Proceedings of the 3rd International Conference on Literature, Language, and Culture Development
DOI: 10.54254/2753-7064/32/20240008

Deconstructing the Laissez-Faire Legend: A Critical Analysis of the 1834 Poor Law Reform and Its Legacy

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Abstract: This research paper critically examines the 1834 Poor Law Reform in Britain, a seminal event that is often heralded as a triumph of *laissez-faire* economics. The study delves into the historical context of the Old Poor Law system, established in 1601, which mandated legal support for individuals unable to sustain themselves. The paper scrutinizes the perceived problems of the Old Poor Law and the subsequent radical reforms introduced by the New Poor Law. It challenges the conventional narrative that the Poor Law Reform was a necessary corrective to an inefficient and market-distorting welfare system. Through a detailed analysis of the Poor Law Commission Report of 1834 and its criticisms, the paper reveals significant gaps in the arguments presented. The study also considers the impact of the Industrial Revolution, the Napoleonic Wars, and the gold standard restoration on the Old Poor Law system, arguing that these external factors played a crucial role in shaping the economic and social landscape of the time. This study offers insights into the complexities of policy marking and the interplay of economic theories and social needs. It underscores the enduring impact of historical decisions on contemporary economic and political dynamics and challenges the notion of post-WWII liberal order as a perpetuation of the *laissez-faire* myth.

Keywords: *laisse-faire*, old poor law, economic liberalism, myth

1. Introduction

The election of Donald Trump in 2016 made some commentators lament the supposed collapse of the post-WWII “liberal order.” However, this “liberal order” is arguably a myth, as it does not hold up under empirical examination [1]. The concept of the “free market,” derived from the 19th-century *laissez-faire* economic ideology, is a cornerstone of this so-called liberal order. *Laissez-faire* economics is often portrayed as promoting the idea that the state should play only a ‘night-watchman’ role, allowing the market to operate freely and distribute resources [2].

This paper examines the myth of a *laissez-faire* market economy through the case study of the 1834 Poor Law Reform in Britain. The choice of this case study is pertinent because the notion of *laissez-faire* originated in 19th-century Britain, and the 1834 Poor Law Reform serves as a myth that perpetuates the larger myth of laissez-*faire* itself.

The structure of the paper is as follows. Part II and Part III consist of the case study. Part II is divided into three sections. Section A provides a brief overview of the Old Poor Law system; Section B addresses commonly perceived “problems” of the Old Poor Law. Section C examines the radical reforms introduced by the New Poor Law. Part III revisits the Old Poor Law and is divided into three sections: Section A assesses the *Report*'s flaws; Section B analyzes the impact of the Industrial Revolution, the Napoleonic Wars, and the return to the gold standard on the Old Poor Law system; and Part IV reflects on the political implications of this case study.

In examining the 1834 Poor Law Reform, this paper aims to provide a comprehensive understanding of a pivotal moment in social welfare history, offering insights into the complexities of policy-making, the interplay of economic theories and societal needs, and the enduring impact of historical decisions on contemporary dynamics.

2. 1834 Poor Law Reform

2.1. The Old Poor Law System

This paper discusses the Old Poor Law system from the early 17th century. From 1601, anyone in England unable to earn a subsistence had a legal right to support from their parish [3]. Before the late 18th century, most public relief recipients were too young, old, or sick to work. However, Gilbert's Act in 1782 allowed "able-bodied" individuals to receive relief without the requirement to enter a workhouse. In 1795, in response to soaring wheat prices, the magistrates of Speenhamland introduced a scheme to provide poverty-stricken with assistance tied to the price of wheat bread and family size. This provision became known as "aid-in-wages," as it was intended to bridge the gap between wages and the cost of living when poor relief funds supplemented the wages of working families. The adjoining counties emulated this approach, and the Parliament also sanctioned it. The practice of aid-in-wages was commonly associated with make-work schemes, which distributed the unemployed among local farmers based on the rated value of their properties [4].

