
UNIT 3 LIBERAL*

Structure

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Liberal Theory: Definition and Characteristics
- 3.3 Different Phases of Liberalism
 - 3.3.1 Classical Liberalism
 - 3.3.2 Modern Liberalism/Welfarism
 - 3.3.3 Neo-Liberalism
- 3.4 Limitations
- 3.5 Let Us Sum Up
- 3.6 References
- 3.7 Answers to Check Your Progress Exercises

3.0 OBJECTIVES

After going through this unit, you will be able to:

- Define Liberal theory;
- Describe its characteristics ;
- Discuss its different phases and finally; and
- Critically evaluate it.

3.1 INTRODUCTION

What is a political ideology? In the realm of political theory, the term ‘ideology’ is applied in two contexts: first, as a set of ideas which are accepted by a particular group, party or nation without examination; and second it is considered the science of ideas which examines as to how different ideas are formed, how truth is distorted and how we can overcome distortions to discover true knowledge. Moreover, it explains our social reality, interprets it in a certain way, evolves a set of interrelated principles, contests the nature of the political, and prescribes appropriate action. Liberalism is a political ideology like socialism, fascism, or nationalism, based on a commitment to individualism, freedom, toleration and consent. It was the creation of the climate of opinion that emerged at the time of Renaissance and Reformation in Europe. As an ideology and also a way of life, ‘it reflected the economic, social and political aspirations of the rising middle class which later on became the capitalist class.’ In the sixteenth and the seventeenth centuries, when the feudal system was emerging; a new political system was evolving. The establishment of the absolute nation-states in England and Europe gave birth to a kind of political system in which the authority of the king was absolute. The beginning of liberalism was a protest against the hierarchical and privileged authority, and monarchy – a protest which involved every aspect of life, and the main slogan of the protest was freedom. To achieve

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the liberty of the individual and to challenge the authority of the state, liberalism demanded liberty in every field of life: intellectual, social, religious, cultural, political and economic etc. However, liberty has two different perspectives: Negative and Positive. The central problem with which these liberties were concerned is the relationship between the individual and the state. The negative or the classical aspect of (liberty) liberalism remained dominant for a very long time, especially during the classical liberalism era when the state interference was minimal. Negative and positive liberalism differ from each other in that while the former advocate's liberty as the absence of interference or constraints or 'freedom from' outside authority, the latter supports the idea of liberty as 'freedom to' moral and self-development, self-realisation and self-mastery.

In terms of historical background, liberal theory has a longer history than most political ideologies. In many ways, liberalism captures the ideological map of various political struggles that human beings have witnessed roughly in the last 3000 years. However, some claim that its roots go back further in history. Ancient Greece kindled the first spark of self-rule and had inspired generations of liberals. However, philosophical and political roots of liberalism can be traced in the social contract theory of Thomas Hobbes and John Locke. Subsequently, it was developed, revised and amplified by Jeremy Bentham and John Stuart Mill in their Utilitarian perspective as well as by Herbert Spencer through his doctrine of 'Survival of the fittest' and Thomas Paine viewing the state as a 'necessary evil'. On the economic front, the Physiocrats, Adam Smith, David Ricardo, Thomas Robert, Malthus and others provided ground and arguments for economic liberty. Adam Smith and his masterpiece *Wealth of Nations* introduced a new perspective of Political Economy.

3.2 LIBERAL THEORY: DEFINITION AND THINKERS

There are many versions of liberal theory, but the central point of all versions is freedom. However, the context of freedom has been defined differently by liberal thinkers. What is liberal theory or liberalism? As a writer has said, liberalism is a principle of politics which insists on liberty of individuals as the first and foremost goal of public policy. Liberty, in this sense, implies 'liberation' from restraints- particularly, from the restraints imposed by an authoritarian state. In fact, it is not a fixed mode of thought, but an intellectual movement which seeks to accommodate new ideas in order to face new situations and new challenges. According to Barry (1995), liberalism embraces both explanation and evaluation. Its explanatory concern is with accounting for that order of events which we call a social order, and this includes economic, legal and political phenomena. In the liberal view, the state is a necessary evil. Liberalism treats the state as the means and the individual as the end. It rules out the absolute authority of the state. According to *John Locke*, liberalism is mainly based on these beliefs/tenets:

- i) Man/ Woman is a rational creature.
- ii) There is no basic contradiction between an individual's self-interest and the common interest.
- iii) Man/Woman is endowed with certain natural rights which cannot be transgressed by any authority.

