

He taught at the University of Vienna until 1922 and became thus also the teacher of the leading members of the 4th generation of the Austrian School: Hayek, Haberler, Machlup, Morgenstern, or Paul N. Rosenstein-Rodan among many others. Following old Austrian liberal tradition, Wieser throughout his work emphasized that an intimate connection existed between the conceptual foundations of legal and political theory, on the one hand, and those of economic theory on the other. Thus, it should not be surprising that, when Mises having accepted Wieser's conception of the psychological method in the social sciences as valid, turned his attention to the question of the nature of economic institutions, he started to develop ideas which indeed had many features in common with those of Kelsen. It is one of the inherent strengths of the above described school of thought of which Kelsen and Mises were members that it provided a basis for an understanding of political democracy and the market economy which would comprehend their similarities while taking account of their very important differences.

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On Classical Liberalism: History and Thought

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Introduction

Histories of the classical liberal tradition begin with the Stoic philosophers of the Greco-Roman world. Greek political philosophy of Plato and Aristotle focused on the polis or Greek city-state with its small and homogeneous population. This world ended with Alexander the Great's conquest of the Persian Empire which extended to India. With his early death, his generals who were his successors from Egypt and Greece to the Indus River, established several empires with large new cities of many populations but with commercial Greek as the common language. The polis was replaced by the cosmos polis – the world city, or the whole world as a single country or homeland, cosmopolitan. The Stoic philosophers took the world city as their starting point, that is, a world without distinctions of family origins. Civilized people spoke Greek, but non-Greek speakers were equally human and part of mankind. Although people might speak Greek they came from different countries with different legal systems. Romans who were very conservative about treasuring their archaic legal system realized that all the merchants who came to Rome had better commercial concepts. They set up a separate judgship for the foreign merchants which drew on different commercial legal concepts to formulate the most efficient and productive Law Merchant. Romans generalized from this and felt what was common to various law systems indicated a common source of law – a natural law. Cicero's legal writings represented the Stoic philosophy of natural law. This was adopted by the Christian philosophers making natural law the center of Western European thought, and the foundation for Classical Liberalism.

F. A. von Hayek, the leading classical liberal thinker of the 20th century had a similar approach to the Roman jurists. He thought that means which provide happiness and prosperity will be recognized and adopted under freedom, while those which do not will be rejected or lead to failure. He believed social evolution produces successful social mechanisms while the unsuccessful will die out. Hayek, his mentor, Ludwig von Mises, and his London School of Economics colleagues, Lord Lionel Robbins and Sir Arnold Plant, and his Chicago colleagues, Milton Friedman, George Stigler or W. Allen Wallis shared the approach which Hayek best articulated. Of course, as economists, they were operating in a positivist and utilitarian framework.

However, there are a number of classical liberal scholars who believe, like the Stoics, that it is possible to draw a more general philosophical framework from the nature of humankind. Fred Miller, Doug Rasmussen, Doug Den Uyl, or Tibor Machan are among these moral philosophers. However, Henry Babcock Veatch

was the dean. A leading figure among them was also Murray N. Rothbard, the author of such classics as *The Ethics of Liberty, Man, Economy and State* or *Power and Market* who felt that economics was totally true but incomplete.

These scholars are located in the central tradition of Western philosophy starting when Aristotle was brought to the University of Paris from the Arabic philosophers. From Thomas Aquinas to Henry Veatch, natural rights has been at the core of moral philosophy and of classical liberalism. Lord Acton named Thomas Aquinas as the first Whig¹.

On the Classical Liberal Legacy during the 17th and 18th Century

The medieval universities arose in and with the re-emergence of European towns. The towns were the centers of trade and manufacture and sought to protect their developing prosperity from the extortion of taxation. There was a struggle for autonomy which resulted in most towns gaining charters which protected their resources through self-government. There was a pamphlet literature at each stage of medieval struggles for autonomy which provides early contributions to political philosophy. The defense of representative institutions against centralizing power provided part of the Classical Liberal legacy. This defense became more developed as the Reformation Age saw the emergence of absolute rulers who felt constrained by the representative institutions in which diverse religious opinions found expression and protection. England, the Netherlands and Switzerland were the countries in which the executive powers were limited and the representative institutions were able to be maintained. The taxing power was kept in the hands of the representative institutions and thus taxes were low in these countries.

The 17th and 18th centuries were the ones in which English liberties flourished: One monarch was executed, a second went into exile, a republic had been instituted, the Bill of Rights became the constitutional foundation, the House of Commons prospered when German monarchs were installed who preferred to remain in the Electorate of Hannover. France, meanwhile, was spared most of this turmoil; in 1614 was the last meeting of the Estates General. The next meeting was one hundred and seventy-five years later when the fiscal crisis caused the recall of the Estates General in 1789. That in a nut-shell would be traditional Whig history.

Elizabeth I's forty-five year reign was one of autumnal warmth. Taxes were kept low. There were practically no central government agents around the country. Unlike continental Europe with extensive tax collecting systems and huge

¹Henry Veatch, *Rational Man: A Modern Interpretation of Aristotelian Ethics*, Bloomington, IN, Indiana University Press, 1962; *For an Ontology of Morals*, Evanston, IL, Northwestern University Press, 1971; Norbert Bobbio, *Locke e il diritto naturale*, Turin, 1963; D. Azeglio Taparelli, *Cours Elementaire de Droit Naturel*, Tournai, 1863.

bureaucracies to find and hold the taxes, England blissfully invested in farms and sheep ranches, metallurgy and textiles, imports and exports, coastal and overseas trade. France had ten times the number of government officials per person as did England. It would be hard to say which was more beneficial to England, the low taxes or the absence of government inspectors to interfere with productive economic activities. The low taxes meant there was capital to invest in the variety of initiatives available because there were no bureaucrats to prevent enterprise. This was challenged with the succession to Elizabeth of her nephew, James VI of Scotland, James I of England, son of Mary, Queen of Scots, executed by Elizabeth. In Scotland, James was raised in the theory, if not the practice, of absolute monarchy. Not the least he wished to have the revenues which continental absolute monarchies could gather. When he could not get tax increases, he would issue grants of monopolies. The grantees would pay up front and then collect from the consumers who bought their monopolized product. The English parliament in 1601 had condemned the issuing of monopolies as against Magna Charta. Parliament strongly declared monopolies contrary to the ancient and fundamental laws of the realm, and utterly void in 1624. The king forbade parliament to "meddle with the mysteries of state," and he tore out the offending pages of the Journal of the Commons, dissolved parliament, and imprisoned former chief justice Sir Edward Coke and other leaders of the Commons in the Tower of London.

