societies as voluntary associations to enhance our chances of survival and well-being, then law must protect the rights we possess as persons. At the same time, the willingness of an individual to trade away such protection is an indication of incompetency to act on one's own behalf. Neither James Mill nor Jeremy Bentham traced the source of our interdependency to our moral sense of right and wrong. Nor have many others who followed.

A central cause of continued injustice, of oppression and widespread poverty in our own time is that there is in no society a universal understanding or acceptance of the moral principles that form the basis of liberty, of equality of opportunity and of rights. Justice cannot be achieved without such an understanding and acceptance, incorporated into law that appropriately restricts freedom, prevents criminal license

and requires compensation be made for any economic advantages attached to licenses and special privileges. Class distinctions, blurred in some ways and exacerbated in others, have remained an albatross around our collective necks throughout the last two centuries—despite the gradual expansion of the franchise and the construction of the so-called *welfare state*. Interest politics supplanted the principles-based movement toward cooperative individualism initiated by Thomas Paine.

Within a span of only a few decades after the death of Adam Smith, the narrow application of *laissez-faire* policies achieved a significant sharing of power within Britain. Tremendous wealth accrued to the new class of industrial landlords (who then frequently purchased their entrance into the world of the agrarian landlord as well) at the expense of the purely landed, aristocratic families. The composition of Parliament began to change under pressures from the wealthy industrialists and financiers for their rightful place at the center of power. In Scotland, the combination of a rapid increase in population and a conversion of cropland to pasture resulted in the migration of thousands of peasant farmers, principally to Canada. Those left behind lashed out violently in protest of the worsening living conditions. It was in this environment that James Mill and other radical Utilitarians emerged as the dominant agents for reform.<sup>214</sup>

Despite Mill's Utilitarian zeal, reform in Britain was to be incremental, incomplete, often contradictory and directed by individuals more fearful of Napoleonic despotism than the entrenched system of agrarian and industrial landlordism. On the European continent, the course of events saw the rise of far more *radical* factions, especially in Spain and Italy, where established authority had been overturned by the French and Austrians, respectively, during the early years of the 1820s. In Russia, Tsar Nicholas I, who ascended to the throne in 1825 after the death of Alexander I, survived the so-called "*Decembrist*" coup d'état planned by military officers intent on creating a constitutional government. Then,

in 1830, the French deposed the Bourbon king, Charles X, and created a constitutional monarchy headed by Louis Philippe (the Duke of Orleans). Nationalists in Belgium, assisted by the British and French, drove the Dutch out and established their own constitutional monarchy. Nationalist revolts also erupted against Turkish rule in the Balkans, attracting core power involvement and eventually resulting in independence for the Greeks and other ethnic groups. Europeans were once more asserting themselves on the global stage. With a rough balance of power established on the Eurasian continent, the quest for empire-building by the core powers was renewed in earnest with new competitors added, as observed by historian Paul Kennedy:

It manifested itself not only in a variety of economic relationships—ranging from the “informal influence” of coastal traders, shippers, and consuls to the more direct controls of planters, railway builders, and mining companies—but also in the penetrations of explorers, adventurers, and missionaries, in the introduction of western diseases, and in the proselytization of western faiths. It occurred as much in the centers of continents—westward from the Missouri, southward from the Aral Sea—as it did up the mouths of African rivers and around the coasts of Pacific archipelagoes. If it eventually had its impressive monuments in the roads, railway networks, telegraphs, harbors, and civic buildings which (for example) the British created in India, its more horrific side was the bloodshed, rapine, and plunder which attended so many of the colonial wars of the period.<sup>215</sup>

Britain continued to dominate the oceans, both in terms of commerce and military strength, although its land forces fell in numbers by half in the fifteen years following the fall of Napoleon Bonaparte. The competing empire-building nation-states of the Eurasian continent, on the other hand, far less secure in their borders and with traditional socio-political institutions still in place, introduced industrial landlordism at a halting pace. Thus, despite all that occurred after 1789, the late eighteenth century turmoil produced no full-fledged upheaval in

socio-political arrangements. The emergence of the United States of America remained something of an enigma to those who continued to hold power in the Old World, an experiment in representative government most now believed could not be replicated by nations long established and whose lands were fully settled. As the populations of these countries grew, the export to the United States of their surplus people became an important safety valve. And yet, what the historical record discloses is that already the supposedly unique *American system* was showing its own signs of stress. Infant industries needed workers who would labor without complaint under terrible conditions and for low wages, so they did all they could to lure the desperate from the Old World. *Americans* were learning that they, too, could lose what they had and be left propertyless and hungry. For many of those who now came to the United States, they and their children and children's children would find themselves living under conditions strangely familiar to those who escaped agrarian and industrial landlordism and the militaristic states of the Old World.

In Britain, and to a more limited extent in other Eurasian societies, incremental reforms were totally ineffective in penetrating the entrenched privilege associated with *laissez-faire* individualism and militaristic oligarchy. A gradual consensus emerged among reformers, intellectuals and industrialists who recognized that unless important changes were made their societies were destined to implode. The proposals they advanced were partly Utilitarian and partly humanitarian. The balance they searched for was summarized early in the twentieth century by sociologist L.T. Hobhouse:

The first condition of universal freedom...is a measure of universal restraint. Without such restraint some men may be free but others will be unfree....[T]he first condition of free government is government not by arbitrary determination of the ruler, but by fixed rules of laws, to which the ruler himself is subject. We draw the important inference that there is no essential antithesis between liberty and law. Law,

of course, restrains the individual; it is therefore opposed to his liberty at a given moment and in a given direction. But, equally, law restrains others from doing with him as they will. It liberates him from the fear of arbitrary aggression or coercion, and this is the only way, indeed, the only sense, in which liberty *for an entire community* is attainable.<sup>216</sup>

Hobhouse finds in the writings of Locke, Rousseau, Paine and even a number of the Utilitarians an adherence to this first principle. Conversely, Bentham and Mill rejected natural rights as a basis for positive law. In their view, natural rights could not be delineated with sufficient clarity to be useful in the writing and execution of laws. They argued that government is necessary not because individuals are inclined to exercise *license* against the *liberty* of others but because of behavior directed by an imperfect understanding of self-interest.

Guided by his Utilitarian principles, James Mill attacked Britain's extremely limited franchise. He brought together his era's most ardent dissidents, who then formed the Radical party as a true alternative to the conservatism of both Whigs and Tories. The crowning success of the Radicals was the Reform Bill of 1832, legislation that opened Parliament to new representatives from the growing industrial regions. Mill and others in the Radical camp tirelessly promoted Ricardo's treatise in political economy before the government—with surprisingly great effect. One result was that the struggle to which Thomas Paine had dedicated his life was now virtually abandoned. In her book, *Democracy in England* (1957), the English journalist Diana Spearman described how the Benthamites diverted the debate away from moral issues:

Bentham destroyed for several generations the intellectual foundation of the old Constitution. Attachment to it was based on sentiment and habit, on a reverence for the great traditions of the past and on an empirical approach to politics, ranging from the philosophic insight of Burke to the ordinary argument, "after all, it works." All this



Bentham rejected with scorn, with no less scorn did he reject the whole theory of natural rights on which all political speculation had for so long been founded.<sup>217</sup>

The damage was exacerbated by James Mill, who was far more interested in advancing the scientific basis for political economy than Bentham. Mill established the new methodology to be practiced by university-trained economists, discounting history and actual human behavior in constructing his model of how supply and demand and the factors of production interact. Mill's blind spot was his unwillingness to accept that individuals do not consistently act in ways Utilitarian principles dictate.

