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Cosma Orsi

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***The Political Economy of the Poor:
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Cosma Orsi
Università della Svizzera Italiana
Department of Economics¹

Abstract

The aim of this article is to describe the rise and fall of the workhouse system in connection with the developments that took place in economic thought, in the transition from Mercantilism to pre-classical and classical tradition. By examining the economic arguments emerging from the debate around the workhouse system, we shall focus on how ideas concerning wages, efficiency, labour market, workers' mobility, unemployment and human nature of the poor evolved throughout the period under scrutiny, trying to evaluate to what extent these views influenced the shaping of a new policy approach aimed at improving the effectiveness of the delivery of poor relief.

Keywords: Poverty, Workhouses, Poor Law Reforms

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1 Corresponding Author: Cosma Orsi, USI, Department of Economics, Via G. Buffi 13, Lugano, 6900, Svizzera, +41(0)586664000. cosma.orsi@usi.ch. The author wishes to thank Prof. Marco Dardi for having read this work and found it suitable for submission.

I. Introduction

The aim of this article is to describe the rise and the fall of the workhouse system in connection with the developments that took place in economic thought, in the transition from Mercantilism to pre-classical and classical tradition. By examining the economic arguments emerging from the debate around the workhouse system, we shall focus on how ideas concerning wages, efficiency, labour market, workers' mobility, unemployment and human nature of the poor evolved throughout the period under scrutiny, trying to evaluate to what extent they influenced the shaping of a new policy approach aimed at improving the effectiveness of the delivery of poor relief. While a wide literature exists on the Poor Laws, the main originality of the paper rests on its attempt to bridge the gap between economic theory and policy. To what extent did economic ideas influence the main reforms occurring between 1760 and 1795? A systematic inquiry into primary sources will provide the evidence that concerns regarding social security and inclusion of the low rank of society shown by some economic thinkers from mid-Century onward were taken seriously into consideration by the reformers.

State-managed poor relief in England was crystallized in the 1601 Poor Relief Act, which gave publicly administered local parishes the legal ability to collect money from rate-payers to spend on poor relief for the 'deserving' poor - the sick, elderly and infirm. Furthermore, the Elizabethan legislation implied a system in which parish officials collected taxes to provide direct grants to unemployable people, work for able-bodied individuals, and apprenticeship for poor children. Although from the establishment of the Poor Law the majority of relief claimants were actually given outdoor relief (Orsi (2013); Taylor (1991); Knot (1985)), starting from mid-Seventeenth century onward a different policy approach to the problem of poverty emerged. The workhouses began to be an integral element of the country's landscape.

It was increasingly felt that well-managed workhouses, further than being 'nursery of virtue' (Ashcraft (1996): 48), would have rendered the poor able to repay for their relief, and allow the houses to make a profit by selling the products of the poor's labour. This change in attitude owed much to the fact that at this point in time the majority of both economic thinkers and social reformers «saw a

need for a planned and organized commercial strategy to generate wealth based mainly on manufacturing» (Iverson (1997): 123).

While early arguments for the establishment of a system of poor relief were mostly moral and political in nature, Mercantilist authors added solid economic basis to them. In a context where the growth of the manufacturing represented the main vehicle for expanding production so as to increase national wealth, workhouses were supposed to have a key role to play. Via the organization of the poor's labour within workhouses, it was believed, «society as a whole could be reformed: that a population made up of idle and dissolute labourers could be replaced by one of tractable, morally upright and hard-working individuals» (Hitchcock (198): 2). On these grounds, between the last quarter of the Seventeenth century and the first half of the Eighteenth century, an extremely rich pamphlet literature on make-work schemes was produced².

The schemes for the employment of the poor rested on the so-called *utility of poverty doctrine* whose main tenet was that workers had to accept enforced labour as a necessary condition for national prosperity. Its advocates believed that the poor simply did not want to work because they were idle, lazy, and indolent. As these were inborn traits of the poor, only necessity could have made them work. High wages would only have led to moral decay in the lower classes. If wages had been fair then the poor would have worked less (grasping the essence of what was later described as a backward-bending labour supply curve) or would have not worked at all and spent their money in immoral things like alcohol, gambling and the like. The doctrine also generated arguments to tax workers to force them to

² A thorough exposition of the various proposals is beyond the reach of this article but it is worth recalling at least the most important among them. Authors like Joshua Child (1688), Richard Haines (1764-81), Thomas Firmin (1678-81), Matthew Hale (1683), Richard Dunning (1681) John Cary (1695), John Locke (1697), Charles Davenant (1699), John Bellers (1695, 1714), Laurence Braddon (1717), Matthew Marryott (1725), William Hay (1735 and 1751), Thomas Alcock (1752), Henry Fielding (1751 and 1753), Richard Lyloyd (1753), William Bailey (1758), Joseph Maise (1758), Samuel Cooper (1763), William Temple (1770), Robert Potter (1775) proposed detailed workhouse projects. It is worth noticing that at least the authors writing during the last quarter of the 17th century were building upon a body of thought that emerged around 1650 that combined arguments about national welfare, productivity, poverty, and employment. The main exponent of this approach was Samuel Hartlib's (c. 1600- c. 1670), who in 1641 wrote *Description of the Famous Kingdom of Macaria*, followed by a pamphlet written in 1649 *Londons Charities Stilling the Poore Orphans Cry* in which he proposed the erection of workhouse to educate and employ the poor. Following the same train of thought Rice Bush (1649), Peter Chamberlen (1649) and William Goffe (1605?-1679?) were writing in the same domain. On this early stage see Slack (1999) see also Orsi (2013).

work longer hours for their subsistence. The work of the poor was supposed to reduce the burden of the poor rates and produce profits³.

Within a few years after the passing of the Knatchbull's Workhouse Test Act⁴ of 1723 a different understanding of poor relief was proposed and, eventually, implemented. Though the *utility of the poor doctrine* was never completely overthrown, from mid-Eighteenth century onward a more progressive and inclusive approach to poor relief began to shape policy attitudes paving the way to the more liberal measures enacted with the Gilbert Act of 1782 and the Speenhamland system of 1795, which acknowledged social security and inclusion for the poor as its core.

Social and economic historians provided different interpretations toward the explanation of such a policy shift. Many commentators of the poor relief system argued that the utility of the poor doctrine achieved dismal results (Webb (1927): 223; Marshall (1956): 153-4; Poynter (1969): 16). The management of the workhouses was poor and too often corrupted due to both accountancy and accountability problems; housing inmates with little work experience and with little incentive to work made it problematic to find the right kind of work for them to do - let alone to make the available labour pay even for the material on which they worked. Even when incentives were offered, the wages were so low as to reduce their effectiveness and they, of course, increased the cost of the program. Other scholars ascribed the policy switch to the «emergency response to the extremely high food prices which began in the 1760 and stretched until the end of the century, which caused real wages in rural areas to fall temporarily below subsistence» (Boyer (1993): 2).

For those belonging to the neo-traditional school, the shift from in-door to out-door was caused by «the economic collapse of the economic position of the rural

3 Though it is hard to distinguish among the different tones with which the drafter of the make-work schemes supported them, a careful reading of the primary literature shows that the main arguments utilised in order to justify the erection of workhouses changed over the time. If before 1712 the argument utilised in order to justify these schemes was mainly that workhouses were self-supporting, namely that they not only would reduce the costs of the poor relief but also that they would produce profits out of the work of the poor, after that date the argument changed and most of those who advocated the creation of workhouses intended that «the poor should be deterred from applying for relief, not that they should finance it» (Hitchcock (1985): 1; Furniss (1920): 86).

4 It allowed parishes to refuse the poor asking for relief if they did not subject themselves to the harsh conditions and extraordinary work requirements of the workhouse whilst extending the well-known practice of farming out the poor - that very closely resembled forced labour and allowed many parishes to escape from their responsibility to provide work for their inmates.

labourer» (Hammond and Hammond (1913): 120, 170, 123; see also Webb and Webb (1927-29): 419). From a different perspective Mark Blaug claimed that «outdoor relief was used to supplement "substandard" wages rate and to support seasonally and structurally unemployed workers» (Boyer (1993): 3). Other analyses tend to explain this shift in the way to deal with the poor as the culmination of a process matured throughout the century which led to the establishment of a more relaxed, if not benevolent, attitude toward the poor and their life conditions (Coats (1958 and 1960); Cowherd (1960); Himmelfarb (1984)).

