

## THE PRIVATE SUPPLY OF 'PUBLIC GOODS' IN NINETEENTH CENTURY BRITAIN

## STEPHEN DAVIES

The strange enthusiasm for the market that has recently arisen among many socialists is very welcome and exciting, as is the virtual demise of class as a central concept in much socialist writing. Many of the points made by the 'market socialists' are serious and important and demand a careful response, particularly those concerned with the vexed issue of distributive justice. Even so, if the aim of socialism is not to replace market forces by collective control, nor based on a class analysis what *is* it? According to Roy Hattersley, 'The true purpose of democratic socialism is the protection and extension of individual liberty'. This claim sounds remarkably like what J. A. Hobson, J. C. Hobhouse and the other 'New Liberals' were saying in the 1890s, but let that pass.

One argument which does require a detailed answer is central for many 'market socialists' - that while socialism may require markets, a commercial market society also 'needs' an active and interventionist state if it is to function effectively. One constant theme is that a state is required to bring about a redistribution of reward, a correction of market outcomes, to counteract the assumed tendency of market forces to create large concentrations of wealth, which are held to diminish the effective freedom of the have-nots. Another 'line' holds that a strong state is required to maintain the essential prerequisites of a free market, such as a currency, a system of law and the very notions of contract and sale. In other words, markets are created institutions, supported by the state. Both of these are arguments which appeal mainly to intellectuals. A much more popular, and hence more politically significant, thesis is that there are many goods essential to the functioning of society which can only be produced by the state and which are usually known as 'public goods'.

Although as an historian I am not as competent as others to comment in detail on such questions as the nature of freedom and distrtibutive justice, all of the arguments described have a distinct historical component. This consideration applies particularly to the third - 'public goods' - which depends centrally upon an historical account of nineteenth century Britain to support an abstract theory. The thesis may be summarised as follows: "The unrestricted oper-

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FOR LIFE, LIBERTY AND PROPERTY

ation of market forces in nineteenth century Britain produced grave consequences, especially a lack of such major public goods as public order, sanitation and education. This shortcoming was remedied only by a massive expansion of the state, without which capitalist society would have broken down. The market was unable to solve these difficulties." This argument, indeed, was the central theme of a recent television series, based upon a book with the modish title *Victorian Values*. The series and its thesis were summarised in a forceful article by Peter Kellner, recently published in *The Independent*.<sup>2</sup>

There was certainly a massive expansion of the state in the nine-teenth century - the idea of a Victorian age of *laissez-faire* is a myth. But was it necessary? To anyone brought up with a conventional view of history this question will seem strange. Surely the Blue Books, official reports and the works of social investigators reveal a horrendous state of affairs in the early nineteenth century, with large towns and cities lacking such elementary facilities as water, lighting, and an effective police force to protect the public from rising crime? Weren't the inhabitants deprived of education and other elements of culture? Certainly, the condition of many larger towns and their inhabitants was often deplorable. These deficiencies had two main causes: a sharp rise in population, coupled with large-scale urbanisation; and an utterly inadequate system of local government, riddled with corruption and jobbery.

One set of proposals, ultimately successful, was put by reformers such as Edwin Chadwick, arguing for a reconstruction of the state.<sup>3</sup> But there was an alternative - to remove the restrictions of the old corrupt system and allow the market to produce solutions. Research which looks beyond official publications reveals that this was actually happening. Examination of three separate activities where private provision of public goods was far advanced by the 1830s will demonstrate this forgotten truth.

Policing and Law Enforcement. The years between 1750 and 1850 saw the development of a multitude of private agencies of law enforcement, ranging from the systematic use of newspaper advertising to professional detectives and thief-catchers. The most significant were associations for the prosecution of felons. These were voluntary associations of citizens which were set up initially to defray the considerable costs of mounting criminal prosecutions. As time passed, they acquired a wider range of functions, particularly crime-prevention and insurance. The association members contributed to funds, in proportion to their ability to pay; the monies were then used to pay for compensation for loss through theft or criminal damage, to recover stolen goods where possible, to cover the cost of criminal prosecutions and the compiling of information against known delinquents and, increasingly, to finance permanent foot-patrols or 'watches'. Between 1744 and 1856 at least 450 such associations were set up.4 By the 1830s the largest and most successful, such as the Barnet Association, had effectively become private police forces. Evidence shows that they were providing a service to their members which was both cheap and efficient. Nor was their membership confined to the well-

**Education.** The classic work of Professor E. G. West and the more recent research of Dr. Philip Gardner<sup>5</sup> show that, before the

1870 and 1880 Acts which introduced compulsory state education, the vast majority of the population were already being educated to a high standard by a multitude of private-venture schools. Many comments on this topic simply miss the point. Peter Kellner says that "Statute succeeded where the market had failed. In 1870 there were just 12,000 certified teachers. By 1895 there were 53,000." The small number of (state-certified) teachers for the earlier date reflected the reluctance of working-class parents to send their children to state schools, not an absence of education. This remark also betrays the revealing assumption that only state-recognised professionals can dispense true education. All the evidence suggests otherwise.