- iv) Civil society and the state are artificial institutions created by individuals to serve the common interest.
- v) Liberalism believes in the primacy of procedure over the end product. The liberal view of freedom, equality, justice and democracy is a search for the right procedure in different spheres of social life.
- vi) Liberalism promotes civil liberties of individual, including freedom of thought and expression, freedom of association and movement, personal freedom and strict compliance with legal and judicial procedure.

The liberal theory developed in two main directions; a) individualism and b) utilitarianism. Individualism focused on the individual as a rational creature. It required that individual's dignity, independent existence and judgment should be given full recognition while making public policy and decisions. *John Locke* and *Adam Smith* are the early exponents of individualism. On the other hand, utilitarianism stands for 'the greatest happiness of the greatest number' where the interest of the few may be sacrificed in the interest of majority. *Bentham* and *Mill* are the supporters of utilitarianism.

Thinkers of Liberal Theory

Early exponents of liberalism include *John Locke* (1632-1704), *Adam Smith* (1723-90) and *Jeremy Bentham* (1748-1832). Locke is known as the father of liberalism, Smith is known as the father of economics and political economy and Bentham as the founder of utilitarianism. All of them defended the principle of laissez-faire which implies the least interference of the state in the economic activities of individuals. They are the founders of Classical Liberalism which is also called negative liberalism because it envisions a negative role of the state in the sphere of mutual interaction of individuals. Locke emphasized toleration and freedom of individual conscience. Bentham emphasized the expansion of the market economy and restriction of the sphere of state activity. Mill sought to revise this view of utilitarians to plead for the expansion of state activity for the promotion of general welfare. He recommended positive role of the state for the promotion of individual liberty.

John Stuart Mill (1806-73) sought to modify utilitarianism and the principle of laissez-faire on philosophical grounds which paved the way for the theory of welfare state. Then T. H. Green (1836-82), sought to add a moral dimension to liberalism and thus, advanced a full-fledged theory of welfare state. On the political side, liberalism promotes democracy; on the economic side, it promotes capitalism. Liberalism, generally, believes in the ability of individuals to make meaningful choices and to be responsible for them. The importance that liberalism attributes to individuals received the most robust intellectual defense from Immanuel Kant who, influenced by Rousseau, formulated the clearest case for individual autonomy. Kantian autonomy may be understood as the condition in which individuals are free from external determination such as coercion, threat or manipulation in taking actions to implement one's choices. His/her choice should be free from internal influences (passions and prejudices) and must be guided by reason.

Locke, Kant and Mill have been the three most important thinkers who shaped the liberal tradition. Contemporary liberalism owes much to them. In the 20th century, the most profound liberal thinker was *John Rawls*, whose influence has

been the most profound in liberal thinking. Two monumental treaties written by Rawls – *A Theory of Justice* (1971) and *Political Liberalism* (1993) – have set the contemporary terms of debate and discussion on liberalism and its values. A central trait of Rawl’s liberalism is its political view that citizens are entitled to live in accordance with their own freely chosen values or ends.

Check Your Progress 1

Note: i) Use the space given below for your answer.

ii) See the end of the unit for tips for your answer.

1) What are the main tenets of liberalism?

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3.3 DIFFERENT PHASES OF LIBERALISM

Liberalism can be divided into three types/phases: the Classical, the Modern and Neo-liberalism. However, neo-liberalism is contemporary and influenced by Classical liberalism.

3.3.1 Classical Liberalism

The early exponents of liberal theory strived for liberty in all spheres and insisted that law must enforce all contracts (excluding slavery) since each individual was the best judge of his own interest. The state was not allowed to impose its own conception of ‘good’ on individuals in their mutual dealings. This idea of negative liberty led to the doctrine of laissez faire; that is, freedom from government interference in economic affairs. Hence, most of the advocates of negative liberty, such as, *Adam Smith* (1723-90), *Jeremy Bentham* (1748-1832), *James Mill* (1773-1836), *Herbert Spencer* (1820-1903) and *Henry Sidgwick* favoured a minimal state. Such a combination of political and economic arguments for liberty is known as classical liberalism or laissez-faire individualism. Liberal ideas resulted from the breakdown of feudalism in Europe and growth, in its place, of a market capitalist society. It became the centrepiece of classical, or nineteenth-century, liberalism. It is usually associated with the work of John Locke, besides Adam Smith and Thomas Paine, and other 20th century thinkers such as *Friedrich Von Hayek*, *Robert Nozick* and *Milton Friedman*. Its chief distinguishing ideas are those of limited government, the rule of law, the inviolability of private property, the freedom to enter into, and maintain contracts and finally, the acceptance by the individual of their own fates.