What role did the economic ideas elaborated throughout the Eighteenth century play in changing such an attitude toward poor relief? In attempting to answer this question we shall look at the economic debates occurred between the end of the Seventeenth century and the end of the Eighteenth century. In doing so, the paper is structured as follows: section two introduces the main tenets of the utility of the poor doctrine; section three is mainly devoted to present the first critique to the workhouse system made by one of the most distinguished authors of the time, Daniel Defoe; sections four and five are mainly concerned with those authors who crafted the arguments which led to the overcoming of the *utility of the poor doctrine* (Vanderlint, Berkeley, Hume, and Smith, Paine) underlining the congruence between their ideas and the institutional change on poor relief; in section six we shall look at those reformers whose reforms called not only for the integration of the poor within society, but also for their emancipation; section seven pulls together a few final considerations.

II. The Utility of the poor doctrine

The idea that the poor should be looked upon as being «only potential sources of wealth unless employed» (Johnson (1932): 698) mainly derived from the Mercantilist concept of labour: not only was it the duty of man before God, but it was also the source of State power and national wealth (Mencher (1967): 6). Along this line, Mercantilist authors believed that labour was the most fundamental commodity «out of which may be derived all sorts of manufactures» (Petyt (1680): 238). Petyt (1636?-1707) echoed a concept already firmly established in Mercantilist literature; few years before, Thomas Mun (1571-1641) wrote that «where the people are many and the arts good, there the traffic will be great and the country rich» (Mun (1664): 31; see also Child (1668): 88; Temple (1758)).

Following the same train of thought, in 1683 Sir Matthew Hale (1609-1676) observed that setting the poor to work would have increased the wealth of the nation. In his opinion a well-established workhouse system would have linked the mass of poor to the wealth of the nation because it would have halted «the flow of money out of the kingdom to pay for imports by means of the establishment of manufactures which provide for domestic consumption and thus make our Trade Outward ... exceed our Trade Inward» (Hale, 1683, 12-3).

Charles Davenant (1656-1714), and John Cary (d. 1720?), epitomised the congruence of individual labour and national welfare. The former maintained that «The Bodies of Men are without doubt the most valuable Treasure of a Country, and in their sphere, the ordinary People are as serviceable to the Common-Wealth as the rich, if they are employ'd in honest labour and Useful Arts: and such being in number, do more contribute to increase the nation's wealth, than the higher rank» (Davenant (1771 [1699]): 202-3). The latter wrote that the increase of national wealth much owed to «the industry of her people» adding that «the profits of this kingdom arise from its produce and manufacture at home and from its growths of these plantation it hath settled abroad, [...] all of which being raised by the industry of its people are both its true riches and the tools whereby it trades to other nations, the products coming from the earth and the manufacturing them being an addition to their value by the labour of the people» (Cary (1695): 2).

The *utility of the poor doctrine* was geared around a specific understanding of the poor's human nature and their inclination to work. The widespread belief was that the poor were naturally idle, indolent, shiftless, dissolute, and inclined toward licentious behaviours. As Dorothy Marshall (1956) explained, the poor's aversion to labour was then perceived as immoral because it represented the amount by which the wealth of the nation «could have been increased, and was not [...] thus idleness meant the shrinking of a moral obligation on the part of the workman» (Marshall (1956): 181). From this perspective, the working class ambitions were non-existent, and their only motivation to work was to satisfy their most pressing need⁵.

5 This understanding of the poor and their attitude to work would be endlessly reiterated throughout the following century. In 1704, Daniel Defoe (1660-1731) argued that «there is a general Taint of Slothfulness upon the Poor, [so that] there's nothing more frequent, than for an Englishman to Work till he got his Pocket full of Money, and then go and be idle, or perhaps drunk, till 'tis all gone, and perhaps himself in Debt» (Defoe (1704): 27). In 1714, Bernard Mandeville (1670-1733) wrote that «When men show an extraordinary proclivity to idleness and pleasure,

If so, wages above bare subsistence would only encourage the poor's reckless behaviour and destroy their productivity (Furniss (1920): 118). Apropos, Mun (1664) maintained that «penury and want do make a people wise and industrious» (Mun (1664): 73). This view was still in vogue shortly before Adam Smith published the *Theory of Moral Sentiments*. In 1758, discussing the working class motivations, William Temple (1705-1773) argued that, because the labourers «are guided in their pursuit by hunger and lust», «the only way to make [the poor] temperate and industrious is to lay them under the necessity of labouring all the time they can spare from meals and sleep in order to procure the common necessity of life» (Temple 1758, 56-7).

From a Mercantilist point of view, the utility of the poor doctrine had a twofold positive effect: on the one side, it provided the employers with the impeccable rationale to pay subsistence wages and, on the other, it prevented the workers from the sin of idleness because they would have neither the time nor the money «to waste carousing at the alehouse or in other unproductive activities» (Jordan (2003): 44). On the ground that idleness was an inborn trait of the poor's character, Mercantilist writers supported the view that the state should have an interest in backing social and economic policies aimed at instilling more positive *habit of industry* in the poor including compulsion to work, low wages, and an increase in the prices of (and taxes mainly on alcoholic beverages) of necessities. Furthermore, late Seventeenth and early Eighteenth century authors believed likewise that high wages had an additional side-effect, namely that they encouraged the working poor to be insolent and impertinent. In this intellectual context, low wages were seen as a proper disciplining device not only because they made the poor work harder but also turned them more respectful and subordinate (Marshall (1998): 310).

This belief was often accompanied by suggestions aimed at removing the diversions that might tempt the laborers. In his suggested plan for reinvigorating and amending the Elizabethan Poor Laws, the most influent writer on the subject John Locke proposed that in order to produce a «restrain of their debauchery» it was necessary to suppress «superfluous brandy shops and unnecessary alehouses, especially in country parishes not lying upon great roads» (Locke (1997 [1697]): 184). Furthermore he deemed useful to monitor and to control poor's mobility and

what reason have we to think that they ever work, unless they were obliged to it by immediate necessity?» (Mandeville (1795 [1714]): 113).

behaviour via a «system of certification papers passes and identification marks» (Iverson (1997): 129)⁶. Strictly linked to these measures were Locke's suggestions concerning how to deal with the poor within workhouses: as «The growth of the poor must therefore have some other cause, and it can be nothing else but relaxation of discipline and corruption of manners» (Locke (1997 [1789]): 184) and only physical punishment like torture and whipping could make the poor industrious. Another vivid example of such an orientation was given by John Cary, who proposed that every-day life had to be tightly controlled: in order to «introduce a habit of virtue amongst us, but also to the making multitudes of people serviceable who are now useless to the Nation» stage plays, lotteries, and gaming should be «strictly looked after» (Cary (1695): 166).

Building upon the above premises, the ideal that workhouses were a place where 'justice and mercy' could meet seldom matched reality. The Quaker economist and social reformer John Bellers, (1654-1725) for instance, recalled the abject living conditions in which the poor were kept. Gender segregation (husband and wife were not allowed to live together and also the children were separated from their parents), poor diet, horrifying working and hygienic conditions led him to claim that 'A workhouse bespeaks too much of servitude' (Bellers (1696): 28). Although Cary declared that «the success hath answered our expectation; we are freed from beggars, our old people are comfortably provided for; our boys and girls are educated to sobriety, and brought up to delight in labor; and the face of our city is so changed already, that we have great reason to hope these young plants will produce a virtuous and laborious generation» (Cary (1700): 19-20), the *Corporation of the Poor* he set in Bristol was soon labelled a 'wretched hovel' and became known mainly for the terror it provoked in the poor of Bristol (Iverson (1997): 127).

