

J. S. MILL: THE UTILITARIAN INFLUENCE IN THE DEMISE OF *LAISSEZ-FAIRE*

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The period which encompasses, roughly, the years from 1836 to 1870, was the critical one for political economy as conceived by Adam Smith. It was at this juncture that some of the inconsistencies in the doctrine of the Classical Economists of the earlier years came to be questioned, that certain tendencies in the old position which were opposed to *laissez-faire* came to full fruition, and that the old notions of the nature of political economy as a discipline came under close scrutiny and were, ultimately, transformed.

The anti-regulationists, the heirs of Adam Smith, won perhaps their finest battle in the 1840s with the repeal of the Corn Laws under the prodding of the leaders of the Manchester School, Cobden and Bright. But from then on the tide seemed to reverse itself as critics, such as Cliffe Leslie, a follower of the German Historical School of economics, and the socialists, focused upon the supposed shortcomings of the free enterprise, self-interest system. Initially, the main focus of attack was upon the distributional aspect of free competition, with the claim being that the ideal of distributive justice was not attained in an individualistic, competitive system where some men inherited great fortunes and enjoyed most of the fruits of other men's labor. Gradually, the Smithian claim that a system based upon individual self-interest would lead to the maximization of national output fell under critical scrutiny. Charges were levelled that such an organization of industry wasted both human talents and natural resources, and that it tended towards monopoly and the curtailment of output in an effort to raise prices artificially.

The orthodox political economists — i.e. those who considered themselves to be the

followers of Adam Smith, or Smith through Ricardo — contributed to this re-evaluation of received doctrines and also reacted to the assaults upon it by its most influential critics, the socialists. John Stuart Mill, Cairnes, and Sidgwick, particularly, devoted a great deal of effort to evaluating the validity of these attacks upon Classical Economics, and they themselves lent appreciable impetus to the movement away from viewing political economy as definitively proving the validity of the system of *laissez-faire*. Thus, the received doctrine suffered considerable assault both from its avowed enemies and its putative supporters.

Also in this period, under the influence of Nassau Senior and J. S. Mill, political economy as a discipline underwent a metamorphosis in scope and method. The Smithian conception of political economy came under attack. Smith had conceived of it as a science for perceiving natural laws and formulating principles of direct assistance to the legislator in his efforts to maximize national output. Senior and Mill divided political economy into a "science" and an "art", following the hint offered by Bentham, with the "science" having nothing definitive to say to the political artist, the legislator. Senior even went so far, at one point in his life, as to deny the very possibility of an "art" of political economy. The general result of this discussion of scope and method was to give further impetus to the movement to disassociate political economy from the practical prescription of *laissez-faire*.

If political economy *qua* "science" could not offer practical advice with any certainty, if considerations other than economic ones must be weighed by the legislator in making policy decisions on economic matters, then the "science" of political economy cannot defin-

itively establish the validity of any one system of industrial organization over any other. It cannot prove that *laissez-faire* should everywhere and at once be enacted, nor can it disprove a socialistic, regulationist organization of society. It can merely analyze the economic effects of either system, and it can only do this abstractly and hypothetically.

As we examine these changes, it will become apparent that, under the twin influences of the socialists' critique of political economy and the changes wrought by its defenders, political economy came to recognize ends other than the single Smithian one of the maximization of national production. The justice of the distribution effected by the free market became a question of critical importance to political economists of the orthodox school. The problems of poverty and the working class became a much greater concern to these men than it had been to their immediate predecessors.

John Stuart Mill was the dominant influence in this period. It was he who provided the theoretical justification for the abandonment of *laissez-faire*. He did so, not, I have concluded, by any innovations on the level of "pure" economic theory, for in such matters he was a strict Ricardian, accepting the cost of production theory of value, the wages-fund doctrine, the subsistence law of wages, the Malthusian population theory, the Ricardian rent doctrine, and the projection of a future stationary state. No, we must look elsewhere for Mill's contributions to the demise of *laissez-faire*. It was, rather, in his reappraisal of Bentham's moral principle of utility, in his distinction between the laws of production and the laws of distribution, in his sympathetic examination of socialism, and in his enthronement of expediency as the regnant principle with regard to governmental intervention in the economy, that Mill's influence proved decisive. Let us first examine Mill's reformulation of the greatest happiness principle.

1. MILL'S UTILITARIANISM

Mill was far less of a political egalitarian than Bentham. In his moral system, too, Mill

was much more of an elitist than Bentham. He criticized Bentham for placing all pleasures, intellectual and banal, upon an equal footing, discriminating between them not on their quality but merely their intensity and duration, as well as their tendency to produce subsequent pleasures unalloyed with pains. Mill attempted to place pleasures in an hierarchical order based upon their "intrinsic" quality rather than their "circumstantial advantages" as he implied Bentham had done.¹¹ In order to accomplish this ranking of pleasures, Mill had to invoke the Platonic notion of the wise man capable of judging between pleasures of the flesh and those of the mind. Having experienced both, he can be the only one capable of judging between them. This *deus ex machina* affixed to the Benthamite principle of utility changed it essentially from a principle giving equal weight to everyone's pleasures regardless of their nature as judged personally by the legislator to a principle which required some omniscient elite to declare which pleasures are to be preferred, which are to be discouraged by legislative policy, and who is going to be encouraged in his mental pleasure and who discouraged in his venal delights.

While Mill insisted that each man is to be treated as one and his pleasures given equal consideration, it is quite evident that his principle, by leaving much greater room for individual value judgments by a "moral legislator", permits and necessitates an ever greater measure of discretion on the part of civil authorities given the task of evaluating policy recommendations in the light of their tendency to promote the greatest happiness of the greatest number.

Bentham's principle of utility is open to objection on the grounds that it leaves too much room for arbitrary decisions on the part of government officials in applying the principle to concrete cases. The reason for this is the elusiveness of the principle itself. In fact, the principle is really two principles — one dictating that the individual pursue the greatest happiness for himself, and the other directing that the general good of society as a whole ought to be the end. And, furthermore, the principle is not decisive as to whether a policy

affording a greater total happiness with great inequality is to be preferred to one offering smaller units of happiness but with a more equal distribution. The relevant question at this point being — did Mill provide an explanation of the principle of utility which could overcome these objections, or did he succeed only in muddying the waters a bit more?