The Supply of Water and Sanitation. At the start of the nineteenth century this provision was mainly in the hands of chartered private water companies. Ever since the famous 1842 Sanitation Report these private bodies have had a very bad press from historians. Their strictures were often justified, particularly in London. Yet the picture was rather more complex than a simple reading of the 1842 Report would suggest. In some areas, such as Ashton-under-Lyne, the water companies worked effectively, providing a constant supply at high pressure. As most contemporary commentators noted, the central problems were the lack of competition and the chaotic state of local government - London had 300 separate bodies operating under 250 local Acts. In Manchester local initiative had in 1796 brought about the creation of a Board of Health independent of central government; it led to a marked improvement in sanitation.

These are only three so-called 'public goods'. Similar arguments can be made for other services, as, for instance, law, where there was a vigorous development of private arbitration, and fire services, supplied by insurance companies such as Sun Alliance. The nineteenth century saw an explosive growth in the private supply of 'public goods', with some examples surviving to this day, notably the Royal National Lifeboat Institution, founded in 1824. (It is important that the last century had a wide variety of forms of ownership available, unlike today, when the only alternative to direct state ownership seems to be the limited liability joint stock company.) But, if the market was throwing up solutions to the admittedly acute problems of the time, why was the statist solution adopted? This is a complex question but some suggestions can be made.

The problems were so acute in many cases that drastic action did seem necessary. The laissez-faire solution could be blocked by the vested interests of the old order and was not supported by a sufficiently powerful interest group. By contrast the state reformers had a coherent ideology in Benthamism and were able to work with the vested interests, even if some of their more radical proposals were thwarted. The central figure in this movement was Edwin Chadwick, whose career is classic proof of the importance of outstanding individuals in history. Yet the main reason for the 'triumph of the state' was the fear of the mid-Victorian elite that society was facing the prospect of moral disintegration. They feared that economic development was dissolving the social bonds and producing an atomised 'state of nature'. This worry comes out very clearly in the three examples given above. The primary objection to nonstate education was its lack of moral instruction, while the prosecution associations were seen as inadequate because they concerned themselves only wich such matters as crimes against property and person while ignoring 'moral' offences, such as prostitution and drunkenness. Even the debate over sanitation was thought to be as much about morals as about drains.10

That the historians have described this process in the way they have can be ascribed to a wholly uncritical attitude to many of the sources. Highly impressionistic literary accounts are accepted as being the unvarnished truth. The accounts written by middle-class, often Evangelical, observers are taken at face value, with little attempt to identify the assumptions which informed them or to test them against other evidence. Most serious is the often unthinking respect given to official reports. It has been clearly shown that many of these publications, including the 1834 Poor Law, 1839 Constabulary and 1842 Sanitation Reports, are highly tendentious propagandist works, with evidence doctored and manipulated and

hearsay evidence or urban folk-myths presented as fact. Thus the majority of respondents to the 1839 Constabulary Report said that they were satisfied with the existing state of affairs and saw no requirement for a state police force, and yet when Chadwick drew up the Report most of this evidence was simply omitted. (Chadwick was responsible for all the Reports listed above.) Behind this absence of criticism is a 'whiggish' view of history which sees the growth of the modern state as inevitable and part of 'progress' - i.e., a Good Thing.

Peter Kellner and others like him have been misled. The historical evidence does not support arguments for the necessity of the state as a provider and regulator. Instead, it lends a support to the thesis that the market is capable of producing private solutions to the problem of 'public goods'.

Briefly, what the other two arguments adduced and mentioned above - that the state is required to maintain the institutions without which the market cannot function, that these institutions are, indeed, deliberately created; and that an unfettered market will inevitably lead to 'inequitable' concentrations of wealth? Here again history does not support the new socialists. The work of Ferdinand Braudel and others shows clearly that markets have existed in every complex society and arise spontaneously, along with all their associated institutions, from human interactions.<sup>12</sup> Braudel's work also suggests that large concentrations of wealth and major disparities of wealth and income are the product not of markets but the interaction of markets and political power. Large, permanent fortunes are made by the already rich using the state for their own ends. Here some of the new socialists have made several shrewd points. As Julian LeGrand points out, a truly radical market approach demands an attack on the privileges of capital as well as those of organised labour.<sup>13</sup>

What conclusions can be drawn from this re-examination of history? Mainly that the necessity of a large state for commercial society is not only unproven but even doubtful. It seems apparent that many of the 'core' functions of the state can be provided in quite a different way through the market. History can offer ideas as to how the state today may be replaced and even as to what a truly commercial society might be like.

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