An anonymous observer working for the Exeter Corporation workhouse between 1698 and 1710 noted that «the inmates generally expressed a high level of dissatisfaction with their position in the house», adding that disaffection often led to the guests' of the house insubordination: inmates «regularly broke out, transgressed every rule the Corporation made, assaulted the employees of the

6 Closely reflecting Locke's ideas the Act of William of 1696 established that «every person receiving relief of any parish shall, together with his wife and children openly wear upon the shoulder of his right sleeve a badge or mark with a large roman P, and the first letter of the name of the parish whereof such poor person is an inhabitant, cut thereon either in red or blue cloth» An Act for supplying some Defects in the Laws for the Relief of the Poor of this Kingdome.

workhouse». (D.R.O., Exeter Borough Records, 1705.) The punishments enforced on the inmates for their insubordination «were both immediate and brutal. Isolation cells and whipping were the most common punitive measures - usually being carried out immediately by the workhouse marshal after a transgression had been committed» (Hitchcock (1985): 67). The deterrence attitude assumed from the end of the Seventeenth century onward pushed another unknown Overseer to report that «we have many here who would choose to starve, rather than be maintained in [...] the house of correction, as they call it» (anon. (1732): 127). It was fairly evident that under these conditions, neither moral regeneration nor any positive habit of industry could be imparted.

Given the above, it is not difficult to understand that the schemes for the employment of the poor rested on a multifaceted interplay of contradictory urges. While workhouses were meant to provide the poor with a chance to reinforce their rights and duties as members of a shared community, in reality care and protection for the poor were in short supply. In a nutshell, upon the *utility of the poor doctrine* it was constructed a system of relief in which «the poor become objects of scrutiny and control, rather than equal participants in a poor relief system structured by practices of negotiation and give and take» (Nacol 2012, 4).

III. Defoe's inefficiency argument

The workhouse system came to be criticized on strictly economic grounds since the early XVIII century. Starting from 1630s, some authors began to express concerns about the rationale governing the workhouse system. Among earlier authors who cast doubts upon the economic and administrative viability of the workhouses we can recall John White (1575-1648), the great reformer Samuel Hartlib, and John Graunt (1620-1674). John White, arguing that «the conclusion must be stand and firme, we have more men then wee can imploy to any profitable or usefull labour» (White (1630): 20), anticipated the argument later utilized by both Graunt and Defoe according to which the risk of putting the poor to work would only result in taking the work from those already employed.

Also the great reformer Samuel Hartlib concluded his 1649 pamphlet saying «that such as are so trained up in trades, not to sell their wares to any one, but to the Companies or Corporations which the said children are trained up to, this order, may stop the mouthed murmurings of those that would obstruct the works, of employing the children, supposing, it will hinder trading, and prejudice Shop-

keeper, which is far from the first endeavurers of the work, that any should suffer losse by it, but rather gain» (Hartlib 1649, 8). John Graunt, (1620-1674) in his *Natural and Political Observations Made Upon the Bills of Morality* (1662) casted serious doubts on the economic effectiveness of workhouses. He feared that workhouses might simply turn employed people into unemployed. «... if there be but a certain proportion of work to be done, and that the same be already done by the *non-Baggers*, then to imploy the *Beggars* about it, will but transfer the want from one hand to another» (Graunt (1662): 351 in Hull 1676). It is worth recalling that Graunt also questioned the apprenticeship practice for poor children. In this regard, he said, that learners cannot work «so cheap as skilful practised Artists can. As for example, a practised Spinner shall spin a pound of Wool, worth two shillings, for six pence; but a Learner, undertaking it for three pence, shall make the wool indeed into yarn, but not worth twelve pence» (Graunt (1662): 354 in Hull 1676).

However, the most influential thinker to question the very roots of the workhouse rationale was Defoe, who provided strict analytical arguments in order to prove the inefficiency of the system as a whole. Defoe's ideas were exposed in the course of a vivid confrontation with Sir Humphrey Mackworth (1657-1722) who, in 1704, presented a *Bill for the Better Relief, Employment and Settlement of the Poor*. The *Bill* supported the setting up of public workhouses in every parish where the poor should have a legal settlement. This proposal prompted Defoe's *Giving Alms no Charity: And Employing the Poor A Grievance to the Nation* (1704), where he maintained that Mackworth's plan would have caused «publick Nuisances, Mischiefs to the Nation which serve to Ruin of Families, and the increase of the Poor» (Defoe (1704): 541). According to Defoe, offering work to the unemployed was wrong because such a course of action failed to consider three major factors: first, nobody in the country was unemployed because of lack of labour demand⁷; second, poverty should not be disciplined via institutions designed to provide work for the poor; and, finally, State intervention on the behalf of the poor would end up increasing rather than decreasing it.

Defoe's departure point was the defense of English manufactures that «are happily settled in different Corners of the Kingdom». The manufacture industry represented the foundation of trade, and rested upon the *interregional division of*

⁷ Rather he believed that unemployment was the *fault* of the poor and, similarly to Locke, blamed the increase of poverty on a deterioration of morals and an increase in idleness and extravagance (Defoe (1704): 543).

labour. For Defoe, it was «so Essential to the Publick Benefit» that any forced alteration of it «would be an irreparable Damage to the publick» (544). Mackworth's plan represented a «Grievance to the Nation» indeed because it would have distorted the natural order of trade by altering the interregional division of labour. In fact, Defoe believed that if the produce of a workhouse did not find a *new* market where it could be sold, there would be no other alternative but bringing it in the current market where it would compete with what was being produced by private manufactures. The consequences are well-known. Firstly, the existing private manufactures would have been destroyed as a result of the competition with public workhouses. Secondly, also the trade industry would have been negatively affected because if each parish had produced its own goods this would have made «our Towns and Counties independent of one another, and put a dump to Correspondence [or communication]» (545). And, Defoe carried on, «this will ruin all the Carriers in England», as «the wool will be all Manufactured where it is sheer'd, every body will make their own Cloaths, and the Trade which now lives by running thro' a multitude of Hands will go then through so few, that thousands of families will want Employment» (545).

Given the above, Defoe's conclusion was straightforward: the system of indoor relief was ill-suited to achieve its twofold purpose: namely, to reduce poverty and to be, at the same time, a useful means to increase the wealth of the Nation. As workhouses fail both to increase commerce (by creating new industries) and to generate new consumption, they end up by «giving to one what you take away from another, enriching one poor man to starve another, putting a vagabond into an honest man's employment» (544). If so, with the unemployed the State should act according to market criteria: namely, as long as there was labour demand⁸, the unemployed could not pretend any help from it. This was the condition of the working poor in the newly established competitive labour market. Able-bodied unemployed should not have been allowed to live as parasites. What was needed for them was no alms, but encouragement «to find themselves Work and go about

⁸ Writing in the 1720s Defoe described a booming economy which required a considerable labour effort. Discussing London's growth for instance he said: «New squares and new streets rising up every day to such a prodigy of buildings, that nothing in the world does, or even did equal it, except old Rome in Trajan's time [...] We see several villages, formerly standing, as it were, in the country and at a great distance, now joined to the streets by continued building, and more making haste to meet in the like manner; for example Deptford ... Islington ... Newington ... Westminster is in a fair way to shake hands with Chelsea, as St, Gyles's is with Marybone» (Defoe (1724-27): 286-8)

it» (542). They should accept any job available on the market, be it distant, unpleasant, menial, or even meaningless. In spite of Defoe's attack against the system of poor relief based upon employment for the poor, the first half of the century saw an increase of the workhouses. In 1711 the Parliament approved the establishment of a new workhouse in Norwich, the motivation being that the poor of the county «do daily multiply, and idleness, laziness, and debauchery among the meaner sort do greatly increase, for want of workhouse to set them to work, and a sufficient authority to compel them thereto» (Nicholls (1854): 373). In 1714, the counties of Olney, Witham, Chelmsford, Essex and Berkshire founded their workhouses and, after 1718, also local communities in the East Midlands began to found their own workhouses.