Mill follows Bentham's example in declaring that, like all ultimate ends or first principles, the principle of utility does not admit of proof in the ordinary meaning of the term.¹²¹ The sole evidence that anything is desirable is the fact that people do actually desire it. Mill claims, then, that no reason can be offered why the general happiness is desirable except that each person desires his own happiness; each person's happiness is a good to that person, therefore, the general happiness is a good to the aggregate of all persons. Thus, Mill commits the same logical fallacy, the fallacy of composition, that Bentham committed before him. Given the syllogism that:

Frederick desires Frederick's happiness

and Albert desires Albert's happiness . . . therefore

Frederick and Albert desire the happiness of

Frederick plus Albert.

This is simply not a logically legitimate deduction; for it to be legitimate one would have to assume the following additional premises that:

Frederick desires Albert's happiness and
Albert desires Frederick's happiness.

The point being that one cannot deduce from the statement that each individual prefers his own happiness over his own pain that, therefore, the happiness of the aggregate of all persons is an object of desire for each one of them, or desirable for them, or even to say exactly what that would mean. Mill has not improved on Bentham's argument at all in this respect, which is rather curious considering Mill's otherwise acute logical faculties.

Mill underscored the importance of the moralist and legislator placing the happiness of all people upon an equal footing. It is important to take note of his phrasing because

it differs from Bentham's. What he says is that this equal claim of everyone to happiness involves an equal claim to *the means* of happiness, except to the degree that the inevitable conditions of human life and the general interest set limits to this maxim.¹³¹ The conclusion being that all social inequalities which have ceased to be considered expedient assume the character not simply of inexpediency, Mill maintains, but of injustice — they appear tyrannical. One may conjecture, then, that if private property, for example, were to cease being considered expedient, then it would be just to abolish the institution and its inherent inequality. Actually, one need not engage in speculation on this score, for this is precisely Mill's argument in the *Principles of Political Economy* and his "Chapters on Socialism". If it were proved that socialism could provide a feasible alternative to capitalism and, in addition, Mill's concern over its possibly deleterious effects upon individual independence and creativity could be overcome, then socialism would be acceptable.

It is quite evident that Mill's moral foundation is much more radical than Bentham's, for Mill says that each individual has a claim to equality in the *means* of happiness, and this is something Bentham did not maintain. The implication of Mill's foundation, is, clearly, that each individual, so far as it is possible, considering the demands of general happiness and the conditions of development of the society, has a claim to be supported.

Mill improved upon Bentham's doctrine in one respect, that of clarity, when he declared that the Utilitarian standard is not the agent's own greatest happiness but the greatest amount of happiness altogether. He chose the collective formulation of the principle explicitly, while Bentham shuttled from the individualist to the aggregative formulation depending on the occasion. The result of this choice on Mill's part was that the principle became much more collectivist in orientation, more sympathetic, and more concerned with unselfish beneficence. Noble characters are necessary to the fulfillment of the Utilitarian ideal. Between his own happiness and that of others, Utilitarianism, Mill enjoins, requires one to be as strictly

impartial as a disinterested and benevolent spectator. The Christian moral injunction of Jesus is quoted with approval as personifying the ideal of Utilitarian moralists — to do as you would be done by, and to love your neighbor as yourself.¹⁴¹ This summons up memories of Smith and his “impartial spectator” much more than it does Bentham. Although Bentham did say that beneficence was a virtue, his man was beneficent for the rewards it would bring to him and not for some abstract ideal of sympathy with mankind.

For Mill, the Platonic wise man is more than a philosophical construct designed solely to provide a theoretical tool by which to judge between pleasures. Bentham’s famous epigram is categorically rejected by Mill. It is better to be a human being dissatisfied, he triumphantly declared in contravention of Bentham, than a pig satisfied, better to be Socrates dissatisfied than a fool satisfied. The final judges between pleasures must be the ones who know both the mental and physical pleasures, or be a majority of such men if they disagree. That this doctrine had more cogency when it was buttressed by the Platonic teleology of the realm of the Ideas, is abundantly apparent. The Platonic man of wisdom was in touch with the Forms, with an existent hierarchy which had more reality than the flux of the natural world. When he claimed that the study of mathematics was, say, superior to the life of a farmer, he had an entire eschatology to back him up. Mill’s wise man has no such claim. Where does he get this authority from; who designates him as the authority for a particular society; and how does one know that he truly knows all pleasures and is unbiased and a perceptive observer? An infinite regress seems to be involved here. One would need wise men to designate the wise men, and other wise men to select the first group . . . These are all problems raised by Mill’s innovation, but he does not answer them.

Mill’s explication of the principle of utility left much greater room for discretion, for arbitrary determinations of what constitutes the greatest happiness of society on the part of legislators and moralists, than did Bentham’s already loose formulation. It is quite evident, also, that Mill’s greater emphasis upon man’s

social nature and his identification of his own interest with that of the whole, left the way open for a much more favorable attitude towards government intervention in the economy and even socialism, should the expediency of the latter prove evident. The tension between individualism and the aggregative implications of the principle of utility were still apparent in Mill, but, except in the extreme case of total social homogeneity, Mill seemed less troubled than Bentham by the need for social unification and harmonization of interests.

2. THE PRODUCTION — DISTRIBUTION DISTINCTION

In his *Autobiography*,¹⁵¹ Mill characterized the original element in his political economy as consisting in the distinction he drew between the laws of production, which he said had the properties of natural laws, and the laws of distribution, which were subject to human intervention and man-made conventions and institutions. He claimed to have been awakened to this distinction, which he said was overlooked by previous political economists, by his reading of the St. Simonians and the promptings of his wife, Harriet Taylor Mill. However, Senior made the same distinction in his *Outline of Political Economy* in 1836, although he was not prompted by this observation (as Mill was) into questioning the validity of private property and the general framework of the competitive system. Mill is justified, then, in crediting himself with the thorough application, if not the original formulation, of the “production-distribution” distinction.