Despite Mill's failure to recognize the equal importance of both deductive and inductive reasoning, elements of cooperative individualism were inherent in some of the proposals he advanced, resulting in a number of important measures in the direction of a free exchange of goods and services. During the 1820s, customs duties between England and Ireland were removed, restrictions against the formation of trades unions were eliminated, and tariffs on imports were greatly reduced. Although Ricardo was confident these measures would foster production, economies of scale and other efficiencies, he also realized that the depth of reform required to lift the poor was far greater than anything realistically possible under existing socio-political institutions. In a letter written to James Mill in 1821, he expressed these concerns:

The only prospect we have of putting aside the struggle which they say has commenced between the rich and the other classes, is for the rich to yield what is justly due to the other classes, but this is the last measure which they are willing to have recourse to. I cannot help flattering myself that justice will prevail at last, without a recurrence to actual violence; but if it does, it will only be because the event of the struggle will be so obvious to all eyes that expediency, the expediency of the rich, will make it necessary even in their view.<sup>218</sup>

Ricardo correctly sensed that the struggle for justice in Britain would be long and bitter. Along the way, the Utilitarian doctrine was destined to influence the lives of millions of others outside of Britain.

James Mill was provided with a unique opportunity to make his mark by applying his ideas to the empire, beginning with an appointment to the Examiner's Office of the East India Company. In a strange twist of fate, Mill (who had condemned British imperialism and colonial rule in India) recognized as an even greater evil the despotism prevalent in traditional Indian society. Although branded by some Radicals as a traitor for his acceptance of this position, Mill jumped at the opportunity to advance in India many of the same reforms Utilitarians sought in Britain. He also fought for the redistribution of land to those who cultivated the soil. And, relying on Ricardo's model of distribution to show that rent was unearned income, he succeeded in getting government to directly assess and collect all ground rents from each peasant proprietor. In India, at least to some degree, Mill's program of land reform advanced the objectives of cooperative individualism, even if his reasons were Utilitarian rather than moral.

Back in Britain the more aggressive faction among the Radical reformers came under the leadership of William Cobbett (1763-1835), who had fled to the United States in 1817 after the closing of his newspaper by the government. He returned carrying the torch of cooperative individualism left smoldering after the ostracism of Thomas Paine. He recognized that the unpropertied were at the mercy of the landlords, and in 1816 summarized his observations in an open letter to the Luddites, workers who were destroying machinery in several regions of England in protest of low wages and high unemployment. Cobbett identified many of the surface reasons why these workers had so little, but he did not yet see clearly the monopolistic privileges accruing to the landed and the industrial landlords:

Your distress, that is to say, that which you now more immediately feel, arises from want of employment with wages sufficient for your support. The want of such employment has arisen from the want of a sufficient demand for the goods you make. The want of a sufficient demand for the goods you make has arisen from the want of means in the nation at large to purchase your goods. This want of means to purchase your goods has arisen from the weight of the taxes cooperating with the bubble of paper-money. The enormous burden of taxes and the bubble of paper-money have arisen from the war, the sinecures, the standing army, the loans, and the stoppage of cash payments at the Bank; and, it appears very clearly to me, that these never would have existed, if the Members of the House of Commons had been chosen annually by the people at large....<sup>219</sup>

His quest, like that of Bentham and Mill, was also for reform of existing institutions and an end to corruption. He maintained great faith in the principles upon which Britain's constitution and system of law arose and saw no reason why his countrymen had to fall victim to the mistakes of the French revolutionaries. Cobbett reminded other Radicals that Robespierre "*butchered all the real friends of freedom whom he could lay his hands on, except Paine, whom he shut up in a dungeon till he was reduced to a skeleton.*"<sup>220</sup> Yet, for whatever reasons, Cobbett was either not familiar with or not moved by the message conveyed by Paine in *Agrarian Justice*. His program to help farmers, for example, centered largely on the fact that the government was now demanding that taxes and loans be repaid in coinage rather than paper currency.

Among the Radicals, not even Cobbett understood that the corruption of *laissez-faire*—which through its English proponents had become perverted into a doctrine unconcerned with protecting the birthrights of equal access to nature and equality of opportunity, or with the implementation of truly participatory democracy. To the traditional privileges held by the landed aristocracy and the sinecures attached to hereditary positions in governments were added those obtained by industrial landlords. Despite humanitarian concerns

expressed by Cobbett and others, most of the legislative reforms adopted were directed not at justice but at efficiency and removing perceived impediments to production. When the clamor for reform finally reached the House of Lords, Henry Brougham stepped forward to spearhead the fight for legislative reform that would allow Parliamentary representation more consistent with the distribution of population. The Reform Bill in 1832 accomplished this but did nothing to permit the majority of Britain's populace to play a role in choosing those by whom they were governed.

Elsewhere across the Eurasian continent the movement toward *laissez-faire liberalism* found equally strong support among intellectuals as well as industrialists and financiers. Even during the reign of Napoleon Bonaparte, French individualists were attracted to the doctrine of *liberalism* as the means by which France would develop sufficient economic power to challenge Britain outside the continent. "*Liberty of the individual [is] the object of all human association,*"<sup>221</sup> wrote Benjamin Constant. This stalwart of French *liberalism* joined many others who, unfortunately, abandoned the effort to distinguish in the economic realm between legitimate forms of private property and those created by privilege. Although *laissez-faire* had its critics, virtually all were either ignorant of or simply ignored the principles espoused by Paine. The Italian historian Jean de Sismondi (1773-1842), for example, whose family had found refuge in England during the French Revolution, gained attention in 1803 with the publication of his *Treatise on Commercial Wealth*. In this work, Sismondi examined the central arguments and observations made by Adam Smith. He went on to complete a more critical analysis of Smith's work and of the doctrine of *laissez-faire*, writing that "*the new English economists are extremely obscure and difficult to understand because our minds revolt at accepting the abstractions they ask of us....[B]y attempting to segregate a principle and view it in isolation we are getting away from the truth, for in the moral sciences everything is linked together.*"<sup>222</sup> That Sismondi still viewed political

economy as a moral science demonstrated the distance he maintained from James Mill and David Ricardo.

In practical terms, Sismondi raised the important question of who would purchase all the goods coming out of the world's factories if wages were continuously forced to the subsistence level and unemployment increased with every new introduction of machinery where human labor had once been required in sizable numbers. A solution (or solutions) to this dilemma escaped Sismondi. He recognized, however, that the widespread ownership of capital goods—to include the “*industrious workman*”—was essential. Under conditions where the private appropriation of rent continued, the available mitigating strategy was to extend the system of agrarian and industrial landlordism to those fortunate enough to find employment within the cooperative ownership environment. He acknowledged that large numbers of individuals could still be left with few options or opportunities for employment at a decent living wage. While certainly an improvement and a meaningful mitigation of conditions for those reached, cooperative ownership does not secure the fundamental right to property one produces as well as to one's legitimate share of societally-created rent. Cooperative ownership of capital goods changes the attitude of workers toward their role in how an enterprise operates, giving them a meaningful return of *interest* as well as *wages* when the business earns a profit. To the extent the enterprise also has control over the locations and natural resource-land lands necessary for production to occur, cooperative ownership also allows these individuals to retain the *rent* that might otherwise go to other private interests (e.g., absentee landlords or disinterested shareholder/investors). Justice requires, however, that the community and society be compensated for the privilege granted. Paine absorbed into his own thinking the Physiocratic principle that a “ground rent” be paid by all who held land, and Henry George attached to this principle the strength of an essential moral imperative. Only then would justice prevail. This Sismondi did not see.

