**Liberalism:**

Belief in individualism and individual freedom. In economics, this liberal belief was known as the doctrine of **Laissez-faire which meant the right of people to have no government intervention in business affairs**. The economists who supported this doctrine are known as **classical economists.**

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| **Classical Economists** | **Philosophies and Writings** |
| **Adam Smith** (1723-1790) | * professor from Scotland
* first major advocate of Laissez-faire.
* wrote Wealth of Nations,
* maintained that government’s attempts to regulate the economy interfered in the natural laws that govern the economy.
* said that government should not interfere in business.
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| **Thomas Malthus** (1766-1834) | * wrote An Essay on the Principle of Population
* food supply too small to sustain a growing population causing great poverty and misery
* if population growth could be slowed which happens naturally, in part, as a result of war, famine and/or disease, the conditions of society would improve.
* believed that “moral restraint” was the best way to limit population growth.
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| **David Ricardo** (1772-1823) | * influenced by Malthus’s work
* presented his “Iron Law of Wages” in his book The Principles of Political Economy and Taxation.
* believed that wages would always stay near the subsistence (minimal) level as long as there were more workers than the demand for jobs
* if the supply of labor was less than the demand for it, then wages would increase.
* when wages increased, workers would be encouraged to have more children, again bringing wages down because they would be enlarging the worker supply.
* useless to try to raise wages to improve the conditions of workers since they would only have more children and continue the cycle of decline.
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**Democratic Liberals:**

In England, many who had supported the classical economists’ theories had to turn away from the philosophy when they saw the reality of the conditions of the workers. They rejected the Laissez-faire policy of non-governmental intervention and petitioned the government to make reforms to help the workers. They favored higher wages, shorter working hours, safer working conditions, establishment of labor unions and the provision of voting rights for all men.

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| **Democratic Liberal** | **Philosophies and Writings** |
| **Jeremy Bentham**(1748-1832) | * believed that government should intervene on behalf of those who needed help.
* developed the doctrine of Utilitarianism in his book Principles of Morals and Legislation.
* every human practice and institution needed to be evaluated in terms of its utility (the amount of happiness it provides).
* defined happiness as the presence of pleasure and the absence of pain.
* If more were suffering than those who were not, then the government had a right to step in providing the greatest good for the greatest number.
* ideas led to the creation of the twentieth century welfare state.
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| **John Stuart Mill**(1806-1873) | * believed in individual freedom and women’s rights, especially women’s right to vote.
* wrote On Liberty, the Subjection of Women
* also wrote Principles of Political Economy which discussed his concerns about social injustice, the unequal distribution of wealth, child labor, working conditions, and the need for state-supported education, to name a few.
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**Socialism**:

John Stuart Mill and his supporters suggested the redistribution of wealth to benefit the disadvantaged citizens through government intervention. Socialists went further in their philosophies. They called for a fundamental change in the nature of property ownership. Instead of private ownership, they advocated some sort of community or state ownership of property. That way, all people’s needs would be met. They also believed that people should be educated to work cooperatively rather than competitively so that all would work for the good of all the members of the community or state.

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| **Classical Economists** | **Philosophies and Writings** |
| **Robert Owens**(1771-1858) | * gained part ownership of several textile mills at New Lanark in Scotland
* worked to improve health and safety in the mills, increase workers’ wages, reduce work hours, and provide workers with decent housing.
* demonstrated successful industrial capitalism did not require the workers to be exploited.
* went to Indiana and established New Harmony, Indiana
* community where people shared both ownership of property and fruits of their labor.
* project failed.
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| **Count of Saint-Simon**(1760-1825) | * wrote The New Christianity
* maintained that modern society was shaped by the nature of the industrial economy.
* focus of government needed to be economic than political issues.
* said that government should be directed by scientists and technicians who understood operation of modern industrial economy.
* in a new society managed by business people—the managerial elite—everyone would work willingly for the benefit of society and would be rewarded based on their production
* all workers’ needs would be met.
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| **Charles Fourier**(1772-1837) | * recommended the establishment of socialist communities that he named phalanxes
* each phalanx would be self-sufficient and consist of 1600 people who would work together
* people would change jobs within their phalanxes to avoid becoming bored with their jobs.
* ideas never caught on in France, but other countries tried to establish phalanxes.
* generally unsuccessful.
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| **Louis Blanc** (1811-1882) | * wrote The Organization of Work
* suggested that the first step toward a socialist society would involve political reform
* creation of a French republic that allowed all men the right to vote and lend money to voluntary workers’ cooperatives that would run the workshops.
* money made would be distributed: **“From each according to his ability, to each according to his need. “**
* Karl Marx later adopted this plan.
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**Marxist Socialism or Marxism:**

* leading socialist thinker of his time.
* wrote ***Communist Manifesto***which today forms the basis of communist thinking.
* saw history as a struggle between **capitalists** (owners of business and industry) and the **proletariat** (wage earners).
* believed that capitalists had always controlled the government and used their wealth and power to their advantage
* working class has no political pull and lives miserable lives.
* believed the proletariat would rise up and overthrow the capitalists in a violent communist revolution
* socialism would become the new form of government.
* factories, mines, railroads, and banks would be owned by the government.
* fruits of industrialization would be more evenly divided among all the people eliminating such issues as poverty and hunger, poor working conditions or unemployment.