Let us now examine Mill’s argument rather closely and critically, because it is the basis of all his subsequent endeavors at disassociating political economy as a science from any *a priori* association with or justification for a particular economic system or method of property distribution; i.e. of his efforts to purge political economy of any identification with the *laissez-faire* system exclusively. What Mill maintained was that the laws pertaining to the production of wealth are “real laws of nature”, dependent on the properties of objects, the “unchangeable conditions of our earthly existence”, and the

knowledge we possess of these properties at any given time. The laws of distribution, on the contrary, are dependent on the human will, and merely the necessary results of particular social arrangements, although the consequences of such laws are not arbitrary. Mill's predecessors, he argued, failed to distinguish between the two kinds of laws and assumed that the existent social arrangements — for example, the determination of wages, prices, and rents — are inherent necessities, impervious to human intervention and will. The existent institutions and customs of a particular society, which constitute the conditions and presuppositions upon which deductions about the shares of distribution must be made, are treated by Mill as transitory, as not "final". With progress and social improvement, these presuppositions (for example, the existence of private property) are liable to be altered, and, hence, the laws of distribution, which depend partly on necessities of nature and partly on social arrangements, will be correspondingly transformed.

Mill's contention that there is nothing optional about the "natural laws" of production,¹⁶ which depend upon antecedent accumulation, the ultimate properties of the human mind, and the nature of matter — while the distribution of wealth is conducted at the discretion of society — is superficially quite appealing. "The things once there, mankind, individually or collectively, can do with them as they like",¹⁷ he argued, and any disposition takes place at the "consent of society". Men are permitted to keep what they produce at the option of those in authority, and the rules, consequently, differ at different times and in different places. However, the consequences of these rules of distribution are not arbitrary, and are as much like the character of physical or natural laws as are the laws of production.

Now, if these laws of distribution have consequences which are not arbitrary but necessary and uncontrollable by human will, then in what manner do they differ from the laws of production? The latter, too, can be altered by human intervention — we can attempt to construct better organized assembly lines employing more sophisticated technology, but we can also, in our ignorance, utilize

methods inappropriate to the desired end. Similarly, in the case of distribution, we could redistribute property with the objective of achieving equality, or greater production, only to find that we have instead created chaos and the reemergence of inequality by the back door of black markets. In the former case, production has been curtailed by the application of counterproductive means; in the latter case, intervention in the distribution of productive resources has led to the consequence that less is available for distribution. In what way do these cases differ? Mill admits that production depends on more than the properties of matter, that its extent and sophistication is attributable to an additional cause, which is the extent of human knowledge concerning the physical universe and its laws. The breadth of this knowledge is, then, dependent upon human volition, character, motivation, etc. If we are ignorant, apply inappropriate means, or lack diligence at our labors, our steel will crumble, plaster will crack, and our tractors will lay broken and idle in the fields. Production can be further affected by human intervention to the extent that government regulatory agencies dictate the minutiae of industrial processes to industry.

Mill does not deny all this, yet he fails to see that, just as the "laws of distribution" of goods can be affected by government activities, so can the "laws of production". In the case of distribution, private property can be proscribed or income can be progressively taxed; while in the case of production, featherbedding may be legislated, or minimum wage laws, or environmental codes, etc. Furthermore, when the laws of distribution are altered, production is affected, a consequence which Mill was well aware of when it came to analyzing the effects of socialism upon production, but a truth which he apparently lost sight of in the process of drawing his theoretical distinction between the laws of production and distribution. If authorities intervene in the productive process, and alter the "laws" or rules of production in an unenlightened manner, then less will be produced — this would constitute a natural law under Mill's terminology. And if the same authorities intervened to abolish private property or

confiscate incomes above the subsistence level, then less would be produced (due to lack of incentive, mal-administration, etc., according to Mill himself) and less could be distributed — this, too, seems to carry the causal necessity of a “natural law”. Mill’s distinction appears to have collapsed. Men can intervene to alter the rules of production, the laws which approximate most nearly to reality and hence secure the greatest output, and they will pay the necessary and inevitable consequences. In a similar fashion, they can alter the rules of distribution, but they will suffer the inevitable consequences if their intervention was of a kind which went against man’s nature, his motivational mechanism, and his natural desires. Men can “violate” the “laws of production” as well as the “laws of distribution”, and they will pay the consequences in both instances.

Mill’s purpose in drawing this distinction, as he stated it in the *Autobiography*, was to underscore the point that societal arrangements regarding distribution — such as private property — could not be assumed to be inevitable, or immune to human intervention, as he said previous economists implicitly held. To the extent that any of the earlier political economists suffered from such a misapprehension his distinction, though invalid if our previous argument was correct, may have hinted at an important truth; i.e. that economists should not assume the permanence of the existing economic relationships. But it is difficult to point to any of the English Classical economists, with their attention to other systems, such as Mercantilism, Agriculturalism, and Socialism, who suffered under that particular error.

The *Principles of Political Economy* represented another significant departure from previous treatments of the subject in that its format reversed the order of the subtopics of Exchange, Distribution, and Production, as the subject matter had been presented by Adam Smith and his followers. The format of the *Principles* appears, on first inspection, to be logically organized, proceeding from Production to Distribution and then to Exchange. However, it is actually inverted, because production is not the primary constituent or the

proper starting point of economic investigation. Men’s needs, desires, and expectations comprise the fundamental constituent in political economy, for it is these aspects of volition which govern what is to be produced, how much is to be produced, and in what manner production is to be carried forth. Production, then, is a derivative, not a causative agent in the economic process. Mill categorized political economy as a mental science, heavily dependent upon an analysis of man’s nature and his motivations. Thus, it appears that for a science so conceived, the order employed by Adam Smith in the *Wealth of Nations* — beginning with man’s inclination to truck and barter and its consequence, the division of labor, and then proceeding to a discussion of exchange and exchange value — is far more logical.

