

Chapter 7

Mill on Socialism, Capitalism, and Competition

The united forces of society never were, nor can be directed to one single end, nor is there, so far as I can perceive, any reason for desiring that they should. Men do not come into the world to fulfill one single end, and there is no single end which if fulfilled even in the most complete manner would make them happy.

—J.S. Mill to Gustave d'Eichthal, October 8, 1829, *Earlier Letters*, p. 36

The common features of all collectivist systems may be described, in a phrase ever dear to socialists of all schools, as the deliberate organization of the labours of society for a definite social goal.

—F.A. Hayek, *The Road to Serfdom*, 1944/2007, p. 100

Although Mill insisted that production and distribution are in fact interrelated, we should not conclude that he favoured only market-determined outcomes without regard for other, freely chosen institutional arrangements. Indeed, much of Mill's *Principles of Political Economy* is devoted to the review of potential costs and benefits associated with socialism, peasant proprietorship, and trade unions. In this chapter, we examine Mill's main arguments as they relate to alternative economic arrangements. While he was open to different institutional arrangements, Mill strongly opposed a centrally directed imposition of goals. He insisted on two components for any reform: education (which, in itself, would contribute to reducing overpopulation); and prudent behaviour on the part of the labouring classes. Consistent with his position laid out in

Chapter 1, the key feature as he compared economic arrangements was human flourishing grounded in wide opportunities for independence and economic choice. In the end, Mill favoured an improved and evolving capitalism alongside freely chosen small-scale economic experiments in which some resources were held in common. He regarded the wage relationship as a symptom of dependence and predicted that as labourers gained independence, they would increasingly form associations as owner-workers and eliminate the need for wage work.

Singular goals: Mill’s overriding worry about socialist plans

As is well known, Mill spent a great deal of time considering alternatives to what we would today refer to as capitalism. Some commentators regard this as a weakness in Mill and suggest that Harriet Taylor was responsible (indeed, some would say to blame) for his willingness to consider the merits of socialism. As mentioned earlier, Ludwig von Mises blamed Taylor for befuddling Mill in this regard (Mises 1927, *Liberalism*, p. 169), while Michael Packe referred to “Harriet’s astounding, almost hypnotic control of Mill’s mind” (Packe, *John Stuart Mill*, p. 317). Harriet and John corresponded at length about socialism and capitalism, but both of these assessments overstate Harriet’s influence; as George Stigler opined, Mill was on *all* topics, including this one, scrupulously fair-minded and open to persuasion.

As noted above, over the course of a long and rich friendship, the French publicist Gustave d’Eichthal also tried to persuade Mill about the relative merits of socialism. D’Eichthal became one of the most ardent and active apostles of the Saint-Simonians, a group that had close ties with August Comte in its early years and then later parted ways with Comte. For F. A. Hayek, d’Eichthal’s friendship with Mill represented an “important, though little-known” source of information about Mill’s views on socialism.

Mill voiced a thorough criticism of Comte’s political views in a letter to d’Eichthal. In line with his views on individuality and wide range of choice (Chapter 1), he opposed Comte’s proposal for the State to direct “all the forces of society” towards “some one end.” How, Mill wrote in the passage quoted at the outset of this chapter, is society or the government to settle on one single end for all: “The united forces of society never were, nor can be directed to one

single end, nor is there, so far as I can perceive, any reason for desiring that they should” (Mill to d’Eichthal, October 8, 1829, *Earlier Letters*, p. 36). Over a hundred years later in the midst of the twentieth century’s turn towards central planning, Hayek voiced a similar concern in his *Road to Serfdom*. For Hayek, like Mill, it was impossible to find the single end for society and only a totalitarian authority could impose such a unitary goal.

Education and population growth

Mill was, however, more than willing to consider the relative merits of alternative economic arrangements as long as they offered wide scope for individual freedom. Two additional factors were important in the evaluation: population pressures and education levels.

As we saw in Chapter 6, Mill argued vigorously in favour of universal education as a means to resolving poverty and ensuring that the coming democratic moment was successful.²⁴ He placed his faith in education—including, as detailed in Chapter 2, robust discussion—as a necessary input by which free individuals come to make choices that, at least on balance, are well informed and will likely to lead to flourishing lives.

As we have noted throughout this reader, Mill held that all persons, including women, former slaves, and the Irish, were capable of improvement through education. All were capable of learning and of eradicating bias through education, “correcting mistakes by discussion and experience” (*Inaugural Address*, p. 306; see Chapter 2). That concept may seem obvious, but it is important to realize that Mill’s contemporaries and later economists vigorously contested his view. The late nineteenth century economist F.Y. Edgeworth wrote that by “conveying an impression of what other Benthamites have taught openly, that all men, if not equal, are at least *equipotential*, in virtue of equal educatability,” Mill promoted a “pre-Darwinian prejudice” (Edgeworth, 1881, p. 132).²⁵

Since the benefits of education were potentially open to all and significant, Mill made a recommendation for state intervention: he suggested that,

²⁴ Economists from Frank Knight and James Buchanan to A.K. Sen have shared this position with Mill (see, e.g., Sen 2012).