Charles I became king in March 1625, and dissolved two parliaments in the first fifteen months of his reign. In 1628 a third parliament proposed the Petition of Right drawn up by Sir Edward Coke. It denounced illegal taxation, arbitrary imprisonment, billeting of soldiers in homes, and martial law. Charles dissolved parliament and sought to rule for eleven years without calling parliament. He tried to operate on existing taxation. Fifteen years earlier the French crown had closed the last Estates General for one hundred and seventy-five years; Charles might have achieved the same goal. Many in England expected that conclusion; some chose to immigrate and the Great Migration to New England began. Charles recalled parliament, and it resolved not to be dissolved – the Long Parliament. Parliament defeated and beheaded Charles I in 1649. The Commonwealth under Lord Protector Oliver Cromwell meant the maintenance of a large standing army, and thus, heavy taxes. After Cromwell's death the Long Parliament returned to recall Charles II from exile. Charles II never wished to resume that journey abroad and so tried to minimize extraction's from tax-payers.

The 17th Century English political conflict, in particular, is the starting point for modern journalism, and freedom of the press is central to Classical Liberalism. Its concept is captured best by one of its greatest doyen, Thomas Jefferson: If one must have a society with government and no newspapers, or with newspapers and no government, only the latter is desirable. The printing press during the later 15th Century created one of the great revolutions in world history. From the wide distribution of classic and modern works, printing made a major contribution to the religious revivals of the Protestant Reformation and the Catholic

Reformation. Small devotional tracts or critiques of others' theology could be spread widely. Authors began to publish Annual Registers of foreign and domestic news. Finally, there appeared one page weekly or semi-weekly reports of foreign news. Current foreign or domestic news were considered to "Meddle with the mysteries of state." Thus, they were of concern to rulers and those close to rulers.

In London in 1619 there began to appear *A Relation of all Matters Done in Bohemia, Austria, Poland, etc.*; and in 1621 *The certain and true news from all parts of Germany and Poland*. Finally, in 1622 and onwards, *The Weekly News from Italy, Germany, etc.* and a rival, *News from Most Parts of Christendom*. The possible demand for current information may have been the event which began the Thirty-Years War (1618-1648): James I's daughter was married to the Count Palatine of the Rhine (the Palatinate) elected king of Bohemia against the claim of the Habsburg Emperor. An early effect of preparation for war was the change of the price of grain in Danzig (the benchmark price for centuries) as England and Western Europe drew much of their grain from Poland via the Baltic. In France, Cardinal Richelieu in 1631 granted a monopoly to the *Gazette de France*, and often wrote the foreign news himself, with an occasional article by Louis XIII. With no intention of ever calling parliament Charles I preferred control over foreign news. The non-common law, prerogative Court of Star Chamber in 1632 issued an edict forbidding printing of foreign news. However, Star Chamber was abolished by the Parliamentary Revolution in 1641, and free printing of newspapers began, especially that the parliamentary and royal sides wished to influence public opinion. Once the parliamentary party executed the king, they sought to control the press, and only have an official government newspaper.

John Milton is a major Classical Liberal figure, especially for contributing to freedom of the press. Against Parliament's censorship and licensing ordinance of June 1643, Milton wrote his renowned *Areopagitica, a Speech of Mr. John Milton for the Liberty of Unlicensed Printing, to the Parliament of England* on November 25, 1644. Milton's work was unlicensed and unregistered. Despite official appeals to Parliament, Milton was not prosecuted and the ordinance was unenforced. Milton became Cromwell's Latin (foreign) secretary, and publisher of the government's twice weekly newspaper. The Restored Monarchy established a friendly press after 1660. The Glorious Revolution of 1688 relaxed press censorship, and when press laws were not renewed by parliament in 1693, several newspapers emerged. In 1696, Edward Lloyd, at whose coffee house on Lombard Street maritime insurers had been meeting for a decade, published a newspaper, which after suspension was revived with shipping news. The party conflicts between Whigs and Tories led to newspapers subsidized by each side and edited by great essayists of the day. Daniel Defoe, Richard Steele and Joseph Addison tended to be Whigs. Jonathan Swift developed the 'editorial' for the Tory press before receiving preference as dean of St. Patrick's Cathedral, Dublin.

The popularity of newspapers, led in 1712, to the imposing of a Stamp Tax. Some of the great contributions to literature had to close while the sensational

press could afford the tax. The 'taxes on knowledge' continued as a source of government revenue. It was the leaders of Manchester Liberalism, such as Richard Cobden, who took the lead in moving the reduction, and finally, abolition of press taxes in 1855 and duties on newsprint in 1861. *The Economist* which had been founded by the Manchester Liberals in the struggles of the Anti-Corn Law League was a beneficiary of the abolition of press taxes. The dramatic political conflicts in England between crown and parliament led to great political writings².

A strong supporter of Absolutism in his *Leviathan* was Thomas Hobbes whose most important opponent was the Classical Liberal, John Locke. Locke took as his foil Sir Robert Filmer's *Patriarcha* which defended absolute government against the Classical Liberal contract theory presented by the Jesuit Cardinal, Robert Bellarmine. Cardinal Bellarmine's writings against Absolutism were the reference points for those defending popular sovereignty, constitutional limits on government and individual rights. Bellarmine in his *De Officio Principis* (cap. XXII) draws on the Biblical Book of Kings for the warning to the people of Israel by God and Samuel when they seek a king: "All these incidents clearly indicate that God did no desire His people to have absolute kings as the Gentiles had them, because he foresaw that they would abuse such power." "Saul, as a private citizen, was a very good man; made king, he became the worst of men, loses his crown and probably his soul. David was so good before he was elevated to the kingship that he would not inflict the slightest injury upon Saul. After he becomes knight kills one of his trustiest soldiers and pollutes his wife with adultery. Solomon, the wisest of kings at his accession, soon begins to adore idols."³

An important contribution to Classical Liberalism was the work of Algernon Sidney who was executed by the English government in December, 1683. Sidney's *Discourses Concerning Government* Indianapolis, IN, Liberty Classics, 1990 was admired by the American Founding Fathers, especially John Adams and Thomas Jefferson. John Locke's *Two Treatises on Civil Government (1690)* is the foundation stone of Classical Liberal political philosophy, and keystone of the philosophy of the American Founding Fathers.