Thus, Mill lost sight of an important element in Smith’s political economy; its consumer orientation. For Smith, all production had as its end the satisfaction of human needs. Consumption was the end of production. By placing production first in his treatise, Mill undercut the very purpose behind the whole process, which was in Smith the effort by each individual to secure the means of his own survival and enjoyment. By treating production as a primary, as almost a given, Mill was able later in his discussion of distribution to treat the products of industrial society as almost pre-existing entities, there to be distributed by those in authority. While Mill was careful to analyze the effects of changes in distribution on production — he is not being accused, here, of having committed any sins in that regard — his order of discussion of production and distribution served the same purpose as the “production–distribution” distinction; i.e. to sever the connection between the laws of economics and the political prescriptions associated with the *laissez-faire* doctrine. In pointing this out, we are not imputing a particular motivation to Mill; rather this was his stated purpose, admitted quite freely in the *Autobiography* — although not in the *Principles*. But we are questioning the validity and cogency of the means he employed for effecting this objective; i.e. the “production–distribution” distinction

and the order "production-distribution-exchange" followed in the *Principles*.

3. MILL'S EVALUATION OF SOCIALISM

Mill's treatment of the laws of distribution, which included his controversial and famous analysis of the leading socialist movements of his day, was the outcome of his "production-distribution" distinction. If all laws of distribution were, indeed, man-made, and men held their products only at the sufferance of society, then all existing property relations can be brought into question. Is the present distribution of property just? Is it expedient? Does it provide for the weak and the poor? Questions of this type become a crucial part of the political economists' task.

As Mill revised his *Principles of Political Economy*, his attitude towards socialism underwent subtle changes of both tone and substance. In the first edition of 1848, he appeared to be more critical than he did in the third edition of 1852; and, finally, in his posthumously published "Chapters on Socialism", he partially reverted to his earlier skepticism, putting greater emphasis upon the measures by which the private property system could be improved and perfected, rather than upon the vision of a far distant socialistic future which had seemed to hold considerable attraction for him in 1852.

Inequality of property, and the injustice of some being born to riches and others to poverty, drove Mill and his wife, Harriet Taylor, towards socialism and away from democracy, abandoning pure democracy out of fear of the ignorance and brutality of the as yet uneducated masses. Their socialist vision encompassed the following elements: a society which would be divided no longer into the idle and the industrious; in which the rule that those who do not work will not eat should be applied impartially to all; in which the division of the produce will be made in concert on an acknowledged principle, and not on a mere accident of birth as at present; and in which individuals will strive to procure benefits for society as a whole and not merely for themselves. Education, habit, and the cultiv-

ation of the sentiments must operate first to change men's characters or, rather, to develop the inherent social feelings which have been discouraged under the present system. Generations will have to pass before men will achieve this state, but man's constitution does not prohibit such an interest in the common good. Existing institutions serve to accentuate people's self-interest motivation, but through small, communal experiments other institutions could be developed and perfected which would bring out the communal tendencies of man. Private property cannot be dispensed with before these other, selfless motives have been cultivated, but its continued existence should be considered as "merely provisional".

In the third edition of the *Principles*, which contained the critical revision of the socialist argument, Mill contended that one cannot say that schemes of common ownership are impracticable. His former objection — that, under socialism, men would shirk their fair share of labor with the result that productivity would be curtailed and also that new inventions and methods would be less likely to be tried by bureaucratic personalities — is now deflated with the claim that in the modern business world each man does not reap the rewards of his own labor directly, anyway, so that the same objection can be lodged against the existing system. Men, he thinks, are capable of a much larger public spirit than they are ever called upon to display in our competitive system, and, even if such were not the case, they would, under socialism, prove no lazier than men on a fixed salary today. Thus, the extent to which energy would be either depleted or enhanced is an open question, one that cannot be decided *a priori*, but, rather, must await the onset of socialistic experiments.

To another of his former criticisms — that the assurance of subsistence would increase population — Mill now felt that public opinion, which would constitute a much greater force under socialism, would prevail against the instinct towards selfish intemperance. Finally, the problem of the difficulty of fairly apportioning labor is dismissed as not an insurmountable objection. Anyway, such a system, no matter how imperfect it might be, or how

far it missed the ideal of perfect justice, must be less unjust than what we have at the present time. Thus, Mill asserts that if the choice were between the current state of affairs as of 1852, in which the harshest labor is the least remunerated, while those who labor not at all get the most reward, or Communism, he would choose Communism.

However, the possibilities were more extensive than that. First, less extreme schemes of a socialist nature could be devised, on the order, perhaps, of the St. Simonian or Fourierist variety. By apportioning more benefits to those who work more, they would approach a less perfect ideal of justice than the absolute equality of the Communist system, but they would be more just than what exists currently. While praising both these movements, Mill criticized the St. Simonians for their select, scientific boards to apportion work, suspecting that such control would not be tolerated. Fourierism is praised for adapting the motive to exertion which exists in present society to a more just system of ownership and control. And second, Communism must be compared to the private property system as it could be at its best, when it would be freed from its origins in usurpation, conquest, and violence, and made truly the system which rewards men on the basis of their labor and not the labor of others, unfairly acquired. "The laws of property", Mill argued, "have never yet conformed to the principles on which the justification of private property rests".¹⁶¹

If the law had taken as much pains to ameliorate the inequalities arising from the workings of the individualistic principle as it had in aggravating them, if legislation had favored the diffusion of wealth rather than its concentration, then the principle of private property would have no necessary connection with the physical and social evils which socialist writers attributed to it as inherent properties.¹⁷¹ Comparing capitalism at its best — i.e. as the system which guarantees to each individual the fruits of his own labor and abstinence, while all that is opposed to this principle is expunged — with Communism at its best, Mill concludes that we are too ignorant to judge which of the two systems will be the ultimate form of human

society. The choice will probably depend, Mill hopes, on which system allows for the greatest amount of human liberty and spontaneity.