2.2. The Old Poor Law's "Problems"

Since the late 18th century, criticism began to mount against the Old Poor Law, culminating in the Royal Commission Report of 1834 [5]. Joseph Townsend's *Dissertation on the Poor Law* in 1786 contended that the poor would naturally reach equilibrium without the artificial distortion of poor relief [6]. Building on Townsend's ideas, T. R. Malthus's *Essay on the Principle of Population* posited that hunger and sex are two biological drives that push the human population to grow to outstrip the available food supply. He argued that poor relief interfered with the self-regulated market and discouraged the poor towards self-disciplined behavior and reproductive prudence [7]. More importantly, the Commissioners take these theories for granted [5].

The Poor Law Commission Report of 1834 identified four significant social costs of the Old Poor Law. First, it undermined work incentives by distorting the wage system, where wages should reflect effort and discipline laborers, but under the Old Poor Law, payments were based on family size rather than productivity, depressing market wages [3,8]. Second, it hindered labor mobility since a guaranteed minimum income removed the need to seek better wages elsewhere. Most would rather stay in their place of birth with a much lower salary. Third, it discouraged landowners from investing capital in land improvement due to high property taxes up to 40% in some rural parishes-making the required return on such investments prohibitively high. Fourth, it incentivized high fertility among the poor, further straining the system. In many parishes, each additional child received a proportionate allowance from the poor rates. The Old Poor Law provided greater support to married than to single men, and it encouraged early marriage, leading to an estimated 10% of the English population receiving relief between the 1790s and 1834, with per capita poor relief expenditures more than doubled from 1749 to 1801[3,5,8].

In summary, the Old Poor Law significantly impeded the "free" operation of the market, restricted the natural functioning of labor contracts, and undermined market efficiency. Ultimately, it demoralized the poor by fostering a state of "pauperism. [8]" The *Report* writes:

"…the severest sufferers are those that have become callous to their own degradation, who value parish support as their privilege, and demand it as their right, and complain only that it is limited in amount, or that some sort of labour or confinement is exacted in return. No man's principles can be corrupted without injury to society in general; but the person most injured is the person whose principles have been corrupted. [9]*"*

2.3. Disillusion of the New Poor Law

The *Poor Law Amendment Act* of 1834 introduced radical reforms. While the legal right to relief was preserved, able-bodied applicants were required to enter a workhouse to receive it. There was to be no payment to relief to those living independently or as a wage subsidy, except temporarily in the cases of illness. To ensure the effectiveness of the reform, parishes were grouped into unions, and the union's Board of Guardians made relief decisions. This new regime was designed to deter anyone but the genuinely destitute from seeking help. Despite an initial shortage of workhouses and intense local opposition, these measures significantly reduced poor relief expenditures [3]. Real payments per capita declined by 40% from 1833 to 1838 [10]. The New Poor Law's bastardy clauses, in which single mothers were solely responsible for their illegitimate children, marked a drastic shift from the "paternalistic" Old Poor Law to the "liberal" New Poor Law [11].

However, the outcomes of the reform differed from the Royal Commission's expectations. Clark and Page, using data analysis, showed that the 1834 reform did not meet any anticipated goals. It is estimated that rents in parishes with the largest welfare reductions rose, but likely by less than the decrease in poor rate taxes, yielding no net gain for landowners beyond their reduced tax burden. Labor migration from rural parishes did not accelerate post-reform, nor was there a decrease in fertility. The reform did not lead to observable wage increases in the southeast [3]. The punitive bastardy clauses of 1834 also failed to reduce illegitimacy rates, which actually increased between 1831 and 1841[11]. Furthermore, the stringent New Poor Law provoked militant protests among the working class [5].