In the 1770s, most people believed that rights came from the government. People thought they had only such rights as government decided to give them. But following the British philosopher John Locke, Jefferson argued that it is the other way around. People have rights apart from those given by a government,

as part of their nature. Further, people can both form governments and dissolve them. The only legitimate purpose of government is to protect these rights. It was John Locke who provided classical liberalism one of its most influential ideas that the aim and justification of government are to protect the *life, liberty* and property of its citizens. These are natural rights constituted in, and protected by, natural law, which is antecedent to political society. Locke believed that the appropriate means by which the government can provide this protection is a system of justice defined and made possible by law. All citizens are equally subject to the authority of the government and citizens find it reasonable to accept the authority because each is guaranteed the rights to life, liberty, and property. According to *Heywood* (2004), classical liberals emphasize that human beings are essentially self-interested and largely self-sufficient; as far as possible, people should be responsible for their own lives and circumstances. One of the clearest statements of this philosophy is found in the *Declaration of Independence*.

By the end of the 19th century, some serious consequences of the Industrial revolution and laissez-faire market occurred in the form of rising of capitalism. The main problem was that the profit had concentrated in the hand of a small number of industrialists. Consequently, masses of people failed to benefit from the wealth flowing from factories that resulted in the poverty of the populace. On the other side, because of the industrial revolution, the production of goods and services were at a massive level, but masses could not afford to buy. Markets became glutted, and the system periodically came to a near halt in periods of stagnation that finally resulted in the Great Depression. Moreover, the industrialist class used its power not only in economic decision making but also influenced and controlled government to limit competition and obstruct social reforms. It became the main drawbacks of classical liberalism vis-a-vis the laissez-faire market economy.

3.3.2 Modern Liberalism/ Welfarism

The aforementioned problem brought a new change in society, the uprising of the working class. In the 20th century the rising working-class questioned classical liberalism and its core argument to support negative liberty, i.e. laissez-faire market. Laissez-faire individualism encouraged capitalist economy, and consequently, the working class was deprived of its due share. A new form of liberalism came up – *Modern Liberalism*, also known as welfarism. Thinkers of this strand of liberalism believed that government has to remove obstacles that stand in the way of individual freedom. The main exponent of this statement was T.H. Green. According to him, excessive power of government might have constituted the greatest obstacle to freedom in an earlier era, but by the middle of the 19th century these powers had been greatly reduced or mitigated. Now, there were different kinds of hindrances, such as poverty, disease, discrimination and ignorance that could be overcome only with positive (positive liberty) assistance of government.

It was John Stuart Mill (1806-73) who introduced the concept of positive liberty and consequently the transition from negative to positive liberalism. However, Mill started with a defense of laissez-faire individualism, but realizing its weaknesses in the light of the new socio-economic realities, he proceeded to modify it. He, therefore, sought to discover an area where state intervention

could be justified. At the outset, he drew a distinction between two types of actions of men: 'self-regarding actions' whose effect was confined to the individual himself; and 'other-regarding actions' which affected others. The real significance of making such a distinction lay in Mill's efforts to define a sphere where an individual's behaviour could be regulated in the interests of the community. Thus, he was contemplating a positive role for the *state* in securing social welfare even if it implied curbing liberty of the individual to some extent. It was Mill who gave a sound theory of taxation, pleaded for the limitation of the right of inheritance, and insisted on state provision of education. After *J. S. Mill*, *T.H. Green* (1836-82), *L.T. Hobhouse* (1864-1929) and *H.J. Laski* (1893-1950) further developed the positive concept of liberty. Green postulated a theory of rights and insisted on the positive role of the state in creating conditions under which men could effectively exercise their moral freedom. Hobhouse and Laski advocated that private property was not an absolute right and that the state must secure the welfare of the people- no matter if it is constrained to curtail the economic liberty of the privileged few.

It is important to note that the political thought of the early exponents of positive liberty was associated with the theory of the welfare state, which first appeared in England and then spread to other parts of the world. Positive liberty was considered an essential complement to negative liberty in all modern states. However, some contemporary liberal thinkers, known as *Libertarians*, have sought to lay renewed emphasis on negative liberty. Of these, *Isaiah Berlin* (1909-97), *F. A. Hayek* (1899-1992), *Milton Friedman* (1912-2006) and *Robert Nozick* (1938- 2002) are the most prominent.