This last consideration was closest to Mill's heart, and he once again warned that liberty, which stands next in order of priority to subsistence, must never be sacrificed to the desire for affluence or equality. Socialism, however, could be so arranged that it would not fall victim to such a mistaken hierarchy. "The restraints of Communism would be freedom in comparison with the present condition of the majority of the human race",⁽⁸⁾ he wrote. Most workers under capitalism have little more freedom than slaves, and women are subject to domestic tyranny. Despite his inclinations towards socialism, as offering a more just ideal for mankind, Mill could not remove from his mind that nagging worry that the uniformity in thought which he saw as spreading and eventually engulfing society, would be accentuated under such a system, for it would present an education even less diverse than in his time. The perils to individuality presented the most troubling aspect of socialism or communism.

This is as far as Mill ever went in the direction of socialism. It is indeed much further than any of his predecessors among the Classical economists had gone. They condemned socialism as totally impractical and economically disastrous, if they considered it at all. Mill's approach was friendly, yet cautious and irresolute. His attempt to analyze socialism and the attacks upon the private property system advanced by its proponents was enlightening and long overdue from the Ricardian economists. What Mill concluded, then, was that the future would hold the answer, that the decision as between private property at its best and Communism perfected, would be made by future generations. In the meantime, all forms of socialism deserve a trial on a small scale, with only willing participants, and at no peril to the rest of society.¹⁹¹

4. GOVERNMENT INTERVENTION IN THE ECONOMY: SUBJECTED TO THE STANDARD OF GENERAL EXPEDIENCY.

In the final book of the *Principles*, Mill

began by displaying the inadequacy of the political principle which would restrict government intervention to the protection of the individual and his property from force and fraud. He argued that such a restrictive principle would not permit acts of governmental interference which every reasonable man and every existing government does and must acknowledge as a legitimate function of the state. The nearest one can come, Mill admonished, to laying down a universally applicable principle in regard to the proper limits of government activity is to say that any action which is *generally expedient* for the government to perform, any action which men want the government to take, it has a right to execute. However, he did acknowledge the non-interference principle — that is, *laissez-faire* — as the general principle, departures from which must be justified by a claim of overriding expediency.

In appearance, then, this was a very Benthamite formulation. But as Mill's argument unfolds, and the circumstances in which governmental interference are recounted, the principle of *laissez-faire*, even as a guideline, is almost completely negated. Finally, he declared that in particular circumstances, there is not anything important to the general interest which the government may not do if individuals are not doing it or cannot do it.¹⁰¹

Mill found the *laissez-faire* doctrine — that government should be limited to protecting people against force and fraud — *entirely too arbitrary and restrictive*. Other functions of government which command almost universal agreement are eliminated by this principle, including: establishing and enforcing laws of inheritance, defining property, obliging people to perform their contracts, and deciding what contracts are fit to be enforced. All these are proper governmental functions, universally acknowledged to be valid. Also, governments perform a whole range of services simply because they "conduce to general convenience"; examples of which are — coining money; prescribing a set of standard weights and measures; paving, lighting, and cleaning streets; raising dykes and embankments, etc. In addition, there are limits to the doctrine that

individuals are the best judges of their own interests in that such a principle is applicable only to those people who are capable of acting in their own behalf. The exceptions are children, lunatics, and those fallen into imbecility, over whom the government may act as protectors of their interests. All these functions — the necessary functions of government, inseparable from the very idea of government, or exercised habitually and without objection by all governments — are fundamental to government, and they constitute the minimum that any government performs.

But enough has been said to show that the admitted functions of government embrace a much wider field than can easily be included within the ring-fence of any restricted definition, and that it is hardly possible to find any ground of justification common to them all, except the comprehensive one of *general expediency*; nor to limit the interference of government by any universal rule, save the simple vague one, that it should never be admitted but when the case of expediency is strong.¹¹¹

Mill distinguished these kinds of activities from the optional functions of government, about which there could be disagreement concerning their efficacy or desirability. The distinction between the two classes of activities is, apparently, not a rigid one, for two classes of functions are not to be determined on different principles — both are to be subjected to the test of expediency — but the former are distinguishable from the latter only by the fact that the former comprise functions which are *universally undertaken by all governments*, while the latter embrace activities sometimes judged expedient and sometimes not.

Mill first considers the economic effects arising from the manner in which governments perform their necessary and acknowledged functions. These include raising taxes, enacting laws regulating property and contracts, and enforcing the laws through a judicial apparatus and a police force. On the subject of taxation, Mill endorsed Smith's four maxims — (1) that the subjects should contribute in proportion to their respective abilities, (2) that the tax paid by each should be certain and not arbitrary, (3) that it should be levied in a convenient manner, and (4) that it should take from the people as little as possible over what it deposits in the

treasury. However, he thought that equality of taxation, the first of Smith's propositions, warranted further elaboration. His conclusion being that while a graduated income tax would be unacceptable, as a penalty on the prudent to relieve the prodigal, a graduated tax on estates would be acceptable as a means of diminishing inequalities of wealth. Such a graduated estate tax would be justifiable on the grounds that it would only effect unearned fortunes. On the same grounds, it would be advisable to tax any kind of income that would have a tendency to steadily increase without effort on the part of the recipient. For unearned incomes of this type, it would be no violation of the principle on which private property is grounded (here, Mill is referring back to his previous argument concerning the genesis of landed property) if the state should appropriate this income. Thus, the "unearned income" of landlords could be legitimately appropriated by the state; by the standard of the "general principle of social justice" they have no claim to this income. Mill drew this conclusion as a direct result of Ricardo's theory of rent, which he adopted, combined with his own theory of property which excluded land from the category of things over which men can have a fixed and unchallengeable claim.