In 1723 the Parliament passed the *General Workhouse Act* that allowed the establishment of new workhouses to provide poor relief. As a result, between 1723 and 1750, in England and Wales about 600 parish workhouses were established many of which «were constructed by or leased to local manufactures eager to avail themselves of the supply of cheap labour» (Ashcraft (1996): 48). However, the legislation marked the first appearance of the *Workhouse Test* - namely, the power (not the obligation) of the parish to withhold relief from those who refused to enter a workhouse. In principle the introduction of the workhouse test was meant as a deterrent to irresponsible claims on the poor rates⁹. The implementation of this clause went in the direction wanted by Defoe since it offered the parish means to discourage voluntary unemployment so that only truly desperate people would apply to the house.

IV. The fall of the utility of the poor doctrine

There is a wide literature underlining that many influential economic thinkers writing from the 1730s onward showed awareness of the fact that «consumer

⁹ Irresponsible claims meant increasing the tax burden on the country. The cost of poor relief always hunted the mind of those who were writing on social welfare issues since mid-17th century. The worrying increase of the poor rates between 1685 and 1701, was a well-known problem addressed by many authors of the day, Davenant set the expenditure for poor relief during the last year of Charles II's reign to a total of 665,362£, an amount of money roughly similar to that claimed by Gregory King in 1688, namely 622,000. The issue of the steady increase of the poor rates did not find a solution throughout the Eighteenth century. If, in 1754, Henry Fielding declared that the amount of the rates reached the round number of one million, by 1776 they soared to one and a half million, and by 1787 the total sum paid for poor relief in England and Wales reached the amount of nearly two million (See Marshall (1926): 77).

behaviour was undergoing fundamental changes, and that these changes were full of meaning for society as a whole» (De Vries (2003): 45; see also Voth (1998 and 2001); Allen and Weisdorf (2008)). As we have seen, Mercantilist thinkers agreed on the idea that the poor naturally preferred leisure to work. They found no better way of stimulating industriousness beyond poverty because in the Mercantilist society the 'possibility that at all levels of society consumers might acquire new wants and find new means to enhance their purchasing power which could generate new spending and produce habits capable of destroying all traditional limits to the wealth of nations was unthought of, if not unthinkable» (Appleby, 1978, 501)¹⁰. It was only in the following century that a consumer revolution¹¹ took place in England (McKendrick et al. (1982); Brewer and Porter (1993); De Vries (1993, 2003, 2008)). As Koyama put it, «households became more active participants in the market economy. Fewer goods were produced within the household economy and instead household members became increasingly specialized; they began to purchase goods that had no domestic substitute. Instead of consuming their surplus income as leisure, they spent it on an increasingly wide range of consumption goods» (Koyama (2009): 10).

In this rapidly changing context, the attempt to instil the idea that the poor were not mere exploiters of the system of poor relief but equal members in a society where, if endowed with an increased consumption power they might have a key role in enlarging domestic markets so as to advance national prosperity, was not an easy task. Those who will champion the emancipation of the low ranks of society from their subordinate position had to confront with a resilient opposition. In this context the issue of poverty intermingled with that of the low standard of living of the common labourers, so that the category of labouring poor was identified with the majority of the population¹². Until the last quarter of the

10 The English historian Christopher Hill pointed out the 'vicious circle' that potentially might prevent economic growth: 'So long as there were few consumer goods within the purchasing power of the mass of population, there is little incentive to earn more than the subsistence minimum wage' but '[u]ntil men work harder there will be no cheap consumer goods' and hence no positive incentives to labour (Hill (1964): 122).

11 Voth (2001): 192-210) found considerable evidence supporting the thesis that consumer spending drove the industrious revolution in England.

12 It should be noted that objections have been raised with regard to the very notion of *labouring poor*. For instance, Burke objected to the confusion implied in the term itself, identifying a difference between those who worked for subsistence (the proper labouring people,) and those who could not work and were dependent on charity or relief like for example the sick, the infirm, orphan infancy, and the aged. According to Burke, only for these latter the word 'poor' should be reserved. As Gertrude Himmelfarb pointed out «The poor law reformers used

Eighteenth century, in fact, the dominant wisdom held that the labouring poor were rightfully placed at the bottom of the social hierarchy; that they were born to perform only «the menial tasks of society» (Furniss (1920): 147).

That the poor were the burden-bearers of society was clearly stated by the influential Magistrate Henry Fielding who said that «To be born for no other purpose than to consume the fruits of the earth is the privilege [...] of very few. The greater part of mankind must sweat hard to produce them, or society will no longer answer the purpose for which it was ordained. Six days shalt thou labour the positive command of God in his own republic» (Fielding (1751): 5). Similarly to Fielding, the Anglican clergyman Joseph Townsend (1739-1816), one of the most fierce opponents of Gilbert's reforms argued that it was necessary for some members of society to be poor «that there may always be someone to fulfil the most servile, the most sordid, and the most ignoble offices in the community» (Townsend (1786): 35), adding that in order «to promote industry and economy it is necessary that relief given to the poor be limited and precarious» (35). However, the above arguments did not prevent the emergence of a renewed approach to poverty, in the context of a new idea of economic development in which economic security and social integration for the low ranks of society should find a place.

Although at the very end of the Seventeenth century¹³ few authors had already identified some of the shortcomings attached to the *utility of the poor doctrine*, the first author who offered a theoretically structured challenge to it was Jacob Vanderlint (d. 1740). Assuming a direct relationship between the rise in real wages and the increase in the labourer's industry and effort, he defined the necessary consumption of the labourer introducing the idea that this level must be

a different language to make the same point. By rigorously distinguishing, in theory and policy, between the 'independent poor' and the 'dependent,' between 'labourers' and 'indigents' or 'paupers,' they hoped to eliminate the ambiguity that had done so much mischief» (Himmelfarb (1984),).

13 A significant challenge to the *utility of the poor doctrine* came in 1691 from Sir Walter Harris (...). Though he admitted that «manufacture are raised cheapest in years of dearth and scarcity», he contested the received wisdom when he claimed that «extraordinary incidents do not constitute the standing rule» (Harris (1691): 53). He further argued that the labourers' response to an increase of prices «would prove of short duration were hard times to become the normal condition» (Furniss (1920): 126). He was followed by Cary who realised that any further decrease in wages would «fall product» and depress land values. In 1725, Richard Gouldsmith discussed the relevance of workers as consumers, labelled the utility of the poor doctrine as a 'barbarous notion', and advocated high wages on the ground that without an adequate income workers «could not purchase clothes which promotes trade or food which promotes land» (Gouldsmith (1725): 18).

appropriate, namely, that his wages must be sufficient, «suitably to his low rank and station as a labouring man, [to] support such a family as is often the lot of them to have» (Vanderlint (1734): 15). Conversely, he believed that «Lowering wages would be injurious since the labouring class being the bulk of mankind would in this case affect consumption of things in general so mightily that there would be a want of trade and business among other part of the people» (120). Vanderlint went even further.

Contrary to the advocates of the utility of the poor thesis, he believed that better rewards would have led to further efforts on the part of the workers, that would have been for the benefit of the economy in general ,as well as of the individual worker. «The working people can and will do a great deal more work than they do, if they were sufficiently encouraged. For I take it for a maxim, that the people of no class will ever want industry, if they don't want encouragement». And added: «We know the weavers, dyers, taylors, etc. at such time work almost night and day, only for the encouragements of somewhat better pay and wages, which an extraordinary demand for goods is necessarily connected with» (122). Thus, both supply side and demand side arguments were called to the fore in challenging the *utility of the poor doctrine*.

Between 1734 and 1737 George Berkeley (1685-1753) published the *Querist*, a best-seller that in the three decades following its publication called for ten re- editions. Anticipating ideas that will become widely accepted in the last quarter of the century, Berkeley believed that the wealth of the nation consisted of a well fed, clothed, and housed population; that such a wealth stemmed out of human industry and, thereby, the State had the duty to encourage the industry of said population (Kelly (1986): 104). Even more interesting for our discussion, Berkeley strongly objected the belief that only necessity induced the poor to work. On the contrary, he believed that the best way to induce them to steady labour, cleanliness, and civilization was to expand the pattern of their wants. As Berkeley puts it: «Whether the creating of wants be not the likeliest way to produce industry in people? And, whether, if our peasants were accustomed to eat Beef, and wear Shoes, they would not be more industrious?» (Berkeley (1734-37): Q. 20, 5).

