Clipping of Note NUMBER 43

THE POWER OF AN IDEA

IN SPITE OF the popular belief that the world today is dominated by new and terrible problems, the fact is that the latter part of the eighteenth century bears certain similarities to the present time: The continent of Europe, as well as Britain, was then dominated by "mercantilism"—a form of "planned economy" arising out of feudalism. National governments narrowly prescribed the rules for trade and labor, and fostered exports while discouraging imports except for gold.

In Britain, the semi-feudal Statute of Artificers imposed the obligation to work, fixed wages in relation to cost of living, allocated the supply of labor, and prescribed apprenticeship rules. Although Britain was then primarily an agricultural country, it supported the "ancient trade" of woolens and worsteds. This trade was strong enough to induce Parliament to require everyone to wear woolen caps on Sundays and Holy Days and to prohibit the wearing of printed or dyed calicoes, all to "protect" wool against East Indian cotton.

The American Revolution was in the main a revolt against mercantilism, against the exploitation involved in the Navigation, Molasses, Sugar, and Stamp acts. Britain denied the right of the colonies to develop trade, manufactures, and even land when they did not directly enrich the merchants of the home country. The same revolt against mercantilism was going on in Britain. It was led by the Whigs, whose greatest leaders (including the elder Pitt) pleaded for conciliation with the American colonies.

In 1776, the year of the Declaration of Independence, a Scotsman named Adam Smith published his *Wealth of Nations*. This was a powerful attack upon the whole theory of mercantilism. He demolished the contention that a nation profited by a favorable balance of exports, and argued that prosperity could best be secured by encouraging competition and initiative in the largest market possible. Describing the free market, he said: "Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interests in his own way, and to bring both his industry and capital into competition with those of any other man, or order of men."

But before the ideas of Adam Smith became its dominant economic policy, Great Britain was destined to wage a long war against Napoleon. When the war finally ended in 1815, Britain plunged into a series of depressions.

IN THIS PERIOD of stress and widespread suffering, reform movements arose. The most radical were the Owenites and the Chartists. Robert Owen, a reforming employer who preceded Marx, denounced the evils of competition and of organized religion and demanded a collectivist society. Chartism moved also into the economic field. "Social Equality" became its motto. "All shall have a good house to live in with a garden back or front, just as the occupier likes; good clothing to keep him warm and to make him look respectable, and plenty of good food and drink to make him look and *feel* happy." Chartism was the first class movement in modern history.

An entirely different type of reform movement arose in the Anti-Corn-Law League led by Richard Cobden and John Bright and financed by Manchester. Its central point of attack was the Corn Laws, which aimed, unsuccessfully, to keep up the price of grain by prohibitive tariffs. But the League's philosophy was much broader and held that the welfare of Britain depended upon expanding its markets through individual competitive effort. Free trade meant cheap food and new employment for the workers; it meant new markets for the employers. Free trade would also lay the basis for a more prosperous and peaceful world.

The free-trade campaign started under the most difficult odds. Four-fifths of the Members of Parliament represented landlords benefiting from protection—even though the average farmer and the farm laborer did not. The Chartist movement also opposed Corn Law repeal, charging that the League wanted the reform in order to reduce wages. Nevertheless, as a result of Cobden's energy, Bright's eloquence, and the influence of Adam Smith and his disciples, Parliament finally repealed the Corn Laws in 1846—under the leadership of the great Tory statesman, Robert Peel. Britain now gradually abandoned protectionism in favor of free trade. The ideas of Adam Smith had triumphed over mercantilism; the appeal of the Anti-Corn-Law League, stressing individual effort and increased production, had triumphed over the collectivist movements represented by Owenism and Chartism.

AS A RESULT Great Britain now entered into its greatest period of prosperity, which lasted, except for cyclical interruptions, until World War I. Large areas of the world profited materially. The British workers profited as much as the employers.

* * *

Extracted from an article in FORTUNE, *May 1942 by Raymond Leslie Buell (Deceased). Formerly professor at Harvard, Yale, Princeton, Columbia, and others; author of several books on history and international relations.*

Additional copies: 5 free, then 1¢ each. Reprint permission hereby granted. Information about The Foundation on request.

THE FOUNDATION FOR ECONOMIC EDUCATION, INC. • IRVINGTON-ON-HUDSON, NEW YORK