Concerning the economic effects of ordinary government activities in the other two areas, regulating property and enforcing the laws, Mill emphasized the point that oppression by government was worse than insecurity of property or anarchy. And he described, in typical Smithian and Benthamite fashion, the various erroneous theories upon which acts of governmental intervention had been justified. (He did, however, acknowledge that government had a legitimate right to regulate joint-stock companies and partnerships, and to enact insolvency and bankruptcy laws.) Included under the false grounds of interference were: (1) protectionism; (2) interference with contracts, particularly usury laws; (3) attempts by governments to either cheapen or make more costly certain commodities; (4) government grants of monopolies; (5) laws against workers' efforts to raise wages, and finally, (6) government attempts to control opinion.

When Mill passed from these generally admitted functions of government, and their perversions, to an evaluation of the optional functions of government, he once again adverted to the *laissez-faire* principle. Although he rejected the conclusions of the advocates of the *laissez-faire* principle — that the government should be limited to the minimal state, night-watchman functions — he did envision a role for the principle in representing a starting point for debate, a criterion, departures from which must be justified by an overriding claim of general, public expediency. In pursuing this approach, Mill mirrored Bentham very closely.

Attempting to take a middle ground between the advocates of wholesale interference, on the one hand, and the extreme non-interventionists, on the other, Mill argued that the question of governmental interference does not admit of any *a priori*, universal solution, but requires instead an endeavor to draw the line in particular cases between too much and too little governmental activity. Both extremes represent excesses and errors in certain circumstances, and an attempt must be made to mediate between the two polar positions. Mill derives a commonsensical solution by taking the principles of each and combining them together, with the expediency standard serving as a corrective to the inflexibility of the *laissez-faire* principle.

There are two categories of governmental interference, argues Mill, and in the first — that of "authoritative interference"; i.e. controlling the free agency of individuals — the government's role should be more circumspect and hesitant than in the second — that of giving advice and promulgating information or establishing agencies to do what cannot be entrusted solely to private interest. This is the familiar distinction previously drawn by Bentham. But Mill's second category is more expansive than Bentham's. Falling under the latter category would be such activities as Church Establishment, schools, colleges, a national bank, government industries (without monopolies against private banks or industries), post office, a corps of engineers, and public hospitals.

Authoritative interference, which involves

direct curtailment of the freedom of individuals, must be subjected to much more stringent standards. In all civilized governments, no matter what their constitutions may be, there must be a recognition of a circle around every individual from which government should be excluded. Where should this limit be placed, and how large a province shall this reserved part embrace? It should, Mill contends, include all that which concerns only the inward or outward life of the individual, and does not affect the interests of others, or affects them only through moral example. Thus, Mill concludes that opinion should be left free, and so should actions not injurious to others. Even in the portion of our conduct which does affect others, the onus of making out a case to restrict such activity always lies with the defenders of a legal prohibition.¹¹²¹ (This is the same argument which Mill later advanced in the essay "On Liberty".) To be prevented from doing what one is inclined to do is irksome, and it also starves the creative faculties of man. "It is not merely a constructive or presumptive injury to others which will justify the interference of law with individual freedom".¹¹³¹ However, Mill, in one telling passage, steps back from the extreme tendencies of this exposition when he says that:

Scarcely any degree of utility, short of absolute necessity, will justify a prohibitory regulation, unless it can also be made to recommend itself to the general conscience; unless persons of ordinary good intentions either believe already, or can be induced to believe, that the thing prohibited is a thing which they ought not to do.¹¹⁴¹

Despite the severity of the language in the initial, critical phrase of this quotation, Mill clearly expanded the scope of government intervention in the sphere of individual activity when he allowed that any regulation could be warranted if some nebulous entity called the "general conscience" were judged, by the legislator presumably, to have consented to such an abridgment of their liberty.

With respect to government activity of the second type, the case for rejection is a far weaker one, since Mill maintains that such activities do not directly interfere with an individual's free agency. Even in these cases, however, there is still a *prima facie* argument

against intervention because it must be supported by compulsory taxation.

Mill then goes on to adduce several other instrumental objections to governmental intervention. Every increase of the government's functions necessarily increases its power, and that power is to be feared even in a democratic state. The independence of the individual must be jealously guarded from the overweening force of the mass. Also, every increase of the functions of government presents an additional problem in management and organization. Things tend to be done worse by government than by private agencies. Here, Mill endorses the typically Classical argument that the individual is the best judge of how his business should be conducted because he has the greatest interest in its outcome. Where this "interest" argument holds true, it should condemn all governmental intervention; e.g. in the common operations of industry or commerce. Even if the government could do a better job in a particular instance, it should, in general, forbear from acting, because individual initiative has an educative function and, furthermore, it would be extremely dangerous to human welfare if most intelligence and talent were co-opted by the government.

On the basis of the foregoing, instrumental arguments, Mill concluded that: "*Laissez-faire*, in short, should be the general practice: every departure from it, *unless required by some great good*, is a certain evil".¹¹⁵¹ Although not explicitly advocating a utilitarian standard, this is what Mill's statement actually amounts to. If a greater good can be proved for any particular act of governmental intervention, then the *laissez-faire* objection is surmounted, and the government is justified in proceeding. This is a completely different standard, with utterly different conclusions for practical, governmental action, than the one advocated by the natural rights proponents of the non-intervention principle. For such theorists — the Frenchman, Bastiat, is a convenient example — the *laissez-faire* principle absolutely forbids governmental activity of Mill's type, (2) and it limits the first category to governmental acts which protect people and their property from force and fraud. No overriding reasons,

such as general expediency or general utility, are acknowledged as warranting any contravention of the non-interference principle; for such acts would constitute a violation of the natural rights to life, liberty, or property.

