

## EUROPE FROM ADAM SMITH TO THE MARGINALISTS

1760-1830 Industrial Revolution in Britain.

1776 - *Wealth of Nations* by Adam Smith (1723-1790).

1789 - French Revolution begins; 1793 - Louis XVI and Marie Antoinette executed; Reign of Terror begins.

1793-1815 - For much of this period, France was at war with most of the rest of Europe, with Napoleon at its head as Emperor after 1804. Some important dates: 1805 - Nelson wins sea battle at Trafalgar; 1812 - Napoleon invades Russia; 1814 - Napoleon exiled to Elba; 1815 - "The Hundred Days" Napoleon returns but is defeated at Waterloo, final exile to St. Helena.

1803 - *An Essay on the Principle of Population*, 2nd. ed. by Thomas Robert Malthus (1766-1834); *Traité d'économie politique (Treatise on Political Economy)* by Jean-Baptiste Say.

1817 - *Principles of Political Economy and Taxation* 1st. ed. by David Ricardo (1772-1823)

1820 - *Principles of Political Economy* 1st. ed. by T.R. Malthus

The French Revolution had a profound impact on the rest of Europe. The early rhetoric of the revolution was appealing and initially garnered wide support. The *ancien régime* would be replaced; society would be transformed according to the principles of enlightened reason; religious statues were torn down and replaced by statues dedicated to Reason; the ideals of "liberté, égalité, et fraternité" would reign supreme. The ideals soon gave way to reality, and the ultimate symbol of the revolution became not the statue of reason but the guillotine. During the Reign of Terror mass murder occurred as one faction after another gained control.

Three broad results included:

1. A revival of popular religion, which replaced the "secular humanism" of the Deist Enlightenment philosophers.

2. Romanticism - an idealization of the past, particularly of the Age of Chivalry in the Middle Ages.

Strong and passionate emotion was seen as superior to the dry, reasoned intellect that "murders to dissect."

3. Political conservatism - as seen in the writings of Burke and deMaistre. Napoleon had to be dealt with first. But once that was done, the period after 1815 is typically characterized as an Age of Reaction. France was in disarray: Royalists competed with Republicans, socialists with Bonapartists. The lesson the rest of Europe took from this was to make sure that the masses of their countries did not arise in revolt.

England is a good example. The Tory Party was in control, with the Whigs in opposition. Both parties represented the landed aristocracy. In 1815 the Corn Law tariff was raised to halt falling grain prices, a move favored by the landowners. Real wages fell, unemployment increased and there was considerable social unrest among the working classes. This culminated in 1819 at "Peterloo" when government soldiers opened fire on a public meeting being held at St. Peter's Field in Manchester. The Six Acts followed; these repressive measures included outlawing seditious literature, placing taxes on newspapers, and allowing homes to be searched for firearms. A reform movement also emerged during this period. Dubbed the "Radicals," they followed Jeremy Bentham and advocated extended suffrage, a reduction of the power of pocket boroughs, and free trade.

1830 - Revolutions in France, Belgium, Italy, Germany, and Poland, inspired by the French Revolution and brought on by repressive government measures. Ironically, none had widespread support and all were quickly put down, while the one place that was closest to real revolution, England, did not have one. By the 1830's a loosening of restraints had begun, and the reform movement was gaining power. This can be seen in the progress of legislation:

1832 - First Reform Bill - suffrage extended to 1/8th of voting age adult male population, almost doubling the electorate. A property qualification remains.

1833 - Slavery abolished in colonies; the Factory Act prohibits using children under the age of nine in the textile mills.

1842 - Mines Act prohibits the use of women, girls, and boys under the age of ten from working underground.

1846 - Repeal of the Corn Laws (This was backed by the Anti-Corn Law League, formed in Manchester by a group of industrialists in 1838 who opposed a high price for grains since it required them to keep wages for their workers high. Thus free trade doctrines were seen as representing the interests of the rising middle class and manufacturers.)

1847 - Ten Hours Act - limits working day for women and youths.

1850-1873 - was known as the Golden Age of British Capitalism. The rights of the middle class had been established, and free trade dominated policy. The feared radicalism of the workers (the proletariat) was the major impetus for reform, but some argued that the middle classes were the chief beneficiaries.

1848 - Meanwhile, repression continued elsewhere, and a depression in the 1840's (the "Hungry Forties," the decade of the Irish potato famine) led in 1848 to revolutions in France, Italy, Germany, and Austria. Revolutionary student groups had been suppressed in "Germany." (I use quotes because it wasn't a country yet, just a large number of independent states with Prussia being dominant.) Karl Marx's activities as a radical student had already ruled out the possibility of an academic appointment. In the 1840's he worked as an editor of a newspaper, engaged in debates with other radicals like Proudhon, met Engels, and with him began working out the doctrine of "scientific socialism." The year marked the publication of two works, *The Communist Manifesto* by Karl Marx (1818-1883) and Friedrich Engels (1820-1895), and *Principles of Political Economy* 1st. ed. by John Stuart Mill (1806-1873)

1859 - *Origin of the Species* by Charles Darwin, who had read Malthus.

1867 - Volume 1 of *Das Kapital*.

1871 - Bismarck, the Prussian Chancellor under King Wilhelm II, gradually consolidated power in the 1860's. Through a series of wars with Austria and France he unified the various German states, and finally became Chancellor of the new German Empire (Reich).

1870's - Application of the marginal principle to the theory of demand, inaugurating a revolution in value theory (the Marginal Revolution), in three independent works by William Stanley Jevons (1835-1882) in England, Carl Menger (1840-1921) in Austria, and Léon Walras (1834-1910) in Lausanne, Switzerland. The birth of "neoclassical" economics (microeconomics).