Chapter 4: Responding to Classical Liberalism

Key Terms:

Classical conservatism       Command economy
Communism                   Feminism
Human rights                Labour Standards
Labour unions               Marxism
Mixed economy               Progressivism
Socialism                   Universal suffrage
Welfare capitalism          Socialism

Grassroot Movements

* Protests against the effects of classical liberalism and capitalism were many and varied. Not all of these developed into complex ideologies, but they reflected the general discontent of the times among various groups of people.

Luddites

* By the early 19th century, skilled textile artisans were being replaced by machines operated by cheap, relatively unskilled labourers. The replaced workers formed a protest movement. Claiming to be led by Ned Ludd, disgruntled textile workers formed the Army of Redressers in 1811. The workers would
break into factories and destroy the machines that threatened their employment. The first attacks occurred in Nottingham. The idea quickly caught on, and the movement known as Luddism spread across the textile industry.

* The gov’t responded by declaring machine-breaking a capital offence – punishable by death – and ordered 12 000 troops into the areas where Luddites were active.

**Socialist Ideologies**

* **Socialism** refers to the ideology that believes that resources should be controlled by the public for the benefit of everyone in society and not by private interests for the benefit of private owners and investors. Co-operation is favoured over competition.

* The starting point for socialist ideologies was the reform of the political, social, and economic structures of the 19th century liberal society. Socialists rejected the lack of equality and humanitarianism in classical liberalism and deplored the social injustices that resulted.

**Utopian Socialists**
* In 1516, Sir Thomas More wrote a book called *Utopia*, which outlined his concept of the ideal society. The word *utopia* has since been used to refer to any imaginary, perfect world meant to serve as a model for real life.

* The Utopians were essentially humanitarians who advocated an end to the appalling conditions of the average worker in the industrial capitalist countries of the time.

* **Robert Owen** (1771-1858) believed that the harshness of life under laissez-faire capitalism corrupted human nature. In 1800, Owen became mill manager of the Chorton Twist Company in New Lanark, Scotland, the largest cotton-spinning business in Britain. He subsequently bought the business with several partners. Owen used this opportunity to put his beliefs into practice. New Lanark became a model community to demonstrate his utopian principles.

* Owen improved the living conditions of the workers. He wanted to improve all aspects of the workers’ lives, including their moral character.

* Socialist thought ranged from the moderate and democratic social reform to radical revolutionary
Marxism. Socialists agreed on the following beliefs and values:

- private ownership of the means of production permits exploitation
- the state should direct the economy to achieve economic equality for all citizens
- society should be classless

**Marxism**

*Marxism* is a radical form of socialism, often called scientific socialism or *communism* to distinguish it from other socialist ideologies. Marx developed a theory that history is the story of evolving class warfare. According to Marx, the only way to overthrow capitalism was by means of a class struggle between the proletariat (workers) and the bourgeoisie (owners). He argued that this workers’ revolution was necessary before any significant changes could be made in society.

* Marx collaborated with Friedrich Engels to write *The Communist Manifesto* in 1848. Marx believed that economics was the foundation of society and the means of production, such as factories, needed to be in workers’ hands.
* The abolition of private property and the centralization of the means of production in the hands of the state would become essential characteristics of the economy of countries that implemented Marxist ideas and communism.

* Socialism in France split into two movements following the First World War; moderate democratic socialists and communists. The socialists were non-violent in their search for the ideal socialist world, while the communists were more pragmatic and focused on Lenin and the achievement of communism in the Soviet Union through opportunism and revolution.

* By the 1930s, Marxism had become very popular in France and elsewhere among intellectuals and writers. The Soviet Union enjoyed great prestige as it flourished economically during the Great Depression, which seemed to demonstrate clearly that economic liberalism had failed.
Classical Conservatism

* The Luddites were not the only reactionaries of the times. The development of classical conservatism was also a reaction to classical liberalism. **Edmund Burke** (1729-1797) viewed the events of the French Revolution from Britain and is identified with the development of the ideology of classical conservatism.

* Burke came to different conclusions when faced with the same political, economic, and social realities. He did not accept the beliefs and values of classical liberalism, preferring those of the pre-industrial past. He believed that gov’t represented not only the will of the people presently living, but also the legacy of people who had gone before, and the inheritance of those yet to come. Change, therefore, could not be dictated by the whims of the present generation. Change, if it all came at all, had to honour the citizens of the past and the future.

