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The Evolution of *Laissez Faire*: Free Market Economics in Political Theory and American Thought

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Traditionally, *laissez faire* is coined from a French phrase meaning, “allow to do”. It is known to represent a strain of economic and political thought that calls for minimal government intervention in the private sector, characterized by a ‘hands off’ approach by the government, in hopes of having private sector solutions for private sector problems. Although the original source of the phrase is disputed, the first sign of its usage is claimed to be from the Marquis d’Argenson, whom claimed “Laissez faire,” in his 1736 *Memoires* (Keynes, II). Whatever the source, and there are several claims to it, *laissez faire* has been popularized throughout the ages. It has specifically been heralded as a rallying cry for different political groups and leaders throughout American history, from founders such as Jefferson, to current political leaders such as Ron Paul. It is this evolution of the term, and the continual passage of its importance from generation to generation, that this paper will explore. This paper will follow the passage of the torch of *laissez faire* throughout the 18th, 19th, 20th and 21st centuries, focusing on how it has been seen at the Union’s founding (Jefferson), the Free Labor movement (Lincoln), the Social Darwinist period (Spencer, Carnegie, Sumner), the Progressive backlash (FDR, Croly, Wilson), the revival of *laissez faire* in the 20th century (Friedman, Rand), and finally conclude with an analysis of *laissez faire*’s future.

During the nation’s founding, few had such effect on the development of this new government than Thomas Jefferson. Having been an important thinker, and the writer of the Declaration of Independence itself, Jefferson makes a good starting point in our exploration of *laissez faire*. Perhaps Jefferson best exemplifies the goal of *laissez faire* in the statement “that all men are created equal, that they are endowed by their creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness,” (Dolbeare 49). It is this Jeffersonian emphasis on the individual that makes *laissez faire* possible, and the quote itself hints at greater free-market sources: such as political theorist John Locke. The tradition of Jeffersonianism is grounded in the idea of sacred individualism, or the importance of preserving the individual as having precedence over government. This involved the establishment of individual rights, individual responsibility, and civic participation. This liberal individual-focus is perhaps where we can best draw Jefferson’s connection with *laissez faire*. Free markets themselves cannot function with a weighted understanding of the importance of the individual.

As Jeffersonianism calls for a rejection of big government, so does *laissez faire*. The two stand on similar soil, necessitating both a small government and individual responsibility to properly function. It is no wonder that in various writings do we find elements characteristic of *laissez faire*. In his First Inaugural Address (1801), we find several portions emulating free-market ideas. One in particular perhaps best summarizes Jefferson's tone: "a wise and frugal government, which shall restrain men from injuring one another, which shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government, and this is necessary to close the circle of our felicities," (Dolbeare 151). The element of *laissez faire* found within the quote speaks for itself. This tone of free-market and individual-focus continues throughout Jeffersonian thought, and with the close association between Jeffersonianism and *laissez faire*, one will likely find them joined at the hip throughout their political evolution.

Next in line within the progression of *laissez faire* minded thinking is Abraham Lincoln. It is of interest that again, we find Jeffersonian ideals standing side by side with those of free market capitalism. Lincoln appears to have been incredibly influenced by Jefferson's notions of individual liberty and freedom in the form of the Free Labor movement. It is of no surprise, given the ideals set in Jeffersonianism that someone like Lincoln would take them to their logical conclusions, which resulted with the emancipation of the slaves. This newfound freedom is also easily associated with *laissez faire* principles. One may wish to argue that a government stepping in to force the emancipation of slaves upon its member states appears to be interventionist, and thus anti-*laissez faire*, but I would disagree. *Laissez faire* principles imply a genuine equality amongst the labor force. The ideals of a 'hands off' economic approach it rooted upon the principle that men are equal in their ability to work, create, and compete. A general air of freedom scents the ideas of *laissez faire*, as it necessitates a freedom from government interference, and freedom of the individual to work. Thus, I would argue that a government allowing such an institution as slavery, which clearly degrades an economic atmosphere of free competition, is a government intervening upon the market. Following this line of reasoning, I am inclined to see Lincoln in agreement. Lincoln argued that the Constitution was to be regarded as the law of the Union, while the