Laissez-faire, for theorists of Bastiat's type, is a principle derived from the natural rights of individuals. The reasoning being that if individuals do not have a right to compel their neighbors, to violate their property, to tax them, to conscript them, etc., then the aggregate of individuals — the government — cannot possibly have such rights. Thus, the government is limited to defending individuals from encroachment of their rights by other individuals. But for Mill, the *laissez-faire* principle is a principle of an entirely different order. It is not based upon any prior foundation, such as natural rights, but is, rather, the conclusion of induction based upon experience only. It is, then, based upon expediency; i.e. upon a series of instrumental assessments that government activity is to be rejected over a certain broad range of issues because it produces certain undesirable effects. Hence, it is merely a general conclusion, to be dispensed with when this same standard — general expediency — dictates that some greater good will be served by governmental intervention. In the final analysis, Mill really has one standard, expediency, and not two, as it might appear from the way in which his argument unfolded. By the end of his argument, the expediency standard reigns supreme, and the *laissez-faire* principle is almost completely discarded. Mill declared, finally, that the government can do *anything* that is important to the general interest.¹⁶¹

Mill next considered precisely those cases in which the general objections against governmental intervention do not obtain. That is, the cases in which the non-intervention principle is overridden by counter-considerations of greater importance. The assumption upon which the *laissez-faire* principle was based in the Utilitarian treatment was the psychological observation that the individual is the best judge of his own affairs because his interest is the most intimately connected with the outcome. It was Mill's contention that in certain cases this

general principle did not hold true — that, in point of fact, the individual was not the best judge of his own interest in all cases. While in most instances the individual is the best judge of commodities for his physical needs, he feels the want of mental "commodities" in inverse proportion to his need. When the need is greatest for these cultural, character building goods, the lack of them is felt hardly at all. The voluntary, market system cannot fulfill these cultural needs because the demand is not there. What Mill is saying, in effect, is that he is willing to supplant the judgments of individuals in the marketplace when he feels that those judgments are misdirected. An elitist, authoritarian assertion, to be sure, but one in which he was joined by Bentham, and when it came to education, even Smith. Thus, on the Utilitarian ground that all members of a community suffer from the ignorance of some, Mill maintained that the government can compel parents to give their children an elementary education, and also make available such an education at public expense.

Other instances in which the individual is not the best judge of his own interest would include the following cases. (1) That those individuals — lunatics, idiots, and infants — who are incapable of judging or acting for themselves should be superintended by the government. In the case of children the government is justified in compelling parents to do everything in the interests of the children which it can be proved desirable for parents to do for their offspring. The government may prevent children from being overworked; thus Mill endorsed the Factory Acts. This is, quite evidently, a widely expansible concession — that the government can make parents do anything which it is decided that parents ought to do for their children. An Orwellian theorist, without Mill's obvious concern for individual liberty, could take this proposition and run far with it.

(2) The *laissez-faire* principle only obtains when grounded on present, personal experience, Mill contends, and so when the individual attempts, irrevocably, to decide what will be best for his interests at some future date, the state is justified in intervening. What Mill had in mind, here, were marriage contracts and

contracts in perpetuity.

(3) Mill argued that whatever can only be done by joint-stock companies is often better done by the government. The point being that since individuals can only manage their affairs by delegated authority in such circumstances, it is better to opt for public control. Even if the government can perform these functions better, however, it is often of greater general benefit that such functions be left in private hands, but under government regulation. In monopolized industries, the government should take them over, regulate them, make concessions for a limited time, confiscate profits if they are mismanaged, depending on the particular circumstances of the industry involved.

(4) The *laissez-faire* principle is also overridden in cases where individuals alone cannot give effect to their own judgments, and their joint ventures can only have effect when they are sanctioned by law. Examples of this would include limiting the hours of work by government edict, and cases in which something would be advantageous to a class, but to the immediate interests of every individual to violate. Thus, if a large class of competitors, say laborers, could only limit their hours of work by legal means, even though it would be in the interest of all as a class to limit their hours of labor, Mill would sanction such a law.

(5) The non-intervention principle, based on the individual being the best judge of his own interest, does not obtain where an individual is acting in the interest of another. Thus, public charity, in the form of the Poor Laws, is to be preferred to private charity.

(6) Also, the principle does not hold in those cases where an individual, acting solely from his own interest, acts in such a way as to affect the interests of the nation or posterity. Government regulation of colonial policy is warranted, then, on the ground that such activities affect the permanent interest of civilization.

(7) And, finally, the government ought to act when no individual has an interest in performing an important public service because no adequate remuneration would accompany such a performance. This last exception comes straight from Smith. What Mill had in mind, here, are such activities as scientific explor-

ation, lighthouses, and providing endowments and salaries for the maintenance of a scholarly class. But Mill went much further under this heading than did Smith, who envisioned little more than roads, canals, and sewers. It will be instructive to quote Mill at length on this point, since it illustrates so perfectly the extent to which the expediency standard rendered the *laissez-faire* principle nugatory.

It may be said generally, that *anything* which it is desirable should be done for the general interest of mankind or of future generations, or for the present interests of those members of the community who require external aid, but which is not of a nature to remunerate individuals or associations for undertaking it, is in itself a suitable thing to be undertaken by government: though, before making the work their own, governments ought always to consider if there by a rational probability of its being done on what is called the voluntary principle, and if so, whether it is likely to be done in a better and more effectual manner by government agency, than by the zeal and liberality of individuals.¹⁷⁷

Thus, Mill concluded that the government can do anything which is for the public good, if it would not be done but for its agency. The determination of what constitutes this "general interest" is left at the discretion of government officials, with the admonition that liberty should be restricted only in those instances in which the "general conscience" will go along with the circumscription. In a sense, then, Mill took Bentham's "Be Quiet" principle of governmental intervention, justified on instrumental, Utilitarian grounds, and demonstrated the potentiality for ever-expanding government activity which lay dormant yet implicit in Bentham's formulation. Mill's final discussion of governmental intervention was along Benthamite lines, yet it was not incompatible with his earlier treatment of socialism in Book II of the *Principles*. If individual interest failed to automatically secure either the individual's own benefit, or the benefit of society (the latter was implicit in most of Mill's analysis of the cases in which the individual was not the best judge of his own interest), then the government was justified in stepping in to remedy the deficiency. Clearly, there was nothing in the final "Book" which might provide a *prima facie* case against redistribution, or government ownership of the means of production, pro-

vided only that such activities were determined actually to conduce to "general expediency". Thus, while socialism here and now was further than Mill wanted to go, the principle of government intervention judged solely or predominantly by the standard of "general expediency" was almost infinitely expansible, as Mill himself realized.