As important as Sismondi and Bentham and Mill and Cobbett were to the recognition of political economy as a scientific endeavor and to the introduction of incrementalism as the basis for socio-political reform, the generation to follow was destined to produce individuals whose ideas departed radically from mainstream intellectual thought. Already, for example, Mill's own son, John Stuart Mill (1806-1873) was by the early 1820s beginning to find troubling inconsistencies in the Utilitarian doctrines. The elder Mill's *Essay on Government* and other writings were critically responded to by important figures of the day. Thomas Macaulay, for one, observed that Mill's conclusions suggested we humans were incapable of behavioral changes, of learning from our mistakes. In an essay written in 1835, Macaulay writes of James Mill:

That gentleman, in some of his works, appears to consider politics not as an experimental, and therefore a progressive science, but as a science of which all the difficulties may be resolved by short synthetical arguments drawn from truths of the most vulgar notoriety. Were this opinion well founded, the people of one generation would have little or no advantage over those of another generation....

The history of England is emphatically the history of progress. It is the history of a constant movement of the public mind, of a constant change in the institutions of a great society....In the course of seven centuries the wretched and degraded race have become the greatest and most highly civilised people that ever the world saw,...have been the acknowledged leaders of the human race in the career of political improvement.<sup>223</sup>

Macaulay may be excused for his nationalistic zeal, common among those not forced by circumstances (i.e., by existing socio-political arrangements and institutions) to toil their lives away while suffering the deepest poverty. His criticism here is appropriate. In an early draft of his autobiography, John Stuart Mill pointed to his father's failure to respond to Macaulay's criticisms as persuading him "*there was really something more fundamentally erroneous in my father's conception of philosophical Method, as applicable to politics*"<sup>224</sup> than he had up to that

point surmised on his own. The younger Mill was slowly becoming convinced that dramatic changes were needed both in the theory and the practice of government if justice was to be achieved anywhere. His thinking was influenced by a growing understanding of the French Revolution and its causes, and he became disheartened by the continued oppression suffered by the French people even after the introduction of limited representative government in 1830. His independent thinking emerged the following year in a six-part essay published in the weekly newspaper, the *Examiner*, entitled *The Spirit of the Age*. Of his generation, J.S. Mill wrote:

A change has taken place in the human mind; a change which, being effected by insensible gradations, and without noise, had already proceeded far before it was generally perceived. When the fact disclosed itself, thousands awoke as from a dream. They knew not what processes had been going on in the minds of others, or even in their own, until the change began to invade outward objects; and it became clear that those were indeed new men, who insisted upon being governed in a new way.

But mankind are now conscious of their new position. The conviction is already not far from being universal, that the times are pregnant with change; and that the nineteenth century will be known to posterity as the era of one of the greatest revolutions of which history has preserved the remembrance, in the human mind, and in the whole constitution of human society.<sup>225</sup>

The younger Mill concluded, further, that the institutions and doctrines created up to that point were no longer adequate. All about him he heard a clamor for the reform of government to meet the needs of society. He warned against the tendency of his generation to cast aside, without close examination, the wisdom of those who came before. He was committed to progress, but also to moderation, and in the end, justice. “*There must be a moral and social revolution, which shall, indeed, take away no men’s lives or property,*” declared John Stuart Mill, “*but*

which shall leave to no man one fraction of unearned distinction or unearned importance.”<sup>226</sup>

It was to the United States that J.S. Mill turned to find a modern society exemplifying the ideal toward which other societies must move. *Americans* were living in a republic he viewed as democratic in both form and function:

The people, consequently, are satisfied with their institutions, and with their rulers; and feel no disposition to lay the blame of their private ills upon the existing order of society, nor to seek the improvement of their circumstances by any means which are repugnant to that order.<sup>227</sup>

The conclusion he reaches is that the landed aristocracy of the Old World is outdated, no longer able to govern modern societies. The United States clearly showed the way to a bright future; and, despite the fact that Mill's knowledge of the United States was acquired indirectly, he hoped that Britain would follow the lead of its former colonial subjects.

An assessment of just how well the *American* experiment in participatory government and *laissez-faire* individualism was proceeding was on the horizon. Two young French aristocrats, Alexis de Tocqueville (1805-1859) and Gustave de Beaumont, were making their way through much of the North American continent east of the Mississippi River, experiencing the natural environment and meeting with people from all walks of life and stations. Not long after his return to France, Tocqueville consolidated his notes and engaged in considerable additional research as he began work on *Democracy In America*. The first volume appeared in January of 1835. His experiences had been varied and the conclusions he reached about the *American System* conservatively expressed. There was, however, a powerful message conveyed to Old World leaders and reformers:



When one passes from a free country into another which is not so, the contrast is very striking: there, all is activity and bustle; here all seems calm and immobile. In the former, betterment and progress are the questions of the day; in the latter, one might suppose that society, having acquired every blessing, longs for nothing but repose in which to enjoy them. Nevertheless, the country which is in such a rush to attain happiness is generally richer and more prosperous than the one that seems contented with its lot. And considering them one by one, it is hard to understand how this one daily discovers so many new needs, while the other seems conscious of so few...<sup>228</sup>

Should we not, then, consider the gradual development of democratic institutions and mores not as the best but as the only means remaining to us in order to remain free? And, without loving democratic government, would one not, then, be disposed to adopt it as the readiest and most honorable remedy against the present ills of society?<sup>229</sup>

The future, Tocqueville predicted, would someday belong to people living under two very different systems—the *Americans* and the *Russians*. In the United States, freedom and a community of interests were the propelling agents; in Russia, the single-mindedness of concentrated power and the absolute servitude of the people to the Czarist state.

Interest in *America* and in Tocqueville's assessment of participatory government arose naturally among British intellectuals. *Democracy In America* was quickly translated into English by Henry Reeve, a Tory, and an extensive review of the original French edition by John Stuart Mill appeared in the *London Review* in October. Impressed by Tocqueville's detailed description of *American* socio-political arrangements and institutions, and by the French author's willingness to make value judgments, Mill nonetheless disagreed with Tocqueville when he concluded: "If ever freedom is lost in America, that will be due to the omnipotence of the majority driving the minorities to desperation and forcing them to appeal to physical force."<sup>230</sup> True self-government, Mill believed, was the only means of overcoming the apathy exhibited by the general populace in the face of an expanding system of *agrarian, industrial and urban*

*landlordism*. The British example provided clear evidence. Despite the Reform Bill of 1832, the overwhelming majority of people in Britain enjoyed few civil rights. A new Parliament—pushed and pulled by Radicals and learned public opinion—moved to adopt legislation regulating child labor and setting minimum standards for working conditions in factories. Slavery, certainly the most obvious of all forms of oppression, was abolished within the British empire in 1833. These were among the reforms Mill advanced in his frequent commentaries appearing in the *Review*;<sup>231</sup> and, taken as a body, his writings embodied the Radical platform. There was still much more to be accomplished if Britain were to approach the standard set by the United States, and even more to approach the standard set by moral principle.