Berkeley insisted on this point saying that only by developing home trade «the poor can improve their condition by using the resources close at hand» (Rashid 1990 4). This understanding is nicely captured in Query 577 where Berkeley posed the following seminal issues: «Whether it be not the Interest of England, that we

should cultivate a domestic Commerce among ourselves? And whether it could give them any possible Jealousy, if our small Sum of Cash was contrived to go a little further, if there was a little more Life in our Markets, a little more buying and selling in our Shops, a little better Provision for the Backs and Bellies of many sordid Wretches throughout the Towns and Villages of this Island?» (121)

Few years later, similar arguments would be put forward by Malachy Postlethwayt (1707?-1767), who, in 1757 argued that the working poor were neither responsible for their being idle, nor that there was something criminal on their part because the labouring poor «would work far more than they do, if they were sufficiently encouraged» (Postlethwayt (1757) 43) Also Josiah Tucker (1713-1799), though he was a critic of the laziness and immorality of the lower rank of society, he also viewed competent provisions «and increasing living standards for the working classes as a desirable and productive feature of the process of economic growth» (Marshall (1998): 315).

V. The Political Economy of Integration

A seminal step in the rejection of the *utility of the poor doctrine* much owed to two of the most notable philosophers of the Eighteenth century, David Hume (1711-1776) and Adam Smith (1723-1790). Hume firmly believed that high wages for the working poor were beneficial for enhancing national prosperity. According to Hume an expanding economy required new labourers and such an extra demand of labour obliged merchants to pay higher wages. This said, Hume, who was writing when prices were still stable¹⁴, believed that increased salaries would not provoke an increase in prices and, thereby, real wages would rise together with quantity and quality of the produced goods. As Hume puts it «[the workman] carries his money to the market, where he finds every thing at the same price as formerly, but returns with greater quantity and of better kinds, for the use of his family. The farmer and the gardener, finding, that all their commodities are taken off, apply themselves with alacrity to the rising more; and at the same time can afford to take better and more clothes from their tradesmen, whose price is the same as formerly, and their industry only whetted by so much new gain» (Hume (1955 [1752]): 38). Thus, national production was not hindered but rather

¹⁴ It should be recalled that if between 1680 and 1750 inflation was low during the second half of the century consumer prices doubled whilst real salary decreased markedly (MacFarlane and Mortimer-Lee 1994, 157)

fostered by a policy of high wages which would expand the market for traded goods.

Shifting to a more microeconomic perspective, Hume dismissed another typical tenet of the *utility of the poor doctrine* which saw indolence, laziness, and idleness as labourers' inborn traits that only harsh working and living conditions could overcome. According to Hume, quite the reverse was true: «Indolence [...] would be desired principally as a respite from prolonged activity, and would not normally be pursued as an end in itself» (Spencer (2008): 16)¹⁵. As he believes that labourers were not hostile to labour he interpreted their attitude to work as a symptom of social frustration (Marshall (1998): 314)¹⁶. On the above grounds, Hume rejected the dominant wisdom according to which workers' resistance to work could only be overcome by its constant repetition. The only result achieved by such a course of action would have been the development of a 'passive habit' of work. By contrast, he believed that for workers to become truly dedicated to labour and hence to acquire an active habit of work, they had to be offered some opportunity for variety and difficulty (Hume (1739-40): 263).

Hume believed that an increase in the wages of the English workers not only would enhance «the happiness of so many millions», but also that such a course of action would be the best incentive for the poor's diligence and industry thus promoting the development of human capabilities. Though he incidentally acknowledged the importance of «necessity, which is the great spur to industry and invention» (Hume (1955 [1752]): 17-18), he called for positive incentives to labor (Marshall (1998): 313; see also Coats (1958): 67). In *Of Commerce* Hume developed a twofold argument with important policy implications. Firstly, he made an explicit connection between the consumption of luxury goods and a vibrant

15 This argument would soon be taken up by Smith in the *Wealth of Nations*. Here Smith understood the need of the worker to enjoy some days of "relaxation" throughout the week not as a case of indolence but as a result of "over-work". A propos Smith said that «excessive application during four days of the week, is frequently the real cause of the idleness of the other three, so much and so loudly complained of» (Smith (1976 [1776]) 92). And added «Great labour either of mind or body, continued for several days together, is in most men naturally followed by a great desire for relaxation, which, if not restrained by force or by strong necessity, is almost irresistible» (Ibid, 84).

16 At the time Hume was writing he had knowledge of one of the most debatable practices through which the poor were dealt with, namely the practice of farming. As Cotes recalled, farming «involved the application of commercial methods to poverty problem, and it usually had disastrous consequences for the poor themselves» (Coats (1992): 107). This method was thought to be the easiest and less expensive method of discharging a persistent and burdensome parochial responsibility.

economy¹⁷. Imported luxury goods provide novel and exotic «delicacies and luxuries» that «gratify the senses and appetites». They can «rouse men from their indolence» by exposing them to things «never before dreamed of» (Hume (1955 [1752]): 13-4). Secondly, he made a plea for fair wages for the labouring class. These two arguments overlap in the sense that the latter - workers' wages should be fair - was a necessary condition for realizing the former. He acknowledged that if luxury goods were to provide any real incentive the members of the labouring class must be paid fairly¹⁸. On this ground, he supported state intervention «in labor relations for the purpose of ensuring that workers be paid fairly and that they not be denied the fruits of their labor» (Soule (2000): 144).

An aspect that cannot be forgotten in the present discussion is that Hume's plea for high real wages was made on the ground of equality. Hume, in fact, believed that too great an income disparity would have brought about an overconcentration of power, the further impoverishment of the poor, and the discouragement of all industry. «Where the riches are in few hands, these must enjoy all the power, and will readily conspire to lay the whole burthen on the poor, and oppress them still farther, to the discouragement of all industry», concluding that a « too great disproportion among the citizens weakens any state» (Hume (1955 [1752]): 15). It was on these ground that Hume offered one of the most powerful statements in welfare economics, which in turn derived from his understanding of human nature: «Every person, if possible, ought to enjoy the fruits of his labour, in a full possession of all necessaries and many of the conveniences of life. No one can doubt, but such equality is most suitable to human nature, and diminishes much less from the happiness of the rich than it adds to the poor» (15).

Possibly, the most influential author who questioned the conventional wisdom concerning the stimulating effects of poverty was Hume's closest friend and interlocutor for some 25 years, Adam Smith. Although very much debated, Smith's

17 Hume was writing in a period when «the inverse developments of population and progressive agriculture» provided «a foundation for mass consumption» (Chambers (1972): 22-4).

18 Hume argued that, far from being necessity, the most powerful motivation to work hard was given by the possibility to afford luxury goods on the part of the labouring poor. If in the *essay Of Refinement in the Arts* he maintained that in the absence of demand for superfluities, «man sink into indolence, lose all enjoyment of life», in *Of Commerce* he argued that «It is a violent method and in most cases impracticable», he argued «to oblige the labourer to toil, in order to rise from the land more than what subsists himself and the family. Furnish him with manufactures and commodities, and he will do it of himself» (Hume (1955 [1752]); 12)

approach to the problem of poverty was extremely innovative and radical. According to Richard Ashcraft by placing the issue of poverty on the terrain of economics he «offered a chance to escape from the marshy ground of morality, religion, or politics [...]. Smith took the bold step of linking poverty with the dynamic working of the economic system of production» (Ashcraft (1996): 54).