From the late nineteenth century onwards, however, a form of social liberalism emerged which looked more favourably on welfare reform and economic management. It became the characteristic theme of modern or twentieth-century liberalism. It is best illustrated in the views of John Stuart Mill, besides those of Kant, Green, and Hobhouse. In very distinct ways modern liberalism establishes an affirmative relationship between liberty (especially, the positive variant) and human progress. The modern liberal believes the man to be a 'progressive being' with unlimited potential for self-development; one which does *not* jeopardize a similar potential in others. This approach lays down and justifies the value of distributive justice and experiments such as the welfare state. Modern liberalism exhibits a more sympathetic attitude towards the state. It is also known as welfarism.

The process of modern liberalism or welfarism was interrupted by First World War. The devastation of WWI was massive, but the positive outcome was the overturning of four of Europe's great imperial dynasties- Germany, Austria, Hungary, Russia and Ottoman Turkey-into liberal democracies. Europe was reshaped by the *Treaty of Versailles* on the basis of the principle of self-determination, which in practice meant the breakup of imperialists in *nationally homogeneous* states. Subsequently, the League of Nations was created in the hope of preventing wars and settling international disputes in a peaceful manner. However, these steps could not prevent future wars. Many events such as *harsh* peace terms imposed by victorious Allies, *Great Depression*, *Nazi uprising* and *Soviet Communism* threatened liberalism. This was because during the postwar period, the old rhetoric *Sharing the Wealth* gave way to a concentration on growth rates as liberals inspired by the British economist J M Keynes' policy – wanted

the government to borrow, tax, and spend not only merely to counter contractions of the business cycle, but to encourage the expansion of economy. Thus, a further expansion of social welfare programme occurred in liberal democracies during the postwar decades. Modern welfare state practices were introduced in Britain and America, which provided not only usual forms of social insurance but also pensions, unemployment benefits, subsidized medical care, family allowances and government-funded higher education. The liberal democratic model was also adopted by Asia and Africa by most of the new nations that emerged from the dissolution of the British and French colonial empires in the 1950s and early 60s. The new nations adopted the western model believing that these model and institutions would lead to the same freedom and prosperity that had been achieved in Europe. However, the results were mixed.

3.3.3 Neo-Liberalism

The three decades of unprecedented growth that the Western countries experienced after the Second World War proved the success of modern liberalism. However, in the mid-1970s, slowing of economic growth in the Western countries presented a serious challenge to modern liberalism. By the end of that decade economic stagnation, maintenance of social benefits of the welfare state pushed governments towards excessive taxation and massive debt that showed up the failure of Keynesian economics. As modern liberals struggled to meet the challenge of stagnating living standards in industrial economies, others saw an opportunity for a revival of classical liberalism with some modification, and that came as neo-liberalism.

It is a contemporary version of classical liberalism (also known as libertarianism) which seeks to restore laissez-faire individualism. It criticizes the welfare state, therefore opposes state intervention and control of economic activities. The chief exponents of this perspective include *Milton Friedman* (1912-2006) and *Robert Nozick* (1938-2002). In the second half of the twentieth century, these thinkers realized that the idea of welfare state was inimical to individual liberty, as it involved the forced transfer of resources from the more competent to the less competent. In order to restore individual liberty, they sought to revive the principle of laissez-faire not only in the economic sphere but also in the social and political sphere. Neo-liberalism advocates full autonomy and freedom of the individual. In the political sphere, neo-liberalism particularly insists that man's economic activity must be actively liberated from all restrictions to enable him to achieve true progress and prosperity. The ideology emphasizes the value of free market competition; hence it also promotes laissez-faire economy. Furthermore, it promotes minimal state intervention in economic and social affairs and its commitment to the freedom of trade and capital.

Although the terms sound similar, neo-liberalism is distinct from modern liberalism. Both have their ideological roots in classical liberalism of the 19th century, which advocated economic laissez-faire and the freedom (or liberty) of individuals against the excessive power of government. This variant of liberalism is often associated with the economist Adam Smith, who argued in *The Wealth of Nations* (1776) that markets are governed by an "invisible hand" and thus, should be subject to minimal government interference.

However, liberalism evolved over time into a number of different (and often competing) traditions. Modern liberalism developed from the social-liberal

tradition, which focused on impediments to individual freedom — including poverty, inequality, disease, discrimination, and ignorance — that had been created or exacerbated by unfettered capitalism and could be ameliorated only through direct state intervention. Such measures began in the late 19th century with workers’ compensation schemes, the public funding of schools and hospitals, and regulations on working hours and conditions and eventually, by the mid-20th century, encompassed broad range of social services and benefits characteristic of the so-called welfare state. By the 1970s, however, economic stagnation and increasing public debt prompted some economists to advocate a return to classical liberalism, which in its revived form came to be known as neo-liberalism. The intellectual foundations of that revival were primarily the work of the Austrian-born British economist *Friedrich von Hayek*, who argued that interventionist measures aimed at the redistribution of wealth lead inevitably to totalitarianism, and of the American economist *Milton Friedman*, who rejected government fiscal policy as a means of influencing the business cycle. Their views were enthusiastically embraced by the major conservative political parties in Britain and the United States, which achieved power with the lengthy administrations of British Prime Minister Margaret Thatcher (1979–90) and the U.S. President Ronald Reagan (1981–89). Thatcherism and Reaganism dominated the socio-political economic discourse for a long time.