²⁵ For additional discussion and evidence of the opposition, see Peart and Levy (2005).

as an “almost” “self-evident maxim,” the “State should require and compel the education, up to a certain standard, of every human being who is born its citizen” (*On Liberty*, Chapter 5). (We set aside the question of born citizens for a moment to consider how this was to occur.) As it is “a moral crime, both against the unfortunate offspring and against society” not to educate one’s children, compulsion was justified “at the charge, as far as possible, of the parent.”

Importantly, Mill’s recommendation was *not* to entail a State monopoly on the *provision* of education. Indeed, he vigorously opposed such a monopoly: “The objects which are urged with reason against State education, do not apply to the enforcement of education by the State, but to the State’s taking upon itself to direct that education” (*On Liberty*, p. 302). He worried a good deal about State-directed education that would limit experiences and individuality and become “a mere contrivance for moulding people to be exactly like one another” (*On Liberty*, p. 302). Consistent with his views on economic experimentation and competition, Mill called for “many competing experiments” in education (*On Liberty*, p. 302). Many economists have since agreed with this position.²⁶

Recall that Mill’s career spanned one of the deadliest series of famines in British history (Chapter 6). While these added urgency to any analysis of population growth, many economists had been preoccupied with population growth long before the Irish famines. T.R. Malthus published the first edition of his famous *Essay on Population* in 1798 and British economists such as Nassau William Senior were active in the development of the 1834 New Poor Law. As a young member of the Philosophical Radicals, Mill was already concerned about apparently excessive population growth and intense poverty among the labouring classes. As noted in this book’s Introduction, he drew attention to himself as a youth distributing “diabolical handbills” propagating birth control information (Hollander, 1985, p. 968). In the 1848 edition of the *Principles* (and all subsequent editions), he wrote that a principal benefit of an educated laboring class is that they would appreciate the need to limit family size (*Principles of Political Economy*, p. 765).

²⁶ Most notable in this respect is Milton Friedman’s case for vouchers to enable choice and variation in education.

Mill also foresaw an enormous benefit of education and expanded labour market opportunities for women. He predicted that as they, too, became independent, they would limit family size:

This most desirable result would be much accelerated by another change, which lies in the direct line of the best tendencies of the time; the opening of industrial occupations freely to both sexes.... On the present occasion I shall only indicate, among the probable consequences of the industrial and social independence of women, a great diminution of the evil of over-population. (*Principles of Political Economy*, pp. 765-76)

Mill's influence on this topic was not contained to the ivory tower. At the famous trial in 1879 (after Mill's death) for republishing, at a low cost, Charles Knowlton's 1832 tract containing contraceptive information, *Fruits of Philosophy*, one of the co-defendants, Annie Besant, read extensively from the above and other passages in Mill's *Principles* related to population growth. (The other co-defendant at the trial was the former Member of Parliament and Mill's colleague, Charles Bradlaugh.) Besant was unsuccessful in her defense but the decision was reversed on appeal and from that time forward the distribution of contraceptive information was no longer in law considered "obscene."²⁷

Socialism versus capitalism?

Having eschewed large-scale centralized planning, Mill's comparative analysis of economic arrangements focused mainly on experiments in which some resources were held in common, which he called "Socialism," in contrast to the "entire abolition" of private property under "Communism." Under Socialism, "communities or associations" or "the government" would own some property in common. Always willing to consider the "many sides," Mill carefully examined various proposals for communal arrangements put forward by Saint-Simon (and his followers) and Charles Fourier (*Principles of Political Economy*, pp. 212-18). The schemes that most appealed to him allowed for a variety of

²⁷ Peart and Levy (2005) discuss the details.

occupations and remuneration while offering the prospect of agreed-upon redistribution of a portion of total (communal) earnings. He stopped short of endorsing Saint-Simon, which he worried would limit freedom of occupational choice or any other such arrangements wholesale, preferring instead to allow for participants voluntarily to opt in (and out of) such arrangements.

Importantly, Mill worried about the potential for human misery that could be caused by excessive population growth under communal arrangements. Given how people responded to incentives in mid-nineteenth century England, Mill believed they would be more likely to have large families under socialist arrangements where the cost of raising children would be borne by the communal group. In a market economy, by contrast, the cost of rearing children was borne by parents and the inducements to saving, delaying marriage, and other prudent decisions were stronger than under socialism. Mill worried that Fourier, Saint-Simon, and their followers had ignored these issues. For their plans to succeed, the labouring classes would need to become sufficiently willing to limit their numbers *absent* a material incentive to do so. While people *might* conceivably improve in the future and be prudent without the financial inducement to do so, Mill was under no illusion as to the difficulty of this task. His disagreement with Harriet focused on the very low likelihood that such improvement would be forthcoming in the near term.