Although he is universally recognized as the noblest father of *laissez-faire* capitalism, Smith was truly concerned with both the plight of severe poverty (Himmelfarb (1984): 46-62) and the imbalances of economic power among classes (Baum (1992): 144). The *Wealth of Nations'* primary focus was on economic growth not on distribution. However, Smith's emphasis on growth was rather different from the one upheld by the theorist of the *utility of the poor doctrine*. He, in fact, believed that economic growth was meant to increase the welfare of the whole society, or, as Smith himself puts it «universal opulence» must spread so that it «extends itself to the lowest ranks of people» (Smith (1976 [1776]): 15). In practical terms, in Smith's opinion, to increase the overall welfare of society implied broadening consumption opportunities for all members of society, including the poor.

For Smith, improving the poor's consumption opportunities¹⁹ represented an advantage for the whole society: «Servants, labourers and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed and lodged» (88).

According to Smith, people's different status in society derived not from individual's faults but rather from environmental circumstances «the very different genius which appears to distinguish men of different professions, when grown to maturity, is not upon many occasions so much the cause as the effect of the division of labour» (19). Later on, he added: «Wherever there is great property, there is great inequality. For one very rich man, there must be at least five

19 According to Smith this required to provide the poor not only with «the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without» (Smith (1976 [1776]): 399).

hundred poor, and the affluence of the few suppose the indigence of the many» (232). Most importantly, Smith rejected Locke's idea that poverty was a product of lack of discipline and/or corruption of manners. Namely, Smith saw no faults in the labouring poor's morals. The poor were seen as prudent, reflective, civic beings, concerned with their public position and subject in particular to the emotion of shame: «a creditable day-labourer would be ashamed to appear in public without a linen shirt» (399). For Smith it was apparent that those experiencing unemployment by recession, sickness and disability had no responsibility for their condition. More importantly, Smith believed that their condition was neither deserved, nor a fate that they could escape with the resources at their disposal. Like their being unemployed, also their idleness, intemperance, and laziness were the result of «adverse circumstances or institutions or the level of development and not product of inherent traits» (Marshall (1998): 317).

Passing reference should be made with regard to the fact that Smith was writing in a period during which the perception that poverty was the result of external cause was gaining momentum. Roughly at the same time when the *Wealth of Nations* was published Thomas Spencer (1750-1814), and William Ogilvie (1736-1813), from a different domain, reached the conclusion that a doctrine which upheld the moral perversity of the poor was simply unacceptable (See Spence (1775), and Ogilvie (1781). These radical democrats and supporters of the agrarian reform believed that poverty was a structural phenomenon whose causes were to be found in the social and economic domain. To their eyes it was abundantly clear that poverty was the result of the progressive dismantling of the subsistence economy based on the open fields system. As agricultural workers had progressively lost access to their land, any possibility to produce for self-consume was precluded²⁰. With regard to economic psychology, Smith embraced a completely reverse outlook if compared with the one informing the utility of the poor. The main drive governing human action was not necessity but rather the desire to better one's condition²¹: «the desire of bettering our condition ... comes

20 What these authors grasped was a simple truth that the advocates of the *utility of the poor* failed to see, namely that the speed at which the enclosures were carried throughout the century generated a mass of dispossessed people that could not be easily reabsorbed into the labour market (Thompson (1966): 121) and whose size allowed a policy of subsistence wages. Under these circumstances, the number of poor constantly grew, so the amount of money to be collected for their maintenance increased.

21 He rejected the argument according to which people work harder when they are afraid, or when real wages are low (Smith (1976 [1776]): 92).

with us from the womb, and never leaves us till we go to the grave» (Smith (1976 [1776]): 362-3). And this was true for all social classes. As far as the labouring poor were concerned Smith believed that what motivated them was the prospect of «ending his days perhaps in ease and plenty» (91).

On this ground, Smith consistently championed fair wages for the labouring class. Smith's plea for high salaries rested on the twofold consideration that they were an indicator of a flourishing and healthy economy as well as an essential feature of a fair society. He countered the received wisdom that in «cheap years, [...] workmen are generally more idle, and in dear ones more industrious than ordinary». To Smith's eyes, this was a falsehood circulated by the «Master of all sorts» who «frequently make better bargains with their servants in dear than in cheap years, and they find them more humble and dependent in the former than in the latter. They naturally, therefore, commend the former as more favourable to industry» (85). He also opposed the idea that high wages would lead to a decrease in the supply of labour. He acknowledged that «some workmen, indeed, when they can earn in four days what will maintain them through the week, will be idle the other three. This, however, is by no means the case with the greater part» (91). In the past, Smith observed, the poor were idle «for want of sufficient encouragement of industry». By converse, he maintained that when «the inferior ranks of people are chiefly maintained by the employment of capital, they are in general industrious, sober, and thriving» (356) In other words, for Smith the liberal reward of labour represented an essential means of increasing «the industry of the common people», thereby increasing national prosperity.

«When wages are high ... we shall always find the working man more active, diligent and expeditious, than when they are low» (85). It is improbable he said, «that men in general should work better when they are ill fed than when they are well fed, when they are disheartened than when they are in good spirits, when they are frequently sick than when they are generally in good health» (92). «The wages of labour are the encouragement of industry, which, like every other human quality, improves in proportion to the encouragement it receives» (91). What is worth noticing is that Smith not only made the case for high salaries, but he also provided the answer to two of the most pressing questions of the time; firstly, whether it was possible for England to pay high wages and remain competitive at international level and, secondly, if the persistent inequality in the distribution of property was compatible with the satisfaction of the needs of the labouring poor.

As it is universally known, the answer was the division of labour. «It is the great multiplication of the productions of all the different arts, in consequence of the division of labour, which occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of the people. Every workman has a great quantity of his own work to dispose of beyond what he himself has occasion for; and every other workman being exactly in the same situation, he is enabled to exchange a great quantity of his own goods for a great quantity or, what comes to the same thing, for the price of a great quantity of theirs. He supplies them abundantly with what they have occasion for, and they accommodate him as amply with what he has occasion for, and a general plenty diffuses itself through all the different ranks of the society» (15). It was the economic expansion and progress generated by the division of labour that induced Smith to believe that within a well-functioning market society also the poor «were expected to move gradually to the upper end of the spectrum» (Himmelfarb (2008): 61).

We cannot but agree with Blaug's statement that Smith's overall opinion on the Poor Laws has been either ignored or, worst, misinterpreted (Blaug (1978): 157). It is true that Smith was uncomfortable with the 1762 Settlement Act²² saying that «there is scarce a poor man in England of forty years of age, I will venture to say, who has not in some part of his life felt himself most cruelly oppressed by this ill-contrived law of settlements» (Smith (1976 [1776]): 157)²³.

However, his rejection of the 1662 Act was limited to the fact that by hindering the free circulation of labour force around the country it interfered with the system of *natural liberty*. «To remove a man who has committed no misdemeanor from the parish where he chooses to reside, is an evident violation of natural liberty and justice ...» (119). Nothing in this argument can be taken as a general attack to the

22 The Settlement Act (1662) was promulgated in the hope to establish a more equitable management of the available resources of the community as well as a more equitable national distribution of the fiscal burden. If, on the one side, it reaffirmed the duty of the community to relieve its own poor, on the other, by setting severe limits to the territorial mobility of the poor it hindered the mobility of the national manpower. Its enforcement «resulted in enormous hardship to poor people and led to legal proceedings that enriched lawyers. And it put enormous obstacles in the way of people who were trying to overcome their poverty or improve their economic position by moving to an area that offered better opportunity» (Handel (2009): 106).

23 In criticizing the Settlement Act Smith was in good company. Throughout the Eighteenth century disappointed statements are to be found in the works of William Hay (1735), Henry Fielding (1751), Roger North (1753), and lately Jeremy Bentham (1792).

institution of the Poor Laws as such. Geoffrey Gilbert's proposition that Smith had no objection to the principle of the Poor Law, or he would have voiced it, seems to be a rather ponderous guess (Gilbert (1997): 287)²⁴.