In the elections of 1835, the Radicals gained considerable ground at the expense of conservative Whigs and Tories. The political landscape of Britain was changing. Robert Peel successfully campaigned to change the name of the Tory party to reflect its broader Conservative interests. With support and direction from Nassau Senior, the Conservatives were successful in passage of a New Poor Law in 1834, effectively dismantling all relief for the poor in favor of total *laissez-faire* reliance on market forces to resolve the problem of unemployment. Market forces included the out-migration of over seven and a half million people from the British Isles during the first half of the nineteenth century. In opposition, William Cobbett and others awakened within countless individuals of all ranks a humanitarian spirit G.M. Trevelyan described as an “*unphilosophic Radicalism*,”<sup>232</sup> characterized by an incremental attack on the outward signs of institutional injustice perpetrated against the poor. With the industrial might of Britain expanding around the globe, the interests of these humanitarians sometimes paralleled and sometimes clashed with the rising group of industrial landlords. This fact comes ironically to the surface, for example, in the early political tract—*England, Ireland, and America*—prepared by the free trader Richard Cobden (1804-1865), in which he calls for an end to all monopolies and

all forms of protectionism, including the trades unions. Cobden's leap of faith is attached to the operation of competitive markets and in his personal experience (including a visit to the United States in 1835) that suggested an expanding productive capacity would work against Ricardo's iron law of wages. By means of growth, Cobden was convinced, the demand for workers would exceed the supply, so that the industrial landlords would be forced to provide the unpropertied worker with a wage adequate for a decent standard of well-being. His fight on behalf of free trade<sup>233</sup> was directed against the Corn Laws that had for so long artificially kept the price of British corn above that on the global market. After gaining election to the House of Commons in 1841, Cobden also worked diligently for a national system of elementary education (modeled on the system he observed in Massachusetts) and for a policy of non-intervention in foreign conflicts.

Tocqueville was by this time anxious to observe first hand what was taking place in Britain. Accompanied once again by Beaumont, he traveled to England, Ireland and Scotland during 1835. "*The notes taken by Tocqueville during his visit to England in 1835...bring out two facts that surprised or struck him,*" writes Andre Jardin. "*[I]n politics, the progress of centralization; in the area of social structures, the formation of an aristocracy of money that gave English life its own special character.*"<sup>234</sup> A considerable portion of that money came, as well, from land speculation and other investments in the United States. The British factory system came to New England with the arrival of Samuel Slater (1768-1835) in 1789. Slater had studied and memorized in detail the blueprints for all the machinery necessary to build a cotton mill before leaving his home in England for Pawtucket, Rhode Island. Another Englishman, Jeremiah Thompson (1784-1835) came to the United States in 1801 with his uncle to establish a distribution network for the family's wool products. By the 1820s, Thompson and his partners controlled a vast shipping fleet that dominated trade between United States and British ports. A collapse in the price of cotton (his primary cargo

for the return trips to Britain) brought financial disaster to Thompson, but he was able to recover enough to begin a new and very profitable business of transporting emigrants from the British Isles to the United States.

Perhaps the most important British presence in the United States was the indirect investments made by merchant bankers and financiers. The merchant banking firm of Brown Brothers was started by an emigrant from England, Alexander Brown (1764-1834). Other firms, such as M.M. Rothschild & Son, provided development financing to both private and government entities. A clear indication of the growing investment by foreigners in the United States was the improving fiscal circumstances of the U.S. government. Although tariffs and excise taxes on external trade represented the primary means for raising revenue, the flow of coinage into the U.S. Treasury was sufficient to retire much of the Federal debt to foreign creditors.

By the mid-1830s, the efforts of Samuel Slater, Francis Lowell and other New England mill owners put *American* and British producers in direct competition. The *Americans* had yet to fully conquer the indigenous tribes of North America, and more than half the continent remained an untamed frontier. The British had their own frontier lands in the form of Canada, Australia, and New Zealand; and, although the government under Robert Peel was more concerned with stabilizing the political situation in the British Isles, *laissez-faire* policies proved to be a valuable ally to British landlords with investments in the Mediterranean, India and Asia. Already, signs were appearing that what many of the newly wealthy wanted most were the trappings of the aristocracy, of fortunes derived from privatizing the rental value of land rather than the production of goods. Jardin repeats, for example, a conversation between Tocqueville and political economist Nassau Senior, describing how *laissez-faire* served as a transition between a landed aristocracy and industrial landlordism:

In a discussion that took place in Nassau Senior's garden in London,...Senior defended large landholdings, asserting that a landless worker on a well-run estate was better off than the small rural landowner. For his part, Tocqueville believed in the human value of owning one's own land. But he noted that in England the ordinary man did not seek to invest what he had in land. The amount of land a man owned was not the indication of his rank in the social hierarchy; extensive landholdings were an ostentatious display of large fortunes that had already been amassed.<sup>235</sup>

There was, Tocqueville observed, a tendency on the part of manufacturers and financiers to use their wealth for the acquisition of large estates on which virtually nothing was produced. What this suggests is that the personal fortunes acquired were such that the industrial landlords did not even need to appropriate potential rental income from much of the land they held. Land became a collectible, a trophy to be displayed as a material representation of one's personal wealth. Throughout Britain, this contributed to the gradual depopulation of the countryside. In the United States, by contrast, personal fortunes derived from agricultural production were still predominant, even though the number of industrial landlords quickly escalated during the first half of the nineteenth century. Another important difference was that *Americans* were, in general, less attached to communities or to the land as something more than a source of economic well-being. As observed by Tocqueville, "*as soon as landowners are deprived of their strong sentimental attachment to the land, based on memories and pride, it is certain that sooner or later they will sell it, for they have a powerful pecuniary interest in so doing, since other forms of investment earn a higher rate of interest and liquid assets are more easily used to satisfy the passions of the moment.*"<sup>236</sup>

Here, Tocqueville mistakenly limited his observation to agricultural land use. He would have reached a much different conclusion by collecting data on what was happening to land values in London and other growing cities. However, the general truth uncovered by Tocqueville is

that in societies where land of equal quality or locational advantage is widely available, there is as yet great risk in the acquisition of land as a speculative investment. The rent that can be gained by leasing land to others is low, while the need for capital goods is great and the return on investments in capital goods is generally high because of this scarcity. Although Tocqueville sees in the not very distant future a day when the territory of the United States will spread across the continent and its population will equal that of Europe, he remains convinced that the democratic institutions and decentralized system of government are sufficient to overcome whatever other pressures might be leveled against *Americans*:

The dismemberment of the Union, bringing war into the continent, or the abolition of the republic, bringing tyranny, might slow expansion down, but cannot prevent the people ultimately fulfilling their inevitable destiny. No power on earth can shut out the immigrants from that fertile wilderness which on every side offers rewards to industry and a refuge from every affliction....