* Burke’s was one voice of many. Burke and other classical conservatives shared a set of beliefs:
  - society is an organic whole that should be structured in a hierarchical fashion with those best suited to leadership at the top, because people do not have equal abilities
• gov’t should be chosen by a limited electorate with special rights, responsibilities, and privileges
• leaders should be humanitarian – their role includes the responsibility to care for the welfare of others
• the ability of society is the paramount concern, to be achieved through law and order and the maintenance of the customs and traditions that bind society together

Welfare Capitalism

* Classical liberals began to recognize that some modifications were necessary. The basic premise for these modifications was an acceptance of the notion that laissez-faire capitalists needed to consider the rights of workers and develop a social conscience. Many industrialists began to provide their workers with non-monetary rewards to earn their loyalty. In America, the term welfare capitalism referred to these kinds of initiatives by industrialists. In the rest of the world, however, welfare capitalism referred to a classical liberal economic system combined with a gov’t that used legislation to give workers protections such as limited working hours and a minimum wage, as well as pensions and medical insurance.
Welfare State

* The movement from welfare capitalism to the welfare state was spurred by the Great Depression. Widespread business failures and impoverishment called laissez-faire capitalism into question in a way never before experienced. The Great Depression became a catalyst for change, and what began to emerge was modern liberalism as we know it today.

* The Great Depression was not caused by any single event, but it was a direct result of a free-market economic system. During the 1920s, mass production and consumer spending reached new heights.

* The world market for grain was flooded and the price of grain crashed. This signaled the beginning of a general rush of people to sell their stocks. In September and October of 1929, the stock market fluctuated wildly. Despite efforts to bolster the market and retain investor confidence, panic selling began on October 24 and the market crashed on October 29.

* The stock market crash began an interrelated series of events that resulted in the Great Depression. Banks failed as people withdrew their money.
Factories closed, causing unemployment, and unemployment in turn, resulted in even more factory closures as the unemployed could no longer afford to buy goods. International trade declined as countries instituted tariffs to protect domestic manufacturing.

**Keynesian Economics**

* **John Maynard Keynes** (1883-1946) studied the Great Depression and developed a new economic theory. He believed that classical liberal economic theory, the basis for the market economy, was based on a fundamental error.

* Classical liberals believed that there would be full employment if supply and demand were in balance. Keynes used the Great Depression as proof that this was not true. He stated that the economy was essentially unstable and a balance between supply and demand would not necessarily result in full employment because in times of stress, people hoarded money and failed to invest in the economy, thereby creating and prolonging a recession.

* According to Keynes analysis, periods of inflation are followed by periods of recession. Because the price of everything rises too high during the inflationary cycle, companies shut down and workers
lose their purchasing power. The slowdown affects other companies, who also cut back. A recession, if long and severe enough, becomes a depression.

* The market system is driven by the simple laws of supply and demand. When goods are plentiful, prices come down, and when they are scarce, prices go up. This holds for labour and all other components of the market, including interest rates.

* Keynes argued that the economic cycle of inflation followed by recession was caused by one factor: consumer demand. All that was required to moderate market fluctuations was for someone, or something, to regulate consumer demand.

**Labour Standards and Unions**

* During the 19th century, labourers who wanted to improve their standard of living began to attempt to form unions. What this involved was recognition of a new right – the right to organize and bargain collectively. If all the workers in one particular trade were united, they could bargain collectively for better hours and wages and threaten to go on strike if their demands were not met. Unions gradually prevailed, and an increasing number of workers gained the right to form unions.
Universal Suffrage

* Classical liberalism proclaimed the equality of men, meaning the male gender, but in reality only certain men were equal. In Canada, which lacked an aristocracy, wealth replaced birth as the qualification for voting. Men had to either own a certain amount of property or pay a certain amount of money in rent or taxes. Women, First Nations peoples, and certain religious and ethnic groups were not allowed to vote.

Equality Rights for Women in Western Democracies

* **Feminism** at its simplest, is the belief that men and women are to be treated equally in all respects. Modern feminism had its roots in the Enlightenment thinkers who demanded “the rights of man”.

* Some women fought against the classical liberal view of women. Nonetheless, an ideology of “separate spheres” emerged, and by the 19th century’s Victorian era this ideology was firmly in place, reinforcing the inequality of women. At its root was the view of women as clearly inferior to men. Women had no voice in the restrictions placed on them, so most women acquiesced to them, either willingly or under force. Women developed the characteristics of this sphere into their own ideology.
* By the 19th century, a number of women viewed their desire to contribute to the larger society as an extension of their feminine sphere. By the 1860s, suffragists began to argue for the right to vote, feeling that political power was the only way to achieve their goals. What began as religious and charitable activity evolved into political activity in this first wave of feminism.

* The Canadian gov’t recognized the right of women to be appointed to public office in 1929. During the 20th century, the gov’t passed laws to accord women more equal rights in the law; in marriage, divorce, and abortion; and in the workplace. In addition, gender equality rights were entrenched in the Charter of Rights and Freedoms.