What restrained Mill personally from advising such extreme, socialistic ventures, was not his principle of governmental intervention, but rather economic arguments concerning the possibility of a curtailment of production under a socialistic organization of industry, and his own *personal* preference for individual liberty and his desire to be assured that liberty would not be irreparably damaged by socialistic conformity and regulation.

Mill moved the boundaries of governmental intervention far beyond his predecessors, even though he himself backed away from some of the more extreme consequences of his method, relegating socialism to a far distant future. However, he was quite willing to incorporate some of socialism's fervor for distributive justice and greater equality within the present organization of the private property, competitive system. He accomplished this expansion by the introduction of the "production-distribution" distinction, which rendered all laws of distribution subject to the intervention of government; by the utilization of the "general expediency" or utility principle which, in effect, undercut the *laissez-faire* principle; by drawing the consequences of Ricardo's rent doctrine, when he declared that the government may rightfully confiscate unearned incomes; by making a critical alteration in the Lockean argument for private property, which made ownership subject to the discretion of the community; and by exploding, in important instances, the conviction of the Classical School that the individual is the best judge of his own interest. And he did *not* effect this expansion by advancing any essentially new theories in the field of "pure" economics — his theories of value, rent, labor, wages, etc., came straight from Ricardo.

He accomplished what can be considered as nothing less than a demolition job on the

connection between "pure" economic doctrines and the question of government intervention which had existed in Classical economics. The Classical system had been based upon individual interests leading to the general interest, and the individual being the best judge of his own interest, and this was precisely what Mill challenged in critical cases. This was to have far-reaching effects.

However, we do not have to wait for the future to perceive the effects of Mill's work, for even in the acts of governmental intervention which he unequivocally endorsed we can see an expansion much beyond that advocated by his predecessors. Thus, Mill sanctioned, at one time or another, the following governmental acts of intervention in the economy: the state ownership of land in the case of Ireland;¹⁸¹ the aiding of workers thrown out of work by the introduction of machinery;¹⁹¹ the curtailment of inheritance;²⁰¹ the granting of a right to relief;²¹¹ the enforcement of a legal restraint against those who brought children into the world who were a burden on society;²²¹ the regulation of marriage;²³¹ the introduction of an income tax;²⁴¹ the regulation of joint-stock companies;²⁵¹ the regulation or nationalization of monopolistic industries;²⁶¹ the provision of compulsory education;²⁷¹ the regulation of colonies;²⁸¹ the provision of funds for scientific discoveries, universities and scholars;²⁹¹ and the regulation of the hours of work for children.³⁰¹

One Classical principle which was entirely absent in Mill was the Smithian notion of the harmony of interests — that each individual by pursuing his own interests will be led as by an invisible hand to take that course which will be most beneficial to society. For Mill, who questioned in so many important cases whether the individual could even be the best judge of his own interests, the disharmony of interests as a result of the existence of poor and rich classes seemed the overwhelming social reality, so much so, in fact, that he never even discussed the "harmony of interest" doctrine explicitly. He argued, instead, that in many cases, such as monopolies, joint-stock companies, or land ownership, the "general good" will not be served by the free play of individuals pursuing

their own interests. Thus, Mill built upon the class conflict aspect which was an element in Smith's economics, but then only a subordinate one to the "harmony of interest" contention.

It was primarily on the philosophical level, in his rendering of the principle of utility as a less rigid and more elitist doctrine, in his "production-distribution" distinction, in his sympathetic examination of socialism, and in his substitution of the principle of expediency for that of *laissez-faire*, that Mill really set himself apart from the earlier economists of the Classical School. On the level of "pure" economic theory he remained a convinced Ricardian. Thus, moral considerations — of general happiness and distributive justice — were more critical to Mill's attempt to undermine the doctrine of *laissez-faire* than were considerations of a purely economic nature.

NOTES

1. J. S. Mill, "Utilitarianism," in *The Utilitarians* (Garden City, N.Y.: Doubleday & Co., 1961), p. 408.
2. *Ibid.*, pp. 439-440.
3. *Ibid.*, p. 468.
4. *Ibid.*, p. 418.

5. J. S. Mill, *Autobiography* (1873: rpt. New York: The Library of Liberal Arts, The Bobbs-Merrill Co., 1957), pp. 159-160. Also discussed in Mill, *Principles of Political Economy* (6th ed., 1st ed. 1848, rpt. from 1909 ed., New York: Augustus M. Kelley, 1969), p. 21; and *ibid.*, Book II, Ch. I, pp. 199-200.
6. Mill, *Principles*, p. 199.
7. *Ibid.*, p. 200.
8. *Ibid.*, p. 208.
9. *Ibid.*, p. 208.
10. *Ibid.*, p. 209.
11. *Ibid.*, p. 210.
12. *Ibid.*, p. 216.
13. *Ibid.*, Book V, Ch. XI, p. 578.
14. *Ibid.*, p. 800.
15. *Ibid.*, p. 943.
16. *Ibid.*, p. 943.
17. *Ibid.*, p. 943.
18. *Ibid.*, p. 950.
19. *Ibid.*, p. 978.
20. *Ibid.*, p. 977.
21. Mill, *Autobiography*, pp. 188-189.
22. Mill, *Principles*, p. 99.
23. *Ibid.*, Book II, Ch. II, p. 219.
24. *Ibid.*, p. 365, and Book V, Ch. XI.
25. *Ibid.*, Book II, Ch. III.
26. Mill, "On Liberty," in *The Utilitarians*.
27. Mill, *Principles*, Book II, Ch. II.
28. *Ibid.*, Book V, Ch. IX.
29. *Ibid.*, Book I, Ch. IX, and Book V, Ch. XI.
30. *Ibid.*, Book V, Ch. XI.
31. *Ibid.*, Book V, Ch. XI.
32. *Ibid.*, Book V, Ch. XI.
33. *Ibid.*, Book V, Ch. XI.