One cannot foresee a time when permanent inequality of conditions could be established in the New World.<sup>237</sup>

### Inequality In America

Tocqueville's observations about the living conditions of *Americans* were extensive but incomplete. Serious poverty existed in the United States, which was a concern to those leaders who recognized that the promise of the republic had not been fulfilled. Many *Americans* (Southerners included) realized they would eventually have to come to grips with the gross injustices imposed on enslaved Africans and the generations of these people of color born in the United States. Of the daily existence of these unacknowledged Americans, Tocqueville would write: "*With my own eyes I have...witnessed afflictions beyond my powers*

to portray.”<sup>238</sup> Between African-Americans and European-Americans he foresaw, at best, a future characterized by disassociation; at worst, a violent struggle centered in the south designed to purge the African (and anyone with African blood) from the continent. As for the indigenous peoples of North America, Tocqueville notes sadly that “[t]he states’ tyranny forces the savages to flee, and the Union’s promises make flight easy. Both are means to the same end.”<sup>239</sup>

During the time Tocqueville was exploring North America and learning about the nation’s peoples and institutions, a small number of *American* intellectuals, statesmen and activists were already working to restore the promise of the republic they felt was slipping away. On one side were those who saw the problem as one of corruption, the solution to which was the implementation of greater restraints on those who held office. Others thought they recognized cracks in the system that could only be fixed by assigning even more power to government. And finally, there were those more concerned that power be delegated to the proper level of government.

Although in the United States of the early nineteenth century few individuals contributed to the dialogue without also intimate involvement in the political arena, a select group formed their views and expounded on key issues of the day from the point of view of the scientific investigator. To the extent they are recognized today for their contributions to political economy, the reasons have as much to do with their interest in responding to Old World theorists as in the wisdom of what they had to say. For example, David Ricardo’s presentation on the origins of *rent* and the process by which this portion of production becomes the primary source of income to a non-producing class was first seriously challenged in the United States by Jacob Cardozo (1786-1873), a southerner who possessed a keen and penetrating mind. Cardozo’s writing demonstrated a thorough familiarity with classical political economy. However, what distinguishes him from others is his concentration not merely on theoretical debate but on how the real

world influenced the outcomes predicted by theoretical models. Of the land market, so integral to Ricardo's system, Cardozo makes the practical observation that "[i]t is agreeable to every principle of supply and demand to conclude that as land is locked up in the hands of large proprietors, rents and raw produce should proportionally advance."<sup>240</sup> Simply stated are the consequences of speculation and land hoarding, issues far more important to a society such as the United States, built on equalitarian principles, than to Ricardo's Britain.

What history and contemporary experience revealed to Cardozo was the tendency on the part of rent to advance as a percentage of total production, rising higher where land is held out of production by landowners whose interests are advanced by speculation rather than production. In a footnote, he adds that although land monopoly is associated with the natural order of things, "*the monopoly connected with rent arises out of certain social arrangements*" by which "*what is gained by one class of the community, which these arrangements favour, is lost to another class—in the instance of rent, what is gained by landlords is lost to the rest of the society.*"<sup>241</sup> Where laws prevent the holding of large tracts of land out of use—and competitive forces are heightened—the rise of rent will tend to be slowed; conversely, a society characterized by large, landed estates left uncultivated will tend to yield monopoly rents to those landlords who do lease their land to producers.

Characteristic of many *Americans*, Cardozo is more than willing to do what most Old World political economists up to this time avoided; namely, not only examine the influence of socio-political arrangements and institutions on the production and distribution of wealth, but apply his moral sense of right and wrong to the distributional outcomes. In the case of the landlord's claim on production, Cardozo concludes:

The price and rent of land...are prevented from falling as low as they would fall if the competition of proprietors to sell or landlords to hire was as great as the competition of capitalists to purchase and of farmers to lease....If, in addition to this cause



of the higher price of food, is added restrictions on the trade in [food], the effect is the same in kind, and only different in degree. It is an aggravation of the evil from an extension of the monopoly. These restrictions may be temporary, but the faulty or unequal division of land, and the institutions to which it gives rise, to preserve the influence of a landed aristocracy, may endure for centuries. As long as a state of things exists, the price of landed products is prevented from falling to that level which unlimited competition would effect.<sup>242</sup>

His indignation falls short of calling for government to fully intervene to secure distributional justice. Instead of focusing on the question of whether *any* private appropriation of rent is just, his attention is directed against laws sanctioning the monopolization of land so that rent is artificially raised above what the competitive market would yield.

Another *American* writer, a Massachusetts attorney named Willard Phillips (1784-1873), entered the dialogue with the publication in 1828 of *A Manual of Political Economy*. In this book, Phillips attempted to disarm the Malthusian explanation of population growth by taking a closer look at the United States. He also reluctantly offers a critical analysis of Ricardo's theory of rent, prefaced with the comment: "*It will be unnecessary to occupy ourselves long with the somewhat metaphysical and now almost exploded theory, which has had a temporary popularity in Great Britain...*"<sup>243</sup> To be fair, Phillips was not alone in failing to recognize the fundamental contribution to political economy made by Ricardo by developing what is admittedly a simplistic theory of rent. What Ricardo did was to explain the process by which wealth produced by labor and capital comes to be claimed by the non-producer who controls access to nature. Whether Ricardo is right or wrong about what type of land is settled first or last and how quickly rent arises might be important to the forecasting work of the economist—as adviser to government or to private interests; the question raised for the moral philosopher is whether this distribution of wealth is just or not. Ricardo

made no judgment except to suggest that rent, wages and profits (i.e., interest) were all appropriate sources of revenue for government by means of taxation. Cardozo struck a moral blow at monopoly rents. Phillips was reasonably satisfied by statistics that seemed to demonstrate that rent represented a stable and not unreasonable portion of total production. Among *Americans* no one of national reputation was championing the moral arguments put forward by Paine where agrarian justice was concerned. At least, not yet. What more and more concerned leaders had to admit was that the socio-political arrangements and institutions of the United States and its several layers of government were not preventing the appearance of Old World concentrations in wealth and power.

Tocqueville distinguished the socio-economic conditions in the United States from those in the Old World with the observation that "*wealth circulates...with incredible rapidity, and experience shows that two successive generations seldom enjoy its favors.*"<sup>244</sup> What he meant, in effect, was that those who inherited wealth but failed to continue to produce were very likely to lose their initial inheritance. While the investigative work of Jackson Turner Main and other historians suggests Tocqueville reached certain conclusions because he wanted to portray *Americans* as having created a uniquely equalitarian society, two facts remain: among the citizenry there existed a far more equal distribution of wealth than could be found anywhere in the Old World; and, secondly, the opportunities to acquire wealth were expanding with settlement of the frontier. Against this picture of prosperity and growth, however, were the undeniable facts that the United States was neither immune to periodic recessions and significant unemployment, nor that a large number of *Americans* seemed to be trapped in a permanent state of poverty.

Among the vanguard of activists who believed both government and the wealthy had a responsibility to advance the equalitarian objectives of *American* republicanism was the prominent publisher, Mathew

Carey (1760-1839). Carey had been a revolutionary pamphleteer in Ireland and had come to the United States in 1784 to escape prosecution by the British government. He eventually became a stalwart supporter of the Hamiltonian system and produced a voluminous literature in defense of protectionist policies. At the same time, he recognized that something other than *natural law* was at work when a significant number of citizens were propertyless and unable to secure a livelihood. In his *Address to the Wealthy of the Land* (1831), Carey declared the poor to be victims of circumstances beyond their control and deserving of help from those able to do so. He condemned “*the mischievous zeal and industry of the school of political economists*”<sup>245</sup> who had accepted Malthusian explanations for terrible and widespread misery. What Carey seemed to understand was that already a large percentage of the *American* populace—particularly those arriving from the Old World without property, education or skills—were ill-equipped to succeed as farmers and could not hope to accumulate any savings to acquire land by working for *American* industrial landlords and paying a high percentage of meager wages to live in the tenement slums owned by urban landlords.