3. Reexamine the Old Poor Law

3.1. The Flaws of the Report

The Commissioners gathered their information partly by distributing questionnaires to 15,000 rural and urban parishes, of which just over 10% responded [8]. They neither analyzed the questionnaire in depth nor condensed it into a summarized form [4]. The Commissioners' data analysis was limited, relying on a structured set of appendixes to bolster their conclusions. Notably, the *Report* lacks testimonies from poor relief recipients as the Commissioners solicited information solely from parish officers. Moreover, most arguments were not original, drawing heavily from the works of Joseph Townsend and T.R. Malthus [5]. It appears the Commissioners had predetermined the *Report*'s content, reflecting the era's prevailing critiques.

The narrative in the *Report* contains several significant causal gaps. This paper highlights three of the most critical. First, the *Report* assumes that the disincentive effects of the poor law's relief were constant, which was impossible when seasonal unemployment was the primary cause of poverty. It would be illogical for local farmers to forgo providing seasonal unemployment insurance as it could compel the labor force to relocate. Second, the idea that "make work" projects undermined work discipline may hold for those affected by structural unemployment, but it is unlikely to weaken the work ethic of the regularly employed. It would be more probable to be the opposite. Third, the *Report* presupposes that employers would deliberately reduce wages due to the parish's guaranteed wage supplement. However, significant employment turnover was common during that era due to competition among farmers to secure the most skilled laborers [5].

3.2. Industrial Revolution, the Napoleonic Wars, and the Restoration of Gold

Due to the decentralization of the Old Poor Law system, empirical analyses are complex. Nevertheless, some scholars have used historical evidence to debunk some Old Poor Law myths. The sharp increase in expenditure was primarily a Southeastern England phenomenon, attributable to the decline in rural and cottage industries. In other regions, the poor relief for the able-bodied was likely infrequent, except during periods of high unemployment or sudden increases in bread prices. The poor relief outlays were considerably lower in the North, thanks to the burgeoning urban industry. There was a significant fluctuation in prices during the Speenhamland period (1795-1834), with the first half coinciding with the Napoleonic Wars, which caused a sharp increase in price levels, particularly for wheat. Post-1813, prices fell sharply. This increased rural unemployment and poor relief outlays. The Industrial Revolution exacerbated it. Seasonal unemployment was more severe, with poor relief outlays often two or three times higher in winter than spring or summer. The data do not support claims that the Poor Law significantly reduced rural productivity, as total wheat production and yields per acre both increased substantially from 1790 to 1834. The living standard of the rural poor undoubtedly declined relatively, primarily due to the structural unemployment from the Industrial Revolution rather than from Poor Law relief, which was scapegoated for this decline [5].

After the Napoleonic Wars, the gold standard restoration, championed *by laissez-faire* liberalist David Ricardo, further contributed to the rural distress. The fall in wheat prices in 1813 and 1814 led to a widespread collapse of rural banks, which had not maintained reserves. From 1814 to 1816, 240 rural banks ceased payments, eradicating wealth and credit availability. These caused a dramatic rise in unemployment as farmers and other employers were forced to decrease investment and labor force size. The deflationary pressures from the gold standard persisted after the restoration and had a lasting impact on the rural economy. Wheat prices continued to fall until 1829. The resulting economic distress prompted farmers to replace the labor with the threshing machine, a change that significantly reduced the rural demand for labor during winter, leading to the Captain Swing riots of the 1830s, which played a crucial role in prompting the Poor Law Reform of 1834. Essentially, the gold restoration was the final blow for the rural poor [5].

Contrary to the conclusion of the *Report*, the Poor Law primarily served as a mechanism to address the problem of surplus labor in the declining rural agricultural sector [5]. Clark and Page's data analysis also demonstrated that the Poor Law imposed little cost on landowners, had negligible impact on rural wages, was not a significant barrier to labor mobility, and did not contribute to an increase in fertility rates among the poor [3].