² Joyce Malcolm, ed., *The Struggle for Sovereignty, Seventeenth-Century English Political Tracts*, Indianapolis, IN, Liberty Press, 1999.

³ John Clement Rager, *The Political Philosophy of St. Robert Bellarmine* (1926), Spokane, WA, 1995, pp. 19, 31; J. Neville Figgis, *From Gerson to Grotius*, Cambridge, Cambridge University Press, 1923; Raitz von Frenzt, S. J., *Der ehrwürdige Kardinal Robert Bellarmine, S. J., ein Vorkämpfer für Kirche und Papsttum*, Freiburg in Breisgau and St. Louis, MO: Herder and Co., 1921.

The distinguished historian of political thought, George H. Sabine, said of Locke's *Second Treatise*:

"it reached back into the past, right across the whole period of the civil wars, and joined hands with Hooker's *Ecclesiastical Polity*, which had summed up the political thought of England at the close of the Reformation and before the break between parliament and the king. Through Hooker Locke was joined with the long tradition of medieval political thought back to St. Thomas, in which the reality of moral restraints on power, the responsibility of rulers to the communities which they ruled, and the subordination of government to law were axiomatic. ... The medieval tradition, which Locke tapped through Hooker, was an indispensable part of the constitutional ideals of the Revolution of 1688. The years of the civil wars had changed but had not destroyed it. Locke's problem, therefore, was not to reproduce historically the thought of Hooker but to gather together anew the abiding elements of that thought and to restate them in the light of what had happened in the intervening century."⁴

John Locke, like Rev. Richard Hooker (1554-1600) a century earlier, was building on the important 16th and 17th century political theorists. Of greatest importance was the work of the Dutch Hugo Grotius. Today we have a better sense of the foundations on which Grotius built, especially the Iberian Scholastic moral philosophers. At the beginning was the Dominican friar and bishop of Chiapas, Fray Bartolome de las Casas, who strongly defended the humanity and human rights of the American Indians⁵.

According to George Sabine the development of modern constitutionalism and international law "behind Grotius was the systematic jurisprudence of the Spaniards". Of the many Spanish Scholastics of note, we might mention Francisco de Victoria (1480-1546), Luis de Molina (1535-1601), Juan de Mariana (1536-1624), and Francisco Suarez (1548-1617). Additionally, the Spanish Scholastics made original contributions to modern economics. Scholastics presented an understanding of the market and the harmful impact of regulation and taxation. F. A. von Hayek highlighted their contribution to economics, and encouraged the publications of his former student, Malaga Professor Marjorie Grice-Hutchinson⁶.

⁴ George H. Sabine, *A History of Political Theory*, New York, Henry Holt, 1953. p. 391

⁵ The best works on the subject are by Lewis Hanke (1905-1993), *The Spanish Struggle for Justice in the Conquest of America* (1949); *All Mankind is One*, Dekalb, IL, Northern Illinois University Press, 1974; and *Aristotle and the American Indians: A Study of Race Prejudice in the Modern World*, Bloomington, IN, Indiana University Press, 1970. Hanke was awarded in 1992 the Fifth Centenary Special Prize of the University of Salamanca.)

⁶ M. Grice-Hutchinson, *The School of Salamanca* (Oxford, Clarendon Press, 1952); *Early Economic Thought in Spain 1177-1740*, London, Allen & Unwin, 1978; and *Economic Thought in Spain*, Laurence S. Moss, ed., Brookfield, VT, Edward Elgar, 1993. Cf. Alejandro A. Chafuen, *Christians for Freedom: Late Scholastic Economics* (with a foreword by Michael Novak), San Francisco, Ignatius Press, 1986; and also Murray N. Rothbard, *Classical Economics*, volume I, Brookfield, VT, Edward Elgar, 1995.

Locke's political philosophy gained the adherence of the French thinkers or philosophers whom we associate with the Enlightenment. Locke's Europe-wide impact was a major step toward solidifying Classical Liberalism as the best grounded political philosophy. The Scientific Revolution of the late 17th century, of whom Isaac Newton was the most renowned writer, challenged thinkers to new levels of accomplishment. Voltaire was one of the French thinkers who wished to bring the ideas of Newton and Locke to his countrymen. Voltaire took refuge in England (1726-1729) from persecution for his writings. He responded with high praise for England's social, economic and constitutional system in the *Philosophical Letters on the English* (1734). He saw that the limited government of England not only gave wide breath to scientific discovery and literary composition, but to economic progress and prosperity. One of the best known contributions of Voltaire's writings was his celebrated report on the London stock exchange. Voltaire declared:

"Enter the London stock exchange, that place more respectable than many a court. You will see the deputies of all nations gathered there or the service of mankind. There the Jew, the Mohammedan, and the Christian deal with each other as if they were of the same religion, and give the name of infidel only to those who go bankrupt; there, the Presbyterian trusts the Anabaptist, and the Anglican accepts the Quaker's promise. On leaving these peaceful and free assemblies, some go to the synagogue, others go to drink; this one goes to have himself baptized in the name of the Father, through the Son, to the Holy Ghost; that one has his son's foreskin cut off and Hebrew words mumbled over the child which he does not understand; others go to their church to await the inspiration of God, their hats on their heads, and all are content."⁷

Voltaire expressed his admiration for ordinary life and for the benignity of business. He had doubts regarding ritual, but saw the culmination of civilization in contentment. Peter Gay has said of Voltaire's *English Letters* that they provide