Declaration to be its guiding spirit. We've already expressed the *laissez faire* qualities of Jefferson, the document's author, and knowing a genuine Jeffersonian spirit existing within Lincoln (see *Letter to Boston Republicans* 1859), we see further ground for a *laissez faire* friendly mindset. Within Lincoln's *Second Inaugural Address* (1865), we are given a hint of his *laissez faire* convictions. The dilemma is the argument of possibly deporting black laborers, in fear that this newfound group would overrun white laborer's occupations. In a true *laissez faire* fashion, Lincoln rejects any government interference, responding that to "reduce the supply of black labor, by colonizing the black laborer out of the country, and, by precisely so much, you increase the demand for, and wages of, white labor," (Dolbeare 246). Lincoln states that occupation levels will remain the same, and shares derived theoretical principles of wages shared by classical liberals. Instead of advocating that the government step in and assure public anxiety, Lincoln calls for the market to run its own course, rejecting any intervention amongst the newly liberated workforce. Clearly, this hints at *laissez faire* presuppositions. What then, is the importance of Abraham Lincoln in the discussion of *laissez faire*? Most importantly, Lincoln took the necessity of freedom needed by *laissez faire*, and advocated by Jeffersonianism, to its logical conclusion and beyond social traditions such as slavery, resulting with a freed workforce that brought the actual laborers closer to the ideals stressed in free market capitalism. It would be difficult to relate *laissez faire* to free market capitalism, if the laborers in the market are hardly free.

Given the gains *laissez faire* had experienced in the early and mid 19th century, we now find it at its peak in the form of Social Darwinism. During this era in the late 1800s, *laissez faire* was probably given its greatest economic setting and ideological foothold in the form of the industrialization of the U.S. and the intellectuals of Social Darwinism. The environment itself benefited from the ideas of a free market. The economy was shifting from being agricultural based, to industrial. Population rates and immigration soared in number, giving rise to a greater potential workforce for the budding industries. In addition, populations were urbanized, leading businesses to compete for labor, as well as buyers. The rise of tycoons of the like of Carnegie, Rockefeller, and others were standards of the time, and competition was exceptionally fierce. For these reasons of industrialization, population booms, and the rise of big

business, it is no wonder we find an accompanying ideology to spur along justified growth. Social Darwinism found within its roots the ideas of Englishman Herbert Spencer. Having coined the phrase “survival of the fittest” within his *Principles of Biology* (1864), Spencer adapted the ideas of natural selection as contained within Darwin’s *On the Origin of Species*, and molded them to an economical setting. Survival was now fought amongst big businesses, producing the strongest and most vital industries above the others. Individuals such as Carnegie ran with the philosophical setting, arguing in *The Gospel of Wealth* for the moral and fiscal benefits such competition produced within man. One other intellectual who adapted the ideas to the industrialized setting, and considered the intellectual leader of Social Darwinism in America, is William Graham Sumner. In his *What the Social Classes Owe Each Other*, Sumner stressed individualism, free trade, inevitability of inequality, and the struggle of survival as a good. In a full throated argument against hand-outs, and the sanctity of a man’s hard earned work, Sumner summarizes the Social Darwinist’s *laissez faire* battle-cry where, in *What the Social Classes Owe Each Other*, he states that “rights do not pertain to *results*, but only to *chances*. They pertain to the condition of the struggle for existence, not to any of the results of it; to the *pursuit* of happiness, not to the possession of happiness...each has a right to acquire and possess property if he can,” (Dolbeare 285). It is for these arguments, clearly pro free-markets that we may point to Social Darwinism within the late 1800s as the peak of implemented *laissez faire* within the United States. It is also interesting that from this peak we also find its future drought.

Following the high *laissez faire* experienced during the era of Social Darwinism comes its first great challenge. Until the 20th century, *laissez faire* had remained lightly challenged, but greatly accepted. The inherited liberal tradition of Locke and Adams, as well as leaders like Jefferson, Jackson, Lincoln, the Social Darwinists, and others, cemented this tradition. However, from the Social Darwinist’ shadow, and in rebellion to them, came *laissez faire*’s first and greatest challenge: Progressivism and the Mixed Economy. Evolving from the Populist movements of the 1890s, and such popular notions as found in Edward Bellamy’s *Looking Backward*, Progressives began to interpret the ‘pursuit of happiness’ differently. Feeling as if the cut-throat capitalism found in industrialism was overly brutal, Progressives

started to question the meaning of democracy, and how to improve its quality. Herbert Croly, in *The Promise of American Life* (1909), perhaps best summarizes the progressives' intent, where he states that:

The democratic principle requires an equal start in the race...the chance which the individual has to compete with his fellows and take a prize in the race is vitally affected by material conditions over which he has no control...[yet] with the aid of exceptional strength and intelligence he may overcome the odds against him and win out. (Dolbeare 373)

Progressives such as Croly, Roosevelt, Brandeis and Wilson thus called for a bigger government to deal with bigger business and to thus even the playing field for those whom they saw as at a disadvantaged start ("there shall be two masters, the great corporation and over it the government of the United States," [Wilson, Dolbeare 395]). The results came in the form of Progressivism and its associated welfare state. A Hamiltonian government meant to enact good was called back into the picture, to again compete with its rival: the *laissez faire* allied Jeffersonian model. Progressivism called for a rejection of Social Darwinism, an equal start (in the form of welfare benefits, income taxes, free education, etc.), public ownership of industries, civil rights, trust busting, and other associated policies. This style of government had its greatest gains in power given the rise of FDR and the crash of the Great Depression. With the economy in a crisis, unchecked *laissez faire* was perceived as being the cause of the market burst, which resulted with progressivism seeing a boom. FDR and Wilson implemented various progressive policies, calling for 'new societies' of equality and welfare benefits. Perhaps the injury to *laissez faire* is echoed best in the words of Woodrow Wilson, where in his *The Meaning of Democracy* (1912), he states "America is not now, and cannot in the future be, a place for unrestricted individual enterprise," (Dolbeare 393).

Although *laissez faire* saw a serious low-point in the form of the interventionist policies surrounding the Great Depression, as well as the Keynesian critique of *Laissez Faire* and the resulting developments that turned the state into a mixed economy, there was no shortage of its support. Perhaps the greatest 20th century economist that idealized defense of *laissez faire* and free markets was found in Milton Friedman. A leader of the popular Chicago school of politics, Friedman advocated a minimized

role for the government in the economy, putting emphasis on private sector solutions for private sector problems. He rejected the Keynesian blame of *laissez faire* policies for causing the Great Depression, and although formerly a Keynesian himself, Friedman argued that it was actually too much government that caused and prolonged the market meltdown. Friedman developed the macroeconomic policy of monetarism, which focused on the connection between the supply of money and inflation. Friedman denounced the role of the government in micromanaging the private market, arguing that the private sector would respond to the government's efforts, thus nullifying any intended response. In addition, he argued for a natural rate of employment, and theorized that Keynesian policies would lead to stagnation (which they did). One cannot underestimate the importance Friedman has had on bringing a justification to *laissez faire* on economist grounds; bringing successful economic theory attached to the ideas of free market capitalism. His ideas have been popular amongst conservatives and libertarians, and have idealized an intellectual movement that has reshaped the study of economics, as well as having influenced leaders from Ronald Reagan to Margaret Thatcher, and such free-market success stories as the Chilean Economic miracle. For these reasons, it is no wonder that even such critiques as Princeton University economist Paul Krugman claims he is "the best spokesman for the virtues of free markets since Adam Smith," (Krugman 1).

Another interesting area that vehemently defended *laissez faire* within the 20th century comes from the direction of Ayn Rand and the associated school of Objectivism. Ayn Rand was a Russian-born screenwriter (having written the popular novels *The Fountainhead* and *Atlas Shrugged*, which still sells yearly in the 100,000's), philosopher, and rational individualist who heavily advocated a return to 19th century capitalism. Similar to the Social Darwinist of the 19th century, Ayn called for a purification of the economy in the form of laissez-faire capitalism, and designed an entire school of thought focused on such a purpose. This school, known as Objectivism, focused on rational egoism in ethics, calling for a rejection of the supernatural, as such ideas as religion and mysticism called for unproductive self-sacrifice. This school called on man to entertain his reason for selfish pursuits, seeing a purified form of rational selfishness as an engine to successful economics and government. To Ayn, individuals "must exist for his