At any rate, with regard to the issue of government intervention to assist the poor, it is true that Smith was very cautious, as for him it was a matter of «the greatest delicacy». This said, it is also true that in the *Theory of Moral Sentiments* he considered such an intervention stating that «the civil magistrate [...] may prescribe rules [...] which not only prohibit mutual injuries among fellow-citizens, but command mutual good offices to a certain degree» (Smith (1976 [1759]): 81). The active role of the State in affecting the distribution of income within society is also consistent with Smith's psychology put forward in the *Theory of Moral Sentiment* (1759). Private charity markets may fail for at least two reasons: firstly, because the poor tend to conceal their being destitute from the rest of society and thereby also from their potential benefactors and, secondly, because in a market society it is difficult to trig sympathy between rich and poor. In both cases, private donations from rich to poor tend to decrease as a result of such a asymmetric information. However, according to Smith this is a loss for society as a whole because «all the social and benevolent affections [...], even towards those who are not particularly connected with ourselves, please the indifferent spectator upon almost every occasion» (Smith (1976 [1759]): 38-39). As the *indifferent spectator* benefit from observing benevolent actions, and given that within market society this sort of actions may be at risk it follows that in order «to correct for this potential market failures» governments had the responsibility to intervene on the behalf of the poor (Birch (1998): 32-3).

Furthermore, in Smith's discussion concerning social inclusion and security, high relevance is assumed by the idea according to which taxation ought to be proportional to the ability to pay. The idea of progressive taxation is clearly expressed when he argued that «it is not very unreasonable that the rich should contribute to the public expense, not only in proportion to their revenue, but something more than in that proportion» (Smith 1976 [1776] 794). In other words, Smith is saying that if we tax luxuries instead of necessity, then «the

²⁴ Geoffrey's argument resembled very closely the one proposed by Jacob Viner who believed that if Smith would have been pressed he would have approved of poor relief (Viner (1978): 50). Other notable scholars offered different views on the subject; to the same question, Blaug answered with a sound no (Blaug (1978): 50) whilst Samuel Hollander said he was not so sure (Hollander (1973): 243n).

frivolity of the rich might help to provide for the poor» (Baum (1992): 153). This view is consistent with Smith's idea of fellow-feeling, namely, an individual's wellbeing is likely to increase as a result of seeing an improvement in the living condition of someone else.

The fact that Smith's analysis of poverty allows, at least in principle, State intervention on the behalf of the poor is supported also by Amartya Sen, who noted that, although Smith disapproved the limiting aspects of the 1662 Acts, his position concerning poor relief was rather straightforward. Examining famine, Smith considered the possibility that it could be produced by the working of the market and not be caused by a «real scarcity generated by a decreased production of foodstuff». That Smith pointed out unemployment and low wages as the real causes for the indigence of the poor, coupled with his acknowledgment that the poor had no control over the economic process that condemns them to remain such, led Sen to suggest that Smith could have been in favour of a variety of income maintenance policies to sustain the poor (Sen (1987): 26).

Another fundamental reflection concerning the economic security of the low ranks of society came from one of the most ardent admirer of Smith, Thomas Paine (1737-1809). Paine shared the fundamental principles put forward in the *Wealth of Nations* (Paine (1791): 323-270-273; see also Himmelfarb (1984): 90). He shared Smith's confidence in the fact that free trade was the best medium for increasing standards of living of the many. Foreign trade among nations was to the best advantage of all parties concerned: «the prosperity of any commercial nation is regulated by the prosperity of the rest» (266). Like Smith who emphasised productive labour, Paine argued in favour of the «equal rights of the poor and the capitalists against the burden of a non-productive aristocracy» (Marangos (2008): 317). Paine's vicinity to Smith's may explain why he neither challenged property rights, nor directed his writings toward the working class and, also, why his main concern was for the negative impact that economic arrangements had on social cohesion²⁵. It also explains why he cannot be assimilated neither to radical thinkers like William Cobbett or

25 With regard to Paine's incapability to provide a substantive challenge to market-oriented economic systems see (Little (1999): 63). On the lack of depth in addressing the reasons behind market inequalities see (Keane (1995): 427).

James Murray that legitimised revolution vis-à-vis «state's failure to provide subsistence for the poor» (Ashcraft (1996): 51) nor to Oglivie and Spencer who called for agrarian reforms entailing the restitution of the land to the community.

Above all, Paine's reasoning echoed Smith's optimism about social and economic security within the *system of natural liberty*. What Smith and Paine had in common was that both understood poverty as a result of external circumstances (social, political, and economic). More specifically, for Paine poverty and inequality were by-products of misgovernment and the rapacity of landowners who expropriated the common land from the poor. For Paine government too often «injures the felicity by which society is to be preserved» (Paine (1791): 274). It is worth noticing that Paine theorized the existence of large-scale poverty as an *injustice*; it was neither deserved nor inevitable. For this reason, the principle supporting his proposals was firmly grounded in the terrain of justice: «But it is justice, and not charity, that is the principle of the plan» (376). Poverty should not be merely relieved; it had to be prevented, and the policies chosen must secure the dignity of its recipients.

On these grounds, and somehow anticipating later debates on the role of the State in economic matters, Paine advocated welfare provision in a context of well-functioning market mechanisms. Namely, Paine's proposed reform of poor relief system was not intended as an attempt to equalize income, and was to be introduced without disturbing trade, commerce or unrestricted wealth accumulation. In the *Rights of Men* he advocated the abolition of the Poor Laws replaced by a non-contributory social insurance scheme in the form of pensions for the old and endowments for motherhood²⁶. In *Agrarian Justice* (1797)²⁷, this train of thought was carried a step further. The monetary economy transformed the land from its original condition to a commodity. As Locke already suggested, such

26 By 1796, Paine also advocated children's allowances and work programs for the unemployed. Paine's proposal to establish a scheme of social insurance resembled very closely the one proposed few years earlier by his close friend Jean-Antoine-Nicolas de Caritat Condorcet (1743-1794). According to McKay, Paine's proposal of state provision of a minimum subsistence level of income based on general taxation were crucial in shaping the Speenhamland system (McKay (2005): 112).

27 But written in 1795.

a transformation required that the accumulated property should be proportionate to the labour expended. Against such a cast of mind Paine argued that land was illegitimately subtracted from the natural owners without *indemnification* (Paine (2003 [1797]): 375).

Given this, each landowner «owes to the community a ground-rent (for I know of no better term to express the idea) for the land which he holds; and it is from this ground-rent that the fund proposed in this plan is to issue» (374). This ground rent was to be financed by a 10% tax on inherited property. It was this ground-rent that would fund the payments made to every member of the community. «Out of this fund there shall be paid to every person, when arrived at the age of twenty-one years, the sum of fifteen pounds sterling, as a compensation in part, for the loss of his or her natural inheritance, by the introduction of the system of landed property. And also, the sum of ten pounds per annum, during life, to every person now living, of the age of fifty years, and to all others as they shall arrive at that age» (376).

Paine's proposal for improving the standard of living of the poor was congruent with Smith's idea that the overall social wellbeing entailed extensive consumption opportunities for all its members reformulated on the basis of an equal birthright in land and natural resources which, in turn, implied the right of the holder to an «equal share of the original value of improved land». Second, such an equal` share was conceived as an unconditional cash endowment to all adults. What is relevant is that, in the hands of Paine the proposal of providing a basic capital could be interpreted as going much further than calling for outdoor relief in the form of money grants. Rather, the way in which he penned it suggests that he was consciously proposing a negative income tax, a way of subsidising the poor via State intervention which would gain momentum in the second part of the Twentieth century when Milton Friedman proposed it²⁸.

VI. Political economy and the shaping of the new Poor Laws

As England grew richer, so did the need of government intervention to regulate distribution more efficiently and justly. Public demand for policies leading toward

28 Negative Income Tax is a uniform and refundable tax credit. Van Parijs traced it back to the writings of the French economist Augustin Cournot (1838). After Milton Friedman (1962) proposed it as a way of reducing welfare provisions, it was explored by James Tobin (1965, 1966, 1967,1968) as a way of fighting poverty while preserving work incentives.

the achievement of such a goal increased accordingly. Alongside the appearance of the above new approach to poverty emerging from the views of the most refined economic thinkers of the time, consistent efforts were made in order to reform some of the less efficient aspects of the Poor Law. Though further research ought to be done, an extensive comparison between economist's arguments and social policies developed during the last quarter of the Eighteenth century allows highlighting a common vision and purpose. Moreover, in revising the national policy of social welfare the Gilbert Act and the Speenhamland System addressed most of the arguments developed by classical and pre-classical economic thinkers against the workhouse system and took up problematic issues earlier exposed by authors like White, Graunt, Bellers, Defoe (like the inefficiency, mismanagement, harshness, and extravagance of the system), as well as Smith's argument against the 1662 Act.

Within a society characterised by high inflation, the speed of the Parliamentary enclosures²⁹, and the French Revolution, social reformers began shaping their proposals according to an economic vision which recognised that the value of each individual (the poor included) as consumers had become as great as their value as producers. To increase their standards of living meant not only to render them more productive, but also to endow them with more consumption power. This policy orientation was in harmony with the emerging liberal economic vision entailing the raise of a more equal, humane, and economically free society.

It was his concern for the low ranks of society that in early-1760s prompted Jonas Hanway's (1712-1786) pamphletistic activity. It called for general attention to the conditions in which the poor, especially infants, were obliged to live (Cowherd (1960): 329). He succeeded in urging the Parliament to implement laws protecting poor infants living in London workhouses. As a result of Hanway's pressure, in 1761, the Parliament obliged parish clerks to keep a register with the names of pauper children under four years of age, of the nurses who kept them, and the date of the death or discharge of such children. (Hanway (1762); see also 2 Geo. III c. 22). Six years later, Hanway obtained that the Parliament passed a law requiring «the metropolitan parishes to maintain their pauper children in the

29 It is worth recalling that 75% of the 4000 Parliamentary enclosures occurred between 1760 and 1780 and during the war between England and France (Thompson (1963): 237; Deane (1965): 52-57; Hobsbaum and Rudè (1970). Parliamentary enclosures represented the main cause of the definitive curtailment of what remained of the English peasantry. If at the beginning of the Eighteenth century roughly half of the country's arable soil was cultivated with the method of open fields, by the end of the following century, 95% of that soil was enclosed

county until the age of six and then to pay some master to take them as apprentices» (Hanway (1762);, 330).

A second set of reforms aimed at improving the legislation on the poor was carried out by Hanway's disciple Thomas Gilbert (1719-1798), a zealous reformer whose primary goal was to ameliorate the conditions of the labouring classes by increasing the benefits which they derived from the system of poor relief. If Hanway's reforms were limited in scope (they dealt mainly with the living conditions of the children), the Gilbert Act of 1782 and the recommendations of his Bill of 1787 extended his mentor's approach to the whole country.

Gilbert's attempts to raise the poor's standards of living began in 1765 when his proposal to incorporate parishes into large districts was defeated in the House of Lords by 66 votes to 59. Gilbert did not surrender and prepared for other reforms. In the following years he developed a framework addressing most of the preoccupations expressed by contemporary economic thinkers. In *A Bill for a Better Relief and Employment of the Poor* he put forward his vision as follows: «It has been my Study, in forming the Bill, to guard it, as much as possible, against all Frauds and Abuses whatsoever in the Execution of it; to have the Poor well accommodated, and treated with great Humanity [...]; to encourage good Behaviours, Sobriety, and Industry, by proper Rewards, and to find suitable and proper Employment, under prudent and careful Inspection, for all who are to work [...] to refrain the Oversees from any Extravagance or partiality ... » (Gilbert (1775) 7).

In 1783, he succeeded in his purpose to amend the Workhouse Act by proposing three Bills. They made provisions for the unemployed, the rogues, vagabonds, and sturdy beggars, and the impotent poor. Gilbert's objectives were numerous; firstly, the law was meant to repeal the practice of farming out the poor; secondly, to extend the mobility of the labouring poor; thirdly, to extend outdoor relief to the vastest possible number of needy persons; finally, to reduce the poor rates³⁰. To meet the needs of the first category he proposed to make it

30 Gilbert was very much aware about the worryingly increase of the tax burden since the establishment of the Rates during the reign of Queen Elizabeth. «The Expence of maintaining the Poor [...] having gradually increased, to the Amount of at least Two Millions a Year; exclusive of all the Public and Private Charities, which are immense; and being yet advancing, in a very rapid and alarming degree, calls aloud for some speedy and effectual Interposition and Relief; especially when we see the Poor, after all these Expences, distressed, begging, and starving, in most part of the kingdom» (Gilbert (1781): 1). Obviously the Gilbert Act had several weaknesses among which the major ones were that it was not compulsory and it did not apply to large towns.

easier for the unemployed to move from rural parishes to industrial towns whilst creating more job opportunities via public works. Parishes had «to provide for the Maintenance and Employment of their Poor at a common Expence, without farming them out» (Gilbert (1781): 6). For the second group he suggested that they were to be lodged in Houses of Correction rather than in workhouses, which were less severe in handling the poor (Cowherd (1960): 331). For those unable to sustain themselves by their Labour- namely the children, «the Aged, Infirm, and Impotent» workhouses, transformed into residences, remained available.

The major result of the 1782 Act was that it marked a complete revision of poor relief - from then on relief should be provided away from the workhouse - and broadened «the general adoption of the allowance system, and especially of the family relief scales» (Hammonds and Hammond (1911): 417). In most cases, Gilbert believed, it was proper for the impotent poor «to remain in their own Habitations (if they have any) or to be placed with any Friend or Relation, at weekly Allowances, adapted to their Circumstances an Situation; it being understood, in all these Cases, that the Persons who keep them shall have the benefit of such Labour as they are able to perform; and weekly Pay to be fixed accordingly» (Gilbert (1781): 8).

Although at that time «a great expansion and an apparent growth of national prosperity was taking place» (Marshall (1926): 79) vast sectors of the population - in addition to high food prices, low wages and the effects of enclosing land - had also to cope with severe unemployment and underemployment. Gilbert's provision to extend outdoor relief to the unemployed and underemployed was a way to provide them with a minimum income despite their being excluded from the labour market. Unconvinced by both the Law of Settlement and Removal and the 1723 Workhouse Act, Gilbert, in addition to spreading outdoor relief, also prohibited the removal of sick persons and pregnant mothers to the members of those parishes reunited under its provision. These provisions were the building blocks for a later effort by George Rose (1744-1818) to address one of the pressing problems for most eminent economic thinkers, namely the mobility of the labour force hindered by the Law of Settlement and Removal. As later Rose, by doing so Gilbert not only intended to facilitate the migration of labour but also to reduce the cost of poor relief by reducing the cost of litigation.

As a result of England's involvement in the French wars (1793-1815) the import of foodstuffs from Europe became utterly difficult and the price of bread rapidly

increased. The already precarious conditions of the poor were worsened by a series of poor harvests, giving rise to food shortages and riots. The severity of the situation called for more basic and direct responses than those incorporated by the Gilbert Act. Sir Morton Eden (1766-1809) claimed that the situation was so bad for the poor that «numberless extraordinary demands for parochial assistance» were made both by the «infirm and impotent» and by the «able-bodied and industrious who had, very few of them, ever applied to the parish for relief». This situation led him to recognise that the *working poor* were due an increase in wages, and that this could be done invoking the Elizabethan statute (Eden (1797): 120-21).

Though in 1793 several other schemes were in the air, Parliament attacked the crisis in consumption by passing the Rose Act to protect and develop Friendly Societies - an institution that in the past had provided financial assistance to the labouring poor when they found themselves in hardship. Thus, George Rose (1744-1818) succeeded where previous attempts to implement life annuity for the poor in time of need had failed³¹. Rose's Act was meant to provide «protection and encouragement to Friendly Societies in the raising of funds voluntarily for the mutual relief and maintenance of members in sickness, old age, and infirmity» (Cowherd (1960): 333). What Rose had in mind was to increase the mobility of the labour force around the country by amending the Settlement Act. His plan rