

# Conservative Economic and Social Theories

# Laissez-Faire Capitalism

The idea of government regulation of business was alien to most economic, scientific and religious beliefs of the time (late 19<sup>th</sup> century).

The economic expression of these beliefs was summed up in the phrase “laissez-faire.”

# Conservative Economic Theories:

## A) Laissez-Faire

As early as 1776, the economist **Adam Smith** had argued in **The Wealth of Nations** that business should be regulated not by government but by the “**invisible hand**” of the **law of supply and demand**.

If government kept its **hands off**, so the theory went, businesses would be **motivated by their own self-interest** to offer improved goods and services at low prices.

# Laissez-faire cont.

In the 19<sup>th</sup> century, American industrialists appealed to laissez-faire theory to justify their methods of doing business.

However, American industrialists readily accepted government intervention such as:

- high tariffs
- federal subsidies

Was this hypocritical?

# Laissez-faire cont.

The rise of monopolistic trusts in the 1880s seemed to undercut the very competition needed for the “invisible hand.”

Even so,

any time government threatened to regulate business, conservatives and business leaders went to **legislative halls** and lobbies to invoke laissez-faire – hands off, leave alone;

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## B: Social Darwinism

**Social Darwinism** – the belief that **Darwin's ideas** of natural selection and survival of the fittest should be **applied to the marketplace**.

They argued that concentrating wealth in the hands of the “**fit**” **benefited everyone**.

**Helping the poor was misguided** because it interfered with the laws of nature and would weaken the evolution of man by preserving the unfit.

Certain groups viewed as inferior:

# Conservative Economic Theories;

## C. The Gospel of Wealth

Some Americans found religion more convincing than social Darwinism in justifying the wealth of successful industrialists and bankers.

Applying the Protestant work ethic (hard work and material success are signs of God's favor), Rockefeller concluded that "**God gave me my riches.**"

Andrew Carnegie's article "Wealth" argued that the wealthy had a **God-given responsibility for civic philanthropy**. Carnegie distributed more than \$350 million of his fortune to support the building of libraries, universities and various public institutions.