own sake, neither sacrificing himself to others nor sacrificing others to himself. The pursuit of his own rational self-interest and of his own happiness is the highest moral purpose of his life,” (Rand 3). Clearly, such a quote recalls images of the self-motivated motifs of Social Darwinism, and one cannot be blamed for doing so. Perhaps Ayn wished to reinstall such an economic perspective in the modern setting by reviving it with new justification via her philosophical school of Objectivism. Her thought of perfecting the self-interested capital-driven man echoed earlier sentiments of Sumner, Carnegie and Spencer, as they all hoped to underscore the utter importance capitalists had in society (seen in her book *Atlas Shrugged*, which details the effect of industrialist and entrepreneurs going on strike and leaving the U.S. to establish a free economy, resulting with a collapse of U.S. society). In summary, Ayn Rand, although overlooked academically, is important in that she was not only a leading voice in the justification of *laissez faire* in the form of a philosophical school dedicated to individual-based egoism, but also in the development of one of the standard-bearers of traditional *laissez faire* capitalism in the current era: the modern Libertarian movement.

From these two great thinkers arose the future defenders of *laissez faire* policies: those of conservatives and libertarians. Although two cuts from the same cloth, and seemingly allies, the modern Conservative and Libertarian movements draw distinctions. However, both share in being greatly inspired by such free-market advocates like Friedman and Ayn Rand. The Conservative movement sought to rebuttal the effects of progressive economic policy, and given the renewed intellectual vigor of such individuals as Friedman, *laissez faire* found an invigorating voice in Ronald Reagan. Campaigning for free markets, Chicago type economic policy, ‘Reaganomics’, and individualism, Reagan led a conservative revolution that brought with it *laissez faire* ideals. Within his threefold conservative approach (free markets, strong national defense, and traditional family values), Reagan was able to push back some of the progressive economic changes. Fiscal conservatism till this day carries much weight within the modern conservative movement, and although damaged by large Republican spenders such as Nixon and the Bush’s, *laissez faire* is still considered a foundational position. In addition to Conservatives, modern Libertarians have grounded themselves even closer to *laissez faire* ideals. A strand

of American 'conservatism', Libertarianism derives its influences from such thinkers as Friedman, Ayn Rand, Goldwater, and others. Its approach is similar to those of the conservatives, yet it denounces traditional socially conservative stances, as well as adapting non-interventionist foreign policies. This renewed movement is best currently personified in the form of Representative Ron Paul, a severely fiscal-minded libertarian who champions *laissez faire* policies. A former 2008 contender for the republican candidacy, Ron Paul led a 'revolution' amongst libertarians, bringing about a lively grassroots styled campaign amongst dedicated youth. Perhaps it is in this surge of youthful libertarian interest, as well as the tradition of Reagan-type conservatism, that *laissez faire* policies will find its future's voice.

With the start of the 21st century, it is interesting to guess where *laissez faire* will go, and how future generations will interpret it. Given its rise and fall between the 19th and 20th century, it begs the question, given the current political climate, whether the 20th to 21st century will have similar experiences. At the moment, the U.S. government is experiencing its worst economic woes since the Carter years. In addition, *laissez faire* principles have been nearly trampled on, as the government has already secured over 200 billion in 'bailout' funds for the banking sector. In addition, ignoring numerous other car companies who met their demise in the 20th century, the 'Big Three' U.S. automakers are now pleading with the government for loans (GM, Ford, and Chrysler). Such bailouts of big business go both against the tenets of 'survival of the fittest' of the Social Darwinist era, as well as the anti-corporate attitude of Wilson and others. One is thus left with the impression that *laissez faire* is again experiencing a renewed debate on its existence in the economy. Having analyzed *laissez faire* within the 18th, 19th, 20th, and 21st centuries, and having explored such instrumental thinkers as Jefferson, Lincoln, Spencer, Croly, and others, we are left curiously looking for the free market's future. Will the torch finally be extinguished by these modern economic problems and government's interventionist bailouts? Will this crises finish where Progressives and the Great Depression left off? Or will the environment bring about renewed discussion, and a possible rediscovery of *laissez faire* as the answer to the economy's problems? It all too eerily emulates the Great Depression, and how Progressives blamed Hoover and an unchecked *laissez faire* economy (Hoover was hardly a non-interventionist). This renewed Jeffersonian versus

Hamiltonian narrative leads us to ask: Where then, is *laissez faire* to go? Perhaps the torch will be passed to the youthful hands of this libertarian 'revolution', or fortified within the fortress of old southern conservatism. Or perhaps the torch has finally met its match.

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