4. The Political Implications

The *Report* obfuscated the failure of the early *laissez-faire* experiments and was extensively distributed, influencing many political economists until the middle of the 20th century. The 1834 Poor Law Reform was heralded as the first "great" triumph of *laissez-faire* [3]. The *Report* fabricated the myth of Old Poor Law to shift the blame for the agricultural downturn away from the policy of gold restoration, directing it instead toward the interventionist Old Poor Law and the supposed immorality of the rural poor. The gravity of the agrarian crisis might have eroded confidence in *laissez-faire* and self-regulating markets. However, the New Poor Law diverted the focus from *laissez-faire* 's first significant policy failure and solidified people's faith in the "free market. [5]" Regrettably, many economic scholars cite this "chapter and verse [4]." Even leftist thinkers such as Marx and Engels concurred that the Old Poor Law contributed to the destitution of the rural poor. Later, Austrians von Mises and Hayek cited the Old Poor Law as evidence of the catastrophic consequences of the state intervention in the market [5].

This domestic policy profoundly impacted the 19th-century world order, and its legacy is still apparent today. As *laissez-faire* liberalism spread worldwide during the 19th century, Britain positioned itself as the epitome of *laissez-faire* liberalism, persuading other countries to adopt free trade, the gold standard, and the free market. Had the true costs Britain incurred due to economic liberalism been widely acknowledged, the appeal of this economic model might have significantly diminished [5]. *Laissez-faire* was framed in a naïve way, disregarding its later more sophisticated developments, such as the utilitarianism of Jeremy Bentham and John Stuart Mill. More paradoxically, Britain imposed this "*laissez-faire*" on most of the world through colonialism and unequal treaties, which explains why the 19th century is often perceived as the pinnacle of *laissez-faire*. Domestically, after learning from early missteps, the 19th-century British "*laissez-faire*" state expanded significantly and possessed greater resources than continental European counterparts [2,12]. Neoliberalists such as Hayek, who revered the *Report*, profoundly influenced the neoliberalism of the 1980s. In the 1981 inaugural address, the neoliberal proponent Ronald Reagan said, "Government is not the solution to our problem, government is the problem [13]." To some extent, neoliberal globalization solidified Western dominance globally as international income inequality surged between 1980 and 2000, excluding China's growth [14]. Even in contemporary times, simplistic liberal policies such as privatization and deregulation are touted as "good policies" for developing countries by the developed world [12].

Chang employs the metaphor "Kicking away the ladder" to suggest that developed countries reframe their historical development to remove the means-the- the "ladder"-by which they advanced [12]. In the case of Poor Law Reform 1834, Britain managed to kick away the "ladder" it struggled to discover and instead presented a different "ladder" to the world, thereby establishing itself as the hegemon of the 19th century.

5. Conclusion

In conclusion, this research paper has thoroughly examined the evolution and implications of the Old Poor Law system. The Old Poor Law, with its unique approach to poverty relief, faced increasing criticism in the late 18th century, culminating in the transformative 1834 Poor law Amendment Act. This Act marked a significant shift from the paternalistic approach of the Old Poor Law to the more austere and market-driven philosophy of the New Poor Law.

The analysis reveals that the criticisms of the Old Poor Law were overly simplistic and failed to consider the complex socio-economic dynamics of the period. Contrary to the Poor law Commission Report's assertions, the Old Poor Law did not significantly undermine labor market efficiency or incentivize high fertility rates among the poor. Instead, it acted as a necessary response to the challenges of seasonal unemployment, rural economic downtowns, and the hardships brought on by the Industrial Revolution and the Napoleonic Wars.

The political implications of the 1834 Reform are profound. It was not only a pivotal moment in British social policy but also a cornerstone in the development and spread of *laissez-faire* liberalism. The reform, often misinterpreted as a successful application of market principles, served to mask the shortcomings of early *laissez-faire* experiments and shaped global economic policies for centuries to come. It symbolizes a critical juncture in the conceptualization and implementation of economic liberalism, with enduring impacts that resonate in contemporary global economic policies and practice.

We can still perceive the influence of liberal propaganda from the nostalgic sentiments about the "liberal" order many held after Trump's victory in 2016 [1]. This is the power of a myth when it is politicized by a superpower for self-gains.

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