It seemed to Mill that widespread adoption of such communal arrangements required a people who generally were different (more willing to internalize non-pecuniary incentives), from those who currently lived and worked in nineteenth-century England. Until such a change in human nature occurred, Mill favoured the voluntary and small-scale adoption of Saint-Simonian ideas that, he wrote, are “capable of being tried on a moderate scale” with the associated risks accruing only to “those who try them” (*Principles of Political Economy*, p. 213):

It is for experience to determine how far or how soon any one or more of the possible systems of community of property will be fitted to substitute itself for the ‘organization of industry’ based on private ownership of land and capital. In the meantime we may, without attempting to limit the ultimate capabilities of human

nature, affirm, that the political economist, for a considerable time to come, will be chiefly concerned with the conditions of existence and progress belonging to a society founded on private property and individual competition. (*Principles of Political Economy*, p. 214)

By no means were such schemes to be imposed from without, by an agency, group, or State that had somehow divined the common good.²⁸

At the same time, Mill was optimistic about the future of the laboring classes under competitive arrangements. He believed that they had already achieved much progress and their manifest desires to become even more independent would generate additional progress in the future. Mill favored institutions that supported and enabled independence and association, including but not limited to competition: “The institutions for lectures and discussion, the collective deliberations on questions of common interest, the trades unions, the political agitation, all serve to awaken public spirit, to diffuse variety of ideas among the mass, and to excite thought and reflection in the more intelligent (*Principles of Political Economy*, pp. 763-64; see also, p. 768).²⁹

Conclusion—capitalism evolving over time

Notwithstanding his caution about socialist schemes, Mill was no apologist for the status quo of nineteenth century capitalism. As noted in Chapter 6, he worried a great deal about the “disagreeable symptoms” of nineteenth century industrial life. In his famous chapter on the stationary state, Mill decried the “trampling, crushing, elbowing, and treading on each other’s heels, which form the existing type of social life” (*Principles of Political Economy*, p. 754). Perhaps naively, he looked forward to a new phase of industrial life in which economic growth slowed (and stopped) when, instead of “the art of getting

²⁸ Mill especially worried about how some of the followers of Saint-Simon turned towards a cult-like religion, a version that d’Eichthal also eschewed.

²⁹ “But if public spirit, generous sentiments, or true justice and equality are desired, association, not isolation, of interests is the school in which these excellences are nurtured” (*Principles of Political Economy*, p. 768). All forms of association offered “civilizing and improving influences” (*Principles of Political Economy*, p. 769; see also p. 708). For this reason, and because they were a means to education (especially regarding population growth and savings), Mill allowed that trade unions were, on balance, a positive force in his time.

on” people would have additional room for “the Art of Living” (*Principles of Political Economy*, p. 756).³⁰

After much observation and study, Mill concluded that a capitalist system with private property and competition was, on balance, an improvement over the proposed alternatives of his time. How might capitalism evolve over time? Mill imagined a capitalism with a “better distribution of property”—via, among other means, reformed inheritance laws—couple with improved “prudence and frugality” among the labouring classes (*Principles of Political Economy*, p. 755). Experimentation and “associations of individuals voluntarily combining their small contributions” would yield additional improvements, including increased independence for all (*Principles of Political Economy*, p. 708).³¹

In Mill’s view, as capitalism evolved it would entail a continued, healthy dose of competition. Competition would also, he argued, continue to erode current monopoly privileges, serving the many poor at the expense of the privileged few:

To be protected against competition is to be protected in idleness, in mental dulness; to be saved the necessity of being as active and as intelligent as other people; and if it is also to be protected against being underbid for employment by a less *highly* paid class of labourers, this is only where old custom, or local and partial monopoly, has placed some particular class of artizans in a privileged position as compared with the rest; and the time has come when the interest of universal improvement is no longer promoted by prolonging the privileges of a few. (*Principles of Political Economy*, pp. 795-96)

³⁰ Stationarity (a situation of zero economic growth) in this chapter is economic; but Mill reveals here that this is only one dimension of human flourishing. Without making any extreme predictions regarding how little one might work in the future, the passage calls to mind J.M. Keynes’s famous article, “Economic Possibilities for our Grandchildren” (Keynes 1930, *Essays in Biography*, pp. 358-76).

³¹ “The aim of improvement should be not solely to place human beings in a condition in which they will be able to do without one another, but to enable them to work with or for one another in relations not involving dependence” (*Principles of Political Economy*, p. 768).

Underscoring Mill's comparative analysis of economic arrangements was his deep concern with expanding all forms of freedom for the labouring classes and ending their economic and intellectual dependence. As workers gained political power and "improved intelligence," Mill believed they would increasingly eschew working for wages.³² He foresaw a time when they would become fully independent and "work on their own account." As such, Mill believed the wage relationship would decay in the future:

In the present stage of human progress, when ideas of equality are daily spreading more widely among the poorer classes, and can no longer be checked by anything short of the entire suppression of printed discussion and even of freedom of speech, it is not to be expected that the division of the human races into two hereditary classes, employers and employed, can be permanently maintained. (*Principles of Political Economy*, pp. 766-67)

Whether Mill had in mind something like the "gig economy" where people increasingly work as self-employed entrepreneurs, is difficult to say. The foregoing suggests that he would regard such start-ups as a salutary outcome signaling the achievement of independence among a growing segment of the labour force.

³² In his view, workers "will become even less willing than at present to be led and governed, and directed into the way they should go, by the mere authority and *prestige* of superiors" (*Principles of Political Economy*, p. 764).