As a staunch protectionist, Carey advocated tight restrictions on the in-flow of goods produced outside the United States. What he and most others sharing his vision did not advance as policy was a tight restriction on immigration of people from other countries, despite the fact that immigrants became competitors to the already-existing workers for subsistence wage employment. Interestingly, Carey did propose relocation of the unemployed to areas of the country experiencing a labor shortage.

Another *American* to challenge Malthus was Alexander H. Everett (1790-1847), educated in law at Harvard University and dispatched in the 1820s to The Hague as the Charge d’Affaires for the United States. Everett’s response to Malthus, *New Ideas on Population*, was published in 1823 and (guided by the *American* experience) argued that increases

in population facilitated specialization and generated abundance rather than scarcity. Like Carey, Everett also advanced protectionist measures as necessary to the long-term independence of the United States from the arbitrary control over prices and the supply of necessary manufactured goods by foreign producers. He was also an important ally of Nicholas Biddle in his effort to have the second Bank of the United States rechartered in 1832.

Debate and agitation were to rage for most of the nineteenth century over what, if any, intervention by society was warranted to alter what some (defenders of the status quo) viewed as the natural distribution of wealth or, as condemned by Cardozo, privilege-driven distribution. A growing number of concerned *Americans* failed to see vitality in the *laissez-faire* and free trade policies coming to the fore in Britain; they were repelled by the conditions of factory life and the concentration of wealth associated with industrial landlordism. Moreover, *Americans* had since Jefferson accepted as necessary to national security a very one-sided notion of free trade. The imposition of tariffs on foreign goods, allowing domestic production to become established even though the prices paid by consumers were certainly higher, aroused only minor opposition until the European nations returned to peacetime production after the final defeat of Napoleon Bonaparte. As agricultural production recovered in Europe, commodity prices fell and *American* producers soon experienced the problem of their costs of production being higher than what the market was paying. The real cost of the tariffs and of rampant land speculation (fueled, to a considerable extent by protectionism) were now being felt. A deep schism was developing between the agricultural producers of the interior and the financiers and manufacturers of the northeastern seaboard.

The advocates of protection were not only well-organized, they were dominant in the nation's intellectual and political circles. From the Presidency of George Washington on, they had been successful in directing national policy in a manner friendly to manufacturing and

finance. Numerous writers in the Old World as well as the New applied their analytical and persuasive abilities to the defense of protection. The German nationalist Frederick List (1789-1846), for example, invited as a keynote speaker to the nationalist's 1827 convention, declared "*the system of Smith and Co. to be erroneous,*" and called for a virtual "*war against it on the part of the American System—by inviting literary men to uncover its errors, and to write popular lectures on the American System—and, lastly, by requesting the Governments of the different states, as well as the general Government, to support the study of the American System in the different colleges, universities, and literary institutions under their auspices.*"<sup>246</sup> The so-called *American System* acclaimed by List involved not only the protection of domestic manufactures by tariffs and limits on imports, but the use of Federal power and revenue to develop the physical infrastructure of the nation, the financing of which was to be directed by a national banking system empowered to control the quantity and price of credit. Yet, ironically, even List recognized the advantages associated with a commerce between the States unencumbered by restrictions. Should someday a global confederation evolve "*united by a union like the twenty-four States of North America,*"<sup>247</sup> List was willing to reconsider the virtues of free trade. The likelihood of such a confederation arising among the nation-states of the Old World was, however, almost nonexistent. Even Tocqueville warned his European readers that the Old World was far from ready for such a rapprochement:

Those who, having read this book, should imagine that in writing it I am urging all nations with a democratic social state to imitate the laws and mores of the Anglo-Americans would be making a great mistake; they must have paid more attention to the form than to the substance of my thought. My aim has been to show, by the American example, that laws and more especially mores can allow a democratic people to remain free. But I am very far from thinking that we should follow the example of American democracy and imitate the means that it has used to attain this end, for I am well aware of the influence of the nature of a country and of antecedent events

on political constitutions, and I should regard it as a great misfortune for mankind if liberty were bound always and in all places to have the same features.<sup>248</sup>

Tocqueville urged the Old World leaders to implement reforms that would mitigate inequalities and eventually bring substantive majority rule. In the absence of these changes he foresaw dictatorship as the only means by which order could be maintained. The characteristic that most distinguished *Americans* from people living in the Old World was the fundamental belief that individual freedom stood above the powers granted to the State. Out in the hinterland, where the experience of freedom was most pronounced, most *Americans* wanted little more than to be left to themselves, to function in self-sufficiency and without interference by government. The tariffs, taxes in general and the Bank were all encroachments upon the decentralist existence most *Americans* attached to their daily lives. Over and over Tocqueville heard from *Americans* of their great fear of centralization.<sup>249</sup> Those few *Americans* who could foresee the coming era of landlordism grew increasingly worried that their children would live in a society no longer blessed by an abundance of free land or high wages, a society increasingly characterized by sectional interests and values diluted by large-scale immigration from the Old World. Rather than passively await the inevitable, they joined in opposition to defend their vision of the republic. Their task was formidable.

The demographic face of the *American* nation was by the 1820s undergoing dramatic changes. Small farmers, plantation owners, artisans, craftsmen, teachers, people from all walks of life, were caught up in the westward movement. Land fever created a moving line of activity all along the frontier, with settler and land speculator competing for land and quick profits. One planter in North Carolina, anxious about "*The Alabama Fever*," worried in 1817 that, "*if it continues to spread as it has done, it will almost depopulate the country.*"<sup>250</sup> In the original southern States, the plantation system and worn out soils attracted few immigrants

from the Old World to replace those who moved west. Thus, despite the proliferation of antislavery/colonization societies formed in the South prior to 1830, the unpleasant truth was that an end to slavery meant the end to the traditional source of southern wealth and power. In defending the South's reliance on slave labor, the Virginian agricultural scientist Edmund Ruffin (1794-1865) showed that he, indeed, understood very well the side of human nature that stimulates exploitation:

[T]he disposition to indulge indolence (even at great sacrifices of benefit which might be secured by industrious labor) is not peculiar to the lowest and most degraded classes of civilized communities. It is notorious that, whenever the demand for labor is much greater than the supply, or the wages of labor are much higher than the expenses of living, very many, even of the ordinary laboring class, are remarkable for indolence, and work no more than compelled by necessity. The greater the demand, and the higher the rewards, for labor, the less will be performed, as a general rule, by each individual laborer.<sup>251</sup>

For Ruffin and other defenders of the plantation system, there were only two possibilities: the continued reliance on slaves, or the introduction of some other unpropertied group in sufficient numbers to provide a willing supply of laborers. The latter conditions existed in the Old World, "*where the support of a slave [was] more costly than the hire of a free man.*"<sup>252</sup> Such were the advantages accruing to those who controlled access to nature, as the source of wealth, or who were able to accumulate great fortunes as landlords. The moral question, then, is whether there is any significant difference between societies in which slavery is fully sanctioned by law or is the effect of a concentrated control over nature. In answer to this question, historians Samuel Morison and Henry Commager remind us that even the most oppressed "*workers and peasants in Europe...could emigrate to America as free men, their sons could become congressmen and bishops, and their grandsons, governors and even Presidents; whilst the children of Negroes in America were*

*born into bondage...and their descendants are struggling for basic civil rights...*"<sup>253</sup>

Immigration to the United States and *their* territories increased following the political unrest of the 1830s in the Old World. Thousands of English, Scot, Irish and German emigrants entered by way of Boston, New York, Philadelphia or Baltimore. Few moved south. The Irish remained, for the most part, in the coastal cities, while the Germans moved on into the agricultural interior. The lifestyle of choice, and of necessity, in the newly-settled interior was agricultural. Farmers cleared and cultivated the land, towns sprung up to serve them, and integrated regional economies arose. All across the southern territories the plantation system, cotton growing and slavery were replicated along valleys, flood plains and tidal waters; yet there was little net gain in the number of *American* settlers or in the development of a physical infrastructure similar to that arising in the north.

The interior really opened up to eastern business with the construction of the Erie Canal, completed in 1825 and stretching over 360 miles from Albany to Buffalo. The impact was immediate and enormous:

The Erie Canal cost New York State \$7,000,000 but seldom had an American commonwealth made a sounder investment. Within nine years toll collections amounted to \$8,500,000—enough to pay for all construction and interest charges—but more important was the stimulus given the state's economic development....[T]he Erie attracted a volume of western trade which invigorated commercial activity along its entire length. Farms bordering the route doubled and quadrupled in value, underdeveloped areas on either side blossomed as feeder canals were built during the next years, and New York City spurted into a period of unparalleled growth that established its supremacy over its traditional commercial competitors—Boston, Philadelphia, and Baltimore.<sup>254</sup>

To conservatives, construction of the Erie Canal provided a remarkable example of how the powers of government ought to be used to



promote progress. The more who became wealthy in the process, the better. To those who espoused equalitarian principles and supported the candidacy of Andrew Jackson, wealth and power were combining in ways they feared as extremely dangerous. And, it seemed to the radical in this group that fewer new fortunes were being created than old ones expanding. In any event, the use of Federal revenue for purposes supposedly preserved by the Constitution as prerogatives of the States or to private individuals could mean nothing less than a usurpation of powers not specifically granted.

The nature of commerce was changing on its own, facilitated by the introduction of the steamboat, the building of *turnpike* roads and the excavation of canal systems. Companies could certainly be formed, finances raised, land acquired (or rights of way obtained) and privately-run systems operated for profit. A widely-held perspective was that if the elected representatives of a state desired to allocate funds for the development of infrastructure, the citizens in that state—and that state alone—ought to absorb the burden of taxation and reap the reward of an expanded commerce. A national economy, of sorts, was forming, but one with such differing sectional interests and priorities as to proscribe Federal policies that could in any real sense be viewed as national. The nature of the problem, as shown in this description by historian Frederick Jackson Turner, had extended to the western territories:

By 1830 industrial differentiation between the northern and southern portions of the Mississippi Valley was clearly marked. The northwest was changing to a land of farmers and town-builders, anxious for a market for their grain and cattle; while the southwest was becoming increasingly a cotton-raising section, swayed by the same impulses in respect to staple exports as those which governed the southern seaboard. Economically, the northern portion of the valley tended to connect itself with the middle states, while the southern portion came into increasingly intimate connection with the south.<sup>255</sup>

Diversity and a nation of producers neither encumbered by nor dependent upon extensive debt were the inherent strengths of the *American System*. When land began to be purchased with borrowed funds (the loans to be repaid from the proceeds of future production), the tenuous nature of the system quickly came to light. Although *American* farmers were becoming increasingly dependent on manufactured tools and equipment produced either in the eastern states or in Britain (the costs kept higher because of tariffs than the market dictated<sup>256</sup>), the price they received for their agricultural production was subject to great demand swings. During the decade of the 1820s, the *balance of trade* settled in favor of British interests, which caused an outward flow of specie from the United States. This brought the speculation-driven economy of the interior to a halt. With specie in scarce supply, the western states chartered hundreds of new banks with virtually no controls placed on their issuance of bank notes. The new paper currencies circulated until confidence in the banks evaporated and the notes were discounted to worthlessness. This was a zero sum game with a few winners and many losers. Under the best of circumstances the losses in purchasing power passed slowly from party to party. However, within a short period, few manufacturers in the eastern States or in Britain would accept notes from any but those banks whose notes were guaranteed by the second Bank of the United States. Based on the way the frontier was being settled, with the Federal government largely responsible for selling off the public domain (more often than not to unscrupulous land companies), there is a twisted sort of logic in how the various players came to feel abused. As Turner explains, people were taking sides for or against specific policies of the Federal government, less often on the basis of principle than personal circumstance:

These are the economic conditions that assist in understanding the political attitude of western leaders like Henry Clay and Andrew Jackson. The cry of the east for protection to infant industries was swelled by the little cries of the west, and the

demand for a home market found its strongest support beyond the Alleghanies. Internal improvements and lower rates of transportation were essential to the prosperity of the westerners. Largely a debtor class, in need of capital, credit, and an expansion of the currency, they resented attempts to restrain the reckless state banking which their optimism fostered.<sup>257</sup>

Tocqueville had also observed during his travels the sectional tensions created by differing interests. Remarkably, a small group of intellectual and political leaders had held firm to the original Jeffersonian doctrine that included minimal and decentralized government, equality of opportunity and a hatred of privilege. Away from the pressures of office to act out of expediency, Jefferson, himself, remained influential by engaging in correspondence with those still in the government. To Joseph Cabell in 1816, he reminded his successors against what benchmark the preservation of liberty needed to be measured:

Where every man is a sharer in the direction of his ward-republic, or of some of the higher ones, and feels that he is a participator in the government of affairs, not merely at an election one day in the year, but every day; when there shall not be a man in the State who will not be a member of some one of its councils, great or small, he will let the heart be torn out of his body sooner than his power be wrested from him by a Caesar or a Bonaparte.<sup>258</sup>

Less than five years later, he confided to John Holmes his great fear that even if the republic survived all the other pressures to which it was exposed, the death of the Union would yet ensue over enslavement of the African. *"I regret that I am now to die in the belief,"* wrote Jefferson, *"that the useless sacrifice of themselves by the generation of 1776, to acquire self-government and happiness to their country, is to be thrown away by the unwise and unworthy passions of their sons."*<sup>259</sup> As the 1820s came to an end, however, slavery was not as yet considered by Jefferson's successors as the most unwise or unworthy passion of the time. The

agrarian populace was simultaneously expanding and losing control over the nation's socio-political institutions, replaced by financiers, industrial landlords and lawyers who came to manipulate government. In the eyes of the radicals, anxious over the pending demise of the republic, no institution and no practice was more corrupting than empowering one bank to dictate the flow of paper currency and extension of credit for an entire nation.

The interests of centralization and of the wealthy had been advanced, the radicals charged, when in 1816 a Federal charter was issued to the second Bank of the United States. This new institution became the sole repository for Federal revenue and, over the course of the next decade, a hated reminder in the south and west of the growing concentration of economic and political power in Boston, New York and Philadelphia. Nicholas Biddle, who became president of the Bank in 1823, enforced policies that created severe hardships on the western and southern producers, as well as the land companies. He closely audited the quantity of bank notes issued by correspondent banks and accepted them only at significant discount, while simultaneously greatly expanding the Bank's own lending activity. Biddle's critics denounced him as a monopolist, and worse; and, in 1831 Thomas Hart Benton, the senior Senator from Missouri, introduced a resolution opposing the rechartering of the Bank. Benton declared that the Bank played a corrupting role in the conduct of national affairs. Andrew Jackson not only agreed with Benton but thought the establishment of the Bank by Congressional charter had been beyond the powers granted under the Constitution. When Biddle, at the urging of stalwart supporters Daniel Webster and Henry Clay, successfully petitioned the Congress in 1832 for renewal of its charter, Jackson vetoed the bill. His reasons, as he stated them, were deeply-rooted in principle:

Distinctions in society will always exist under every just government. Equality of talents, of education, or of wealth, cannot be produced by human institutions. In the

full enjoyment of the gifts of Heaven and the fruits of superior industry, economy, and virtue, every man is equally entitled to protection by law; but when the laws undertake to add to these natural and just advantages artificial distinctions to grant titles, gratuities, and exclusive privileges, to make the rich richer, and the potent more powerful, the humble members of the society—the farmers, mechanics, and laborers—who have neither the time nor the means of securing like favors to themselves, have a right to complain of the injustice of their Government.<sup>260</sup>

Clay and Webster seriously underestimated the extent to which even business leaders opposed the concentrated powers enjoyed by the Bank. Jackson's election to the Presidency in 1828 should have been a clear signal that an overwhelming majority of *Americans* were instinctively opposed to the Hamiltonian system, not so much on the merits of individual policies but because of their ingrained fear that powerful government threatened individual liberty. Now, with Jackson's veto made public, one of the radicals, Amos Kendall, warned the *American* populace against an emerging "ruling class" constructed with "[i]ts head...the Bank of the United States; its right arm, a protecting Tariff and Manufacturing Monopolies; its left, growing State debts and States incorporations."<sup>261</sup> He might have added to this list the rapid and irresponsible disposal of the public domain, a process that sacrificed future generations to the labor markets of agrarian and industrial landlordism and much of their gross earnings to urban landlordism. The decision to sell off public lands (some portion of which remained controlled and occupied by indigenous tribes) was initially opposed by leaders in the eastern States who feared the continued loss of population to the west. Jackson, Benton and other western leaders recognized, however, that continued access to cheap land was necessary for the expansion of the republic; they did not think ahead far enough to worry what would happen once the frontier had disappeared and the pattern of settlement dominating in the east characterized the entire country.

The great unknown early in 1833 was what the reaction of Nicholas Biddle would be to Jackson's veto. Re-elected and with strong public opinion in his favor, Jackson decided to gradually pull Federal deposits from the Bank in order to retire the national debt. Biddle was unable to comply because the Federal government's deposits of specie had been converted by the Bank into receivables. Calling in all these loans would, with absolute certainty, push the economy into convulsions. Debate raged within Jackson's cabinet until October, when a program of gradual withdrawal was initiated. Eighteen different state banks, subjected to strict regulation, were selected as new repositories. Biddle was still forced to begin calling in loans. Additionally, he imposed even higher discounts before accepting notes issued by the western banks—a deliberate attempt to generate fear and evoke political pressure on Jackson. Predictably, the speculative boom quickly dissipated once easy access to financing was removed, and the political leaders lined up to do battle over who and what was responsible. Jackson's Secretary of the Treasury, Roger B. Taney, stated the administration's position in a report to the House of Representatives:

It is a fixed principle of our political institutions to guard against the unnecessary accumulation of power over persons and property in any hands. And no hands are less worthy to be trusted with it than those of a moneyed corporation.<sup>262</sup>

John C. Calhoun, Vice President during Jackson's first term as President, but now firmly in the Hamiltonian camp, suggested that the real issue was not whether the Federal government ought or ought not to re-charter the Bank, but whether the decision to do so was within the Constitutional power of the Congress, the President, or neither. Although the ruling by John Marshall in *McCulloch v. Maryland* (1819) applied the stamp of Constitutionality to creation of the Bank (as being within the implied powers of the Congress), the radicals responded that the abuses inherent in the Bank's charter had already been demonstrated.

Both sides declared that the republic was being jeopardized by the accumulation of autocratic power in the hands of one individual. Biddle and Jackson were characterized as despots by their opponents. In Boston, Edward Everett called for an all-out campaign to return power to a conservative (i.e., a strict constructionist) government. The Senate adopted resolutions condemning Taney's removal of funds from the Bank as unwarranted and unconstitutional. In the House, Jackson's program was pressed forward by James K. Polk of Tennessee. As the economy continued to quake under the stress, Jackson put the responsibility squarely on the Bank. Moreover, he declared that he had no sympathy for the "stock-jobbers, brokers, and gamblers"<sup>263</sup> now feeling the pain of failure as their speculations collapsed around them. Pressure was increasing on Biddle to make a decisive move to protect the interests of the Bank's shareholders and businesses whose fortunes were linked to the Bank, even if this meant giving up the fight against Jackson. His position seriously threatened, Biddle reversed the Bank's policies and once again began to lend, easing the credit crunch and accepting the fact that the Bank would from that point on have to compete on a par, or nearly so, with other banks.

The center of attention now shifted away from the Northeast to the continued development of the interior. Poor weather and disease unfortunately brought the failure of a large number of farmers in 1835 and 1836, starting a chain of events that soon escalated out of control. The very state banks entrusted with Federal deposits had imprudently handed out credit to farmers and land speculators alike, assuming that land prices would continue in an unending upward spiral. State governments, seeing nothing but rising populations and economic growth ahead, embarked on aggressive development programs financed not out of current revenue but by the sale of bonds (a large portion of which were sold to foreign investors). The Congress also passed a measure introduced by Henry Clay in 1836 authorizing a *revenue sharing* with the States based on a \$35 million surplus built up from the sale of

public lands and from tariff revenue collected. What Clay failed to understand was that this specie could only be transferred to the States by removing it from the various state banks. The banks, in turn, would have to call in outstanding loans and significantly tighten the availability of credit. Seemingly unconnected, Jackson soon thereafter ordered that after August 15, 1836 all purchases of public land (with a limited exemption for settlers) would have to be paid for with specie. For all these reasons combined, the speculative land market quickly collapsed, creating a chain reaction of loan defaults, bank and business failures and serious unemployment. Prices of basic foodstuffs and other commodities shot up, factories and their workers were left idle, and a general panic ensued. The second Bank of the United States failed.

Martin Van Buren was now in the Presidency, and he would have to decide what, if anything, ought to be done to stabilize the economy. Eastward, across the Atlantic Ocean, Robert Peel looked at very similar problems in Britain but from a far more conservative standpoint. Elsewhere, rumblings against the status quo could be heard with increasing regularity. The dawn of agrarian and industrial landlordism had for a large portion of the world brought unexpected pressures as well as social and political unrest, along with new opportunities for progress. However, the opportunity for fundamental change, for the advance of cooperative individualism as a comprehensive and guiding socio-political philosophy, awaited another time and new voices raised from the wilderness.