Neo-liberal ideology and policies became increasingly influential, as illustrated by the British Labour Party’s official abandonment of its commitment to the “common ownership of the means of production” in 1995 and by the cautiously pragmatic policies of the Labour Party and the U.S. Democratic Party from the 1990s. As national economies became more interdependent in the new era of economic globalization, neo-liberals also promoted free-trade policies and the free movement of international capital. The clearest sign of the new importance of neo-liberalism, however, was the emergence of libertarianism as a political force, as evidenced by the increasing prominence of the Libertarian Party in the United States and by the creation of assorted think tanks in various countries, which sought to promote the libertarian ideal of markets and sharply limited governments. During the 1990s, India also adopted the liberalization policy. The 1990s was the era of liberalization; different regional organizations and interconnected trade relations promoted the new liberal economic policy. However, the Lehman Bank crisis in 2007 and later the Euro crisis in 2009 led some economists and political leaders to reject the neo-liberal dominance of the market (Maximally free market) and to resume the greater government regulation of financial and banking industries.

Check Your Progress 2

Note: i) Use the space given below for your answer.

ii) See the end of the unit for tips for your answer.

1) What are the main differences between Classical and Modern Liberalism?

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3.4 LIMITATIONS

It is worth noting that Locke’s philosophical and political beliefs represent the basic tenets of early liberalism which paved the way for the rise of capitalism. Locke particularly promoted a line of thinking which was designed to protect the economic interests of the then newly emerging merchant- industrialist class and pleaded for vesting political power in this class. And it also encouraged capitalism. Liberalism has been a dynamic philosophy which has responded to the changing needs of time but also has failed. There are a few problems with this theory which can be pointed out as its failure: It retains its bourgeois character- liberalism arose for the protection of the interests of the bourgeoisie when political power was wielded by feudal interests. Actual imbalance of group interests- contemporary liberalism upholds representative democracy on the assumption that the state represents the interests of all groups within society and that it ensures reconciliation of conflicting interests. However, bringing change in its core arguments such as laissez-faire individualism to welfare and promotion of democracy and free trade, liberalism is criticized for its complexity. Marxists have criticized the liberal commitment to civic rights and potential equality because it ignores the reality of unequal class power. Feminists argue that individualism is invariably construed on the basis of male norms which legitimize gender inequality. The early period of liberalism encouraged capitalism. In the 20th-century welfare policy and intervention of the state were to some extent incorporated in modern liberal theory. It also promoted the democratization of the state. However, the 20th century was the century of dictatorship, depression and war. Neo-liberalism promoted trade and economic interdependencies. The 21st century is facing an economic crisis that is testing liberalism. Especially, after the Euro crisis of 2009 preceded by the global financial crisis of 2007. Many scholars stated that in this neo-liberal market economy, the world is not facing a war of tanks, but a war of banks.

Check Your Progress 3

- Note:** i) Use the space given below for your answer.
 ii) See the end of the unit for tips for your answer.

1) What are the shortcomings of liberalism?

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3.5 LET US SUM UP

Liberal theory is considered as the oldest ideology, and it was considered as a life style as it promotes the freedom of the individual. The theory has evolved and changed its basic concept from laissez-faire to the welfare state to laissez-faire with minimal state interference and focusing on the individual’s rights and freedom. However, the failure of the welfare state policy and the contemporary global economic crisis has raised questions about the shortcomings of liberal

theory; the future of liberal theory and its practice will depend largely on how precisely it meets challenges before it.

3.6 REFERENCES

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3.7 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) Your answer should highlight that liberalism sees individual as an end and the state as the means, also include views of John Locke, Immanuel Kant and J S Mill.

Check Your Progress 2

- 1) In classical liberalism, due to least role of state, capitalism creates inequalities that hinder an individual's development. Modern liberalism argues for direct state intervention to tackle issues like poverty, inequality etc.

Check Your Progress 3

- 1) Highlight that liberalism retains its bourgeois character and leads to class divisions, legitimizes gender inequality.