"a positive vision of a civilization that assimilates, protects, and profits from a variety of citizens. A sound civilization ... is unity in multiplicity; since its virtues and vices constantly act upon each other, the strength of one institution is the strength of all. The rule of law, commercial prosperity, religious toleration, the flourishing of arts and sciences, civil liberties – all are necessary, all sustain each other."⁸

⁷ Voltaire, *Letters*, I, 74

⁸ *Voltaire's Politics*, New York, Vintage Books, 1965)

Voltaire was particularly impressed by the role of diversity in the economic prosperity and political stability of England. A variety of religious persuasions co-existed in England. The French Protestants, driven decades earlier by the French state, found successful refuge in England, as a century later, French Catholics, especially clergy and nuns, found warm welcome when driven out by the French Revolution. Many English in 1686 or 1791 may not have been pleased with the newcomers; but that did not prevent other English from acting with superb kindness to refugees and permitting them to enter into normal relations with those who so wished. No one was required to like them, and no one was prohibited from helping them. It was the open society, the freedom of choice, that benefited all.

One of the themes of the contemporary history of ideas is the relationship of commerce to the shift from hostility, cruelty and warfare to conciliation, manners, and peace. Peace and Commerce is the motto of Classical Liberalism. A sub-theme is the role of religion in the development of the commercial mentality. The encouragement and expansion of the commercial mind was considered very important by the Classical Liberals. In the early 18th century, the Baron de Montesquieu, president of the parliament (court) of Bordeaux, visited England, and eventually published (1748) his discussion of the constitution of England in *The Spirit of the Laws*. Montesquieu had a great admiration for England and the English constitution. He was a major thinker who emphasized the central importance of commerce for developing and improving the morals and the customs of societies. Commerce was the defining characteristic of civilization and civilized human beings. In this he was echoed by the great Classical Liberal of early 19th century France, Benjamin Constant. How did commerce gain such a commanding lead in England? asked Montesquieu. (We are reminded of Napoleon's sarcastic dismissal of the English in his rivalry with them. He called them a nation of shopkeepers. For Voltaire and Montesquieu that had been the height of praise). Montesquieu caught the difference between France and England. England hardly had any government institutions: there was low taxes and no bureaucrats. The Crown, the Parliament and the judiciary were independent and mutually balanced each other, providing limits on the growth of government. Thus, society was free to breathe, to blossom and to prosper.

The period of English history which Voltaire and Montesquieu encountered is called the Whig Supremacy. The Whig party, in some cases the same men, ran the government from 1720 to 1760. As with the press laws at the time of Milton, the parliament did not repeal intrusive laws, they merely were not enforced. Edmund Burke praised it as the period of Salutary Neglect. The government failed to enforce all the regulations, and the people of England and its colonies became prosperous. Salutary Neglect began to end when a new, young king succeeded to the throne in 1760, George III. Edmund Burke became the leader of a new Whig party to seek to stop George III and the King's Friends party from destroying the accomplishments of Salutary Neglect. Burke was a friend and admirer of Adam Smith and emphasized economic analysis in the Classical Liberalism of the new

Whig party. Edmund Burke's Salutary Neglect was phrased in his critique of what the return to government regulation and increased taxes was doing to undermine England's relations with its North American colonies. Burke was the London agent for the legislature of the New York colony. He saw regulation of the colonies as destructive as regulation in England. Indeed, he saw the regulations and taxes as doubly destructive as they undermined the trade between the English and the Americans.

David Hume, Adam Smith, Adam Ferguson, Edmund Burke were essentially moralists, writers on moral philosophy. But, they saw that the issues of manners, courtesy, kindness, and peace were rooted in economic life experiences. They saw that no one engaged in commerce belittles or mistreats his customer. Thus, moral philosophers began to become interested in economics. David Hume and Adam Smith are the most famous of moral philosophers who made crucial contributions to the development of economics. The Scottish Enlightenment of the 18th century was one of the most fruitful parts of the Classical Liberal tradition. Scotland had become part of England in 1707 by the Act of Union. Thus, Scotland was represented in the English parliament, but also was economically integrated into England's commercial system. Scotland began to become a major entrepreneurial part of the English manufacturing and commercial system. The Scottish universities flourished while Oxford and Cambridge were somnolent. However, the Scottish universities were not open enough to allow David Hume to teach there; he remained librarian of the Advocates Library.

The Scottish Enlightenment has been the subject of special interest of F. A. von Hayek. As a more purposeful and focused part of the English Enlightenment, they are distinguished from the radical empiricism, atheism and constructivism of the French Enlightenment (Hume was viewed as too religious for Paris, while not sufficiently religious for Edinburgh). In addition to David Hume and Adam Smith, Hayek highlighted Adam Ferguson, a professor of moral philosophy at Edinburgh. Ferguson emphasized the unintended consequences of plans or actions. This has been developed by Hayek, Thomas Sowell, Walter Williams, etc. to question the intentionality of legislation and to raise the possibilities that different or opposite results may be the consequences. Hayek similarly adopted Ferguson's concept that human institutions are the results of human action but not of human design. Successful, long-term institutions were not created from someone's brow out of whole cloth, they were not designed; they grew or evolved from a multiplicity of human activities which had purposes, but there was not a single, intended design. Hayek analyzed the division between those Classical Liberals in the Scottish tradition – seeing successful human institutions evolving over time and society working out solutions to problems – and those Classical Liberals in the French tradition – seeking to impose solutions devised by legislators or experts seeking immediate solutions to problems. Of course, there is no national distinction. The Scottish James Mill, and the English Jeremy Bentham and John Stuart Mill were abstract, constructivists. Hayek admires such French Classical Liberals as Benjamin Constant and Alexis de Tocqueville. Of course,

England continued to evolve in its political and constitutional institutions during the last two centuries as during the earlier two centuries, while France's earlier closure of representation has been in the last two centuries paralleled by many constitutions.

Adam Smith's *Wealth of Nations* was published in May 1776. Smith surrounded his economic analysis with the current crisis in England's political economy – the threat of the loss of the American colonies (Declaration of Independence, July, 1776). The crisis was a consequence of England's great success in the Seven Years' War (French and Indian War). In 1756 England and Prussia went to war with France, Austria and Russia. Prussia was able to use internal lines to fend off the three huge land powers. England defeated France and a late ally, Spain, around the world – India, West Africa, West Indies, Quebec, and the Spanish ports of Havana and Manila. French sugar colonies were very successful and paid good prices for food supplies from English North America. During the war the prices were higher and Americans continued their sales to Haiti (through neutral Dutch West Indian ports). The English wartime government began to try to enforce the regulations and taxes which had been unenforced during the period of Salutary Neglect. This was especially so when young George III succeeded to the throne and dismissed the Whig cabinet in 1760.

The Seven Years' War caused a massive national debt for England to pay for the massive military victories. George III and the cabinet of King's Friends sought to tax both English and American farmers and merchants to pay for the cost of the national debt. This caused the emergence of a new Whig party – new young leaders like Edmund Burke, and different constituencies – farmers and merchants. Although Americans could not vote for parliament in London, they can be considered part of this new Whig party. In fact, when the American Revolution occurred, the Whigs in the House of Commons challenged Lord North's government each night by sitting across from the Tory government wearing the colors of the Continental Army, buff and blue.

But, economic issues were not the only ones which featured in Classical Liberalism in the era of the American Revolution. The emergence of the King's Friends had led to attempts at press censorship. A member of parliament, John Wilkes, published a newspaper, *The North Britain*. The government seized Wilkes and forty-eight others on a general warrant. The Lord Chief Justice released Wilkes. The government stole copies of an obscene poem by Wilkes which the House of Lords voted a libel. He was expelled from the House of Commons and re-elected repeatedly accompanied by householders in Westminster illuminating their windows, and popular demonstrations all around. But, his defeated opponent was seated by the government instead of Wilkes in 1769. Wilkes had the best Whig lawyers, and the American colonial legislatures sent money to support his defense. It not only showed the Americans the despotic purposes of the government regarding the press, but in England it mobilized mass electoral support for the new Whigs. Wilkes was elected Sheriff and then Lord Mayor of London (1774). He organized the City of London's judiciary successfully to bar

the arrest of printers who reported House of Commons debates. Adam Smith had close associations with parliamentary elements who supported the Americans against the government. The new Whigs feared that the King's Friends planned a despotic regime based on extensive taxation. The English Whigs appreciated why the American Whigs wish to separate from a growing despotism in England. Adam Smith sought to show why regulation and taxation were destructive of economic growth. Smith was articulating the silent arguments which had led to the program of Salutary Neglect. He explained why low taxation and freedom from regulations had provided the foundations not only for a wider consumer demand in England and America, but also the accumulation of capital, which together were the generators of the Industrial Revolution in England. Free trade and peace became essential features of the new Whig platform at the time of the American Revolution, and the eventual Whig cabinets began to implement free trade and deregulation as the Industrial Revolution had picked up steam.

On the Classical Liberal Legacy in the 19th and 20th Century

During the last quarter of the 18th century Jeremy Bentham had been writing his mathematically logical analyses of law, economics, politics. Originally a Tory, he became associated with a Scotsman, James Mill, who directed Bentham's, and also David Ricardo's, writings into an association with Liberalism. In economics Bentham and Ricardo were free market analysts. But, unlike the Whigs who considered political corruption, special interest legislation, etc. as violations of constitutional traditions, the Philosophical Radicals considered these faults as the result of traditions. While one part of Classical Liberalism sought the restoration of constitutional traditions, a second, the Utilitarians wished root and branch removal of the constitutional and legal systems.

James Mill's son, John Stuart Mill, became the leading English liberal intellectual. In his greatest work *On Liberty* (1860) he held that government must be confined within "definite lines of demarcation," and that its task is limited to "protection against force and fraud." Mill maintained that each person was moral and should be a legally free agent, "so long as a person practices no violence or deception, to the injury of others in person or property, he has a claim to do what he likes, without being molested or restricted by judges and legislators."

The Philosophical Radicals were not religious. Meanwhile, the vigorous and world-renowned Liberal Party gained the leadership in England. The Liberal Party was rooted in the religious culture of England. While the great Whig families which provided money and talent were Church of England and high church, its voters were mainly low church, and dissenting. Also, the Liberal Party was supported by the Catholic Irish immigrants after the Famine, and was allied with the Catholic party in Ireland's elections to the London House of Commons.

A leading French historian has proposed that England was spared 'a French Revolution' by the growth of Methodism among the industrial workers. Method-

ism was a crucial source of support for the Liberal Party. The methods of organizing, and the organizers, of the chapels and funds of the Methodist Church played the same role in organizing and collecting funds for the Liberal Party.

One of the great parallel organizations of the Liberals was the Anti-Corn Law League. Corn is the general word in England for grain. The Corn Law subsidized the production of grain in England as the population increased with economic growth and grain supplies were more easily and cheaply available from North America, Argentina and Australia. As mentioned above, the campaign led to the founding of *The Economist* to explain the economic analysis which demonstrated the consumers' benefit from free trade, and from economic deregulation in general. The two great leaders of Liberalism and the free trade movement were Richard Cobden and John Bright, who were members of parliament. Their campaigns to improve the lot of consumers as against the special interest legislation of producers gained increased mass support for the Liberal Party. While Cobden and Bright were not technical economists or political theorists, their writings and speeches made a profound contribution to an understanding of economic principles and liberalism generally than the professional thinkers.

The Liberal Party strongly supported dis-establishment of the state church, and the ending of Catholics and Dissenting Protestants taxed to pay tithes to the ministers of the state church. Liberal newspapers, such as the *Leeds Mercury*, were strong proponents of parent based education threatened by the proposals for government education systems. Free trade and reduction of bureaucracy were Liberal Party central concerns. But, its members were actively engaged in non-political activities of great social importance. By the early 20th century, most of England's working families were members of voluntary social insurance programs. Many belonged to fraternal organizations – Friendly Societies – whose most important functions were insurance for unemployment, sickness and death. They also provided group medical practice. For a flat fee per year each member or family received full medical attention from a group doctor⁹.

Late 19th century England was graced with a number of important liberal minds of whom Herbert Spencer was the most significant. Spencer carried the

ideas of Liberalism to greater intellectual heights. In *Social Statics*, *The Principles of Ethics*; and *Man Versus The State*, Spencer presented closely reasoned arguments for human liberty. Especially the chapters on "The New Toryism," "The Coming Slavery," "The Sins of Legislators," "The Great Political Superstition," or "Over-Legislation" of the latter book can provide the flavor of Spencer's thinking. Here is a quote from "Over-Legislation" (1853):

"There is a great want of this practical humility in our political conduct. Though we have less self-confidence than our ancestors, who did not hesitate to organize in law their judgments on all subjects whatever, we have yet far too much. ... Though we no longer presume to coerce men for their *spiritual good*, we still think ourselves called upon to coerce them for their *material good*: not seeing that the one is as useless and as unwarrantable as the other. Innumerable failures seem so far, powerless to teach this. Take up a daily paper and you will probably find a leader exposing the corruption, negligence, or mismanagement of some State department. Cast your eye down the next column, and it is not unlikely that you will read proposals for an extension of State supervision. ... Thus, while every day chronicles a failure, there every day reappears the belief that it needs but an Act of Parliament and a staff of officers to effect any end desired. Nowhere is the perennial faith of mankind better seen. Ever since society existed Disappointment has been preaching, "Put not you trust in legislation"; and yet the trust in legislation seems scarcely diminished. ... As it is, however, they seem to have read backwards the parable of the talents. Not to the agent of proved efficiency do they consign further duties, but to the negligent and blundering agent. Private enterprise has done much, and done it well. Private enterprise ... has established banks, insurance societies, and the newspaper press; has covered the sea with lines of steam-vessels, and the land with electric telegraphs. Private enterprise has brought agriculture, manufactures, and commerce to their present height, and is now developing them with increasing rapidity. Therefore, do not trust private enterprise. On the other hand, the State so fulfills its judicial function as to ruin many, delude others, and frighten away those who most need succor; its national defenses are so extravagantly and yet inefficiently administered as to call forth almost daily complaint, expostulation, or ridicule; and as the nation's steward, it obtains from some of our vast public estates a minus revenue. Therefore, trust the State. Slight the good and faithful servant, and promote the unprofitable one from one talent to ten"¹⁰.

⁹ The English social historian, David G. Green has described 19th century English society in his illuminating study *Reinventing Civil Society: The Rediscovery of Welfare Without Politics*, London, IEA Health and Welfare Unit, 1993. His chapters on "The Evolution of Mutual Aid," "Character-Building Associations," and "The Classical-Liberal Heyday: 1834-1911" provide detailed reports on the mutual aid that covered most of the industrial population of England. These were the non-party parts of the Liberal movement in England in the 19th century. Similar American fraternal and friendly societies before the New Deal have been researched by David Beito of the University of Alabama. See David T. Beito, "Lodge Doctors and the Poor," in J. Wilson Mixon, Jr, editor, *Private Means, Public Ends: Voluntarism vs. Coercion*, Irvington-on-Hudson, New York, Foundation for Economic Education, 1996.

¹⁰ Herbert Spencer, *Man Versus The State*, Indianapolis, IN, Liberty Classics, 1981, pp. 267-68, 271-72). This approach was continued by Auberon Herbert, who especially questioned the morality of state education. See Auberon Herbert, *The Right And Wrong Of Compulsion By the State*, Indianapolis, IN, Liberty Classics, 1978.

There was a large and well-thought through contribution to Classical Liberalism among the 19th century French. There was a great deal of economic analysis among the French. This was begun by Jean-Baptiste Say (1767-1832). Say wrote *A Treatise on Political Economy* in 1803, it was revised in 1814. This book not only dominated French economic study, but also through its translation, dominated American economic thought during the 19th century. In contrast to the English Utilitarian economists, Malthus, Bentham, Ricardo, the Mills, who all were pessimistic, Say and the French were optimistic. The French saw market economics as providing solutions to problems such as insufficient resources for growing populations.

Perhaps the most widely read and accessible of the French economists was Frederic Bastiat. His *Social Fallacies* was published in translation in 1944 by the Register Publishing Co., Santa Ana, California. Bastiat's style was to parody and expose the general-good arguments for government intervention by the agents of special interests. Bastiat's works were the principal source for much of President Ronald Reagan's economic thought and policy decisions. The central theme of Bastiat's writings was that the market is the source of society's harmonies, while the sophisms of special interest legislation introduce discord and injustice in society. Bastiat's emphasis on the harmony of the market is a continuation of the 17th century theme of the civilizing role of commerce.

Based upon economic theory, Benjamin Constant and Alexis de Tocqueville expanded the Classical Liberal analysis into social institutions and constitutionalism. Constant stood strongly for strict adherence to constitutionalism and to bills of rights. He had challenged the persistence of classical models where the polis or the state was the expression of liberty, not the individual. Constant showed that during the Middle Ages that perspective had been replaced totally by the concept of liberty of the individual. Constant himself had engaged in much historical research. But, French Classical Liberals initiated a complete study European history in the middle ages to find the explanations for the ideas and the institutions of liberty. The most important of the Classical Liberal historians was AugustinThierry. He sought the manuscript charters which medieval merchants had won from rulers, and arranged for the preservation and publication. This autonomy and fiscal self-control permitted the accumulation of capital and investment in new enterprises which expanded both the wealth and freedom of the inhabitants. Constant's emphasis on bills of rights led directly to his writing on freedom of the press. Classical Liberals were not only the significant writers on the philosophy of freedom of the press but also they were in the forefront of the defense of freedom of the press. Among the examples was the son-in-law of J.-B. Say, Charles Comte. Comte and his partner Charles Dunoyer sought to avoid the censorship authority of the government by publishing periodicals of more than 360 pages – the upper limit set for censorship. Nevertheless, the government objected to their articles and sought to apprehend Comte. His wife pulled the china closet on the police while Comte escaped and fled to Switzerland (the French pressured the Vaud canton and Comte ended in London

until the 1830 July Revolution). Dunoyer was taken to a remote province to seek a guilty verdict; but the local population rallied to the Parisian intellectual and undermined the government's purpose. Classical Liberals centered on freedom of the press until their success in the 1830 July Revolution.

Even more in centralized France, Classical Liberals struggled for parents' rights to educate their children without the control of the government. Charles de Montalembert was the most important advocate in France of freedom of education from the state. After freedom of the press was gained, freedom of education from the state became a focus of struggle. Just as the state should not control knowledge through control of the press, the state should not control knowledge through control of education. The government's idea of newspapers owned and published by the state was equally objectionable as government ownership of schools and control over the selection of textbooks.

Alexis de Tocqueville sought to explain the continuity of state institutions through successive revolutions. Despite changes in the forms of government and the constitutions, the bureaus and the bureaucrats remained entrenched and undisturbed. The French Revolution continued the centralization of power which had been accomplished by the royal government. Tocqueville was interested in the contrasts of the Monarchical-Jacobin centralization in France with the decentralization in England, Ireland and the United States. Tocqueville's *Democracy in America* (2 volumes) concluded that the tradition of de-centralism and individual rights was the explanation for the healthy society in America. Tocqueville visited America in 1831 at the height of the Jacksonian era. John Adams and Thomas Jefferson had died in 1826; but James Madison and Charles Carroll, of Carrollton, were among the last survivors of the signers of the Declaration of Independence. Although the ideal of political unity had been challenged by party politics in the colonial legislatures, the ideal briefly was repropounded with the Constitution of the United States. Soon the new government began to undertake programs which signers or ratifiers of the Constitution had not envisioned. Thus, political parties emerged around the legitimacy of the government actions. Thomas Jefferson and James Madison rallied those who opposed a government bank, tariffs to subsidize manufacturers at the expense of consumers, increased taxes, and abridgments of free speech and the press in the Alien Sedition laws. In the Kentucky and Virginia Resolutions, Jefferson and Madison challenged the imprisonment of editors opposed to the government by saying it was important enough to propose nullification by state legislatures. One recalls again Jefferson's comment that if he had to chose, he preferred newspapers and no government, to government and no newspapers.

Early constitutional foundations were noted by the former president of Haverford College, Felix Morley in his *Freedom and Federalism*:

"Even more ironically, it was immediately after the adoption of the Bill of Rights that the Supreme Court, in *Chisholm v. Georgia*, ruled that a State could be sued by a citizen of another State. Although a summons was served

on then Governor of Georgia ... the former refused to appear before the Court. Not content with passive resistance, the hot-blooded Georgia House of Representatives passed a resolution providing that any United States Marshall attempting to levy on the property of Georgia under the court order "Shall suffer death, without the benefit of clergy, by being hanged." Other States chimed in, the Congress took action and the result was the Eleventh Amendment, declaring the States immune from suits "by citizens of another State, or by citizens of subjects of any foreign State." ... The Fifth Congress, disturbed by the effects of the French Revolution, in 1798 adopted three drastic laws, known as the Alien and Sedition Acts. The third of these made it a crime "to write, print, utter or publish" anything that might bring either the President or Congress "into contempt or disrepute." This was clearly in violation of the constitutional guarantee of free speech and free press. But it was not so sure that the Supreme Court, under the influence of the Federalist Party, would so decide. Therefore a delegation from the newly admitted State of Kentucky prevailed on Thomas Jefferson, then vice-president, to draft anonymously a Kentucky Resolution of Interposition, questioning the constitutionality of these Alien and Sedition Acts. It was in this first Kentucky Resolution, adopted November 16, 1798, that Jefferson used the oft-quoted slogan: "In questions of power, let no more be heard of confidence in man, but bind him down from mischief by the chains of the Constitution." A month later the Virginia legislature adopted a similar, but somewhat milder, resolution, drafted by James Madison. ... The Madison resolution called on other states to "concur with Virginia in declaring, as it does hereby declare, that the acts aforesaid are unconstitutional. Kentucky then responded with a second, more aggressive, resolution, asserting "that a nullification, by those sovereignties (the States) of all unauthorized acts done under color of that instrument (the Constitution), is the rightfully remedy." ... Since the Kentucky and Virginia Resolutions of 1798, Interposition has been many times invoked against Supreme Court decisions. Following the Dred Scott case a total of twenty-two states declared that judgment without binding authority."¹¹

As in England and France, Classical Liberal ideas in America were developed by writers publishing in pamphlets and newspapers. Often the arguments were in the debates over particular pieces of legislation or actions by government officials. Historians have noted that from the colonial period Americans have shared in common the Lockean ideas of limited government, the rule of law, the right of private property, and the supremacy of the market. Thus, it is often possible to rally Americans to Classical Liberal policies and oppose collectivist policies because the foundation principles are in place in the popular culture. Classical

¹¹ Felix Morley, *Freedom and Federalism*, Chicago, Henry Regnery Company, 1959; reprinted Indianapolis, Liberty Press, 1981, pp. 242-44.

Liberalism has been the popular culture in America for centuries. The Jacksonian era saw the fulfillment of the arguments which were made by the Jeffersonians. The economy had grown greatly. There was a temptation to use the government to reward some parts of society at the expense of others on the grounds that government subsidies or registrations could hurry along economic growth. This argument had been used recently and led to malinvestment and the Panic of 1819. The economic analyses and constitutional arguments were presented in the expanding press. The textbook of Jean-Baptiste Say was a major source for argumentation. But, the articles were clear and directed to particular proposals or legislative bills. Among the many fine writers on liberty of the period, outstanding was William Leggett in the New York "Evening Post". In an editorial, July 22, 1837 in the "Plaindealer" Leggett wrote regarding the proposed restriction on immigration. Those who wish to employ immigrants

"do not therefore join with our Lottery Mayor in treating these men as miserable paupers, as the offscouring of prisons and poor-houses, and wretches stained with crimes, bloated with intemperance and disease, and altogether loathsome and disgusting. They speak of them as fellow-men, as equal denizens of the great patrimony of mankind, the earth, and invite them to their own luxuriant region, where their capacity to labor will be regarded as the best sort of capital, and the moderate exercise of it will earn them a comfortable support. ... The people who are daily landing here are not paupers, if the capacity and disposition to labor may exempt a man from that appellation. They are, for the most part, the sons and daughters of useful toil. They are men and women of hardy frames, accustomed to earn their living by the sweat of their brows. ... The aristocratic party seem to entertain very vague notions of pauperism. ... These men are not paupers, and if they become so, it is the fault of our own laws. Let us not lay our sins, then, at their doors. We have perfect control over the matter. We are not obliged to open our poor-houses to those who are able to work; and indeed, we believe it would be far better for the community, if we did not open them to any class of indigence or misfortune. The care of those really disqualified by nature or accident from taking care of themselves should be left to voluntary charity, not to that wretched system of compulsory charity which poor-laws enjoin. We are too reluctant, in this country, to trust the voluntary principles. We are for doing everything by law; and the consequence is that hardly anything is done well. ... It is a violation of the plainest principles of morals, it is a sin against the most universal precepts of religion, to harden our hearts against these men, and seek to expel them from a land, which they have as much to tread as we who assume such a lofty port. The earth is the heritage of man, and these are a portion of the heritors. We are not bound to support them; they must support themselves. If they are idle, let them starve; if they are vicious, let them be punished; but, in God's name, as they bear God's image, let us not turn them away from a portion of that earth, which was given by its maker to all mankind, with no

natural marks to designate the limits beyond which they may not freely pass"¹².

Leggett and others put their pens similarly to criticism of trade protection, trade and bank monopolies, post office and public education monopolies. Classical Liberalism has produced many heirs whose work equals the Jacksonians, but none have been better. The decline in Classical Liberalism, especially associated with W.W.I and W.W.II, began to be reversed with F. A. von Hayeks, *The Road to Serfdom*¹³.

Hayek was able to gather a surviving group of Classical Liberal scholars and founded the Mont Pelerin Society in April, 1947. Among the important early members were Wilhelm Röpke and Alexander Rüstow, Luigi Einaudi and Carlo Antoni. The latter presented the paper on Historiography at the founding meeting. A professor of historical sciences at the University of Rome and winner of the Einaudi Prize for philosophy, Carlo Antoni provided an important analysis of post-WWII Liberalism¹⁴.

Although originally a disciple of Benedetto Croce, Antoni rejected Croce's attempt to limit liberalism to the spiritual and aesthetical area, and to exclude economics as too materialist. Croce was challenged by Luigi Einaudi (President of the Bank of Italy, and first President of the Italian Republic). Einaudi's Liberalism included an important role for economics as he considered the free market economy as the essence of freedom in contrast to Leviathan state. Antoni says of Einaudi: "There was, however, also a moral basis to his opposition, for he regarded the ideal of those who wished to see the State prescribe what was to happen as an ideal for loafers frightened by accepting responsibility and lacking in initiative and enterprise. The only form of State intervention which he accepts is of a purely formal nature and consists of the demarcation of the boundaries within which a man would be free to work and live as he wished." Einaudi responded to Croce that socialist economies were not compatible with Liberalism except where voluntary, as among congregations of monks, who renounce all worldly possessions, do not leave estates for heirs, and elect their abbots. Antoni noted:

¹² William Leggett, *Democratic Editorials, Essays in Jacksonian Political Economy*, Indianapolis, IN, Liberty Press, 1984. pp. 271-74.

¹³ F.A. von Hayek, *The Road to Serfdom*, Chicago, University of Chicago Press, 1945.

¹⁴ Carlo Antoni, "Freedom Indivisible," in *Freedom and Serfdom. An Anthology of Western Thought*, Albert Hunold, ed., Dordrecht, Holland, D. Reidel Publishing Company, 1961. This book contains essays by Wilhelm Röpke, Alexander Rüstow, F. A. von Hayek, Russell Kirk, Michael Oakshott, Helmut Schoeck and Eric Voegelin.

"In international discussion during these years the impossibility of reconciling collective economy and political freedom had been pointed out by a whole host of writers and economists, among them Mises, Hayek, Robbins and Lippmann. From this spate of literature on the subject, Wilhelm Röpke's 'Die Gesellschaftskrise der Gegenwart' reached Italy, and Einaudi at once wrote a detailed and most favorable review of the book. Benedetto Croce was not the man to leave a new opponent like Röpke unnoticed for long. ... The Third Way', he asserted was not to be found in the creation of a third economic system on the same plane as the other two, but rather in a higher principle of an ethical character – the principle of freedom. No method of an economic nature, he declared had the right to control the lives and moral characteristics of human society. The politico-ethical system of liberalism, said Croce, was not, as Röpke maintained, bound to the system of free market economy ..."¹⁵

Röpke's writings showed his foresight to see the problems of artificial concentration; the state's tax policies were a barrier to markets in company shares held, for example, by banking entities. Luigi Einaudi vigorously supported Röpke against the criticisms of Croce. Eventually Antoni and Einaudi broke through Croce's 19th century mentality and emphasized that the nature of economics, according to Adam Smith, was the role of the creativity of the human mind. The 'spontaneous order' of Smith was seen by the 18th century philosophers as "the disquieting chaos of a feverish and disjointed hither and thither." Antoni adds: "(Economics) is the science which discovered the productivity of the human mind, the fertility of initiative, which, like art, knows no rules but its own. By acknowledging work as the basis of all merit, it extols the creativeness of economic activity. Thus, ... the new science of economics is now liberating the production of wealth from the restrictive bonds of companies and privileges and the laissez faire set-up of commercial policies. Even the principle of free competition, conceived on a mechanistic basis in the XIX century, found an indispensable pre-requisite in this new conception of creative activity, which burst the bonds of traditional conservatism, gave impetus to bold technical innovation, opened up vistas of new opportunities, and led Britain towards the 'industrial revolution' and beyond it, out on to the great highways of world trade. Why, even the myth of the 'invisible hand of Providence', which, according to these national economists, introduced a spontaneous, general harmony into all undertakings of men intent solely on their own profit making, was only a naively optimistic way of expressing this same conception of the productivity of the mind, which has brought wealth and progress to the world."¹⁶

¹⁵ Antoni, op. cit. pp. 16-17

¹⁶ Antoni, op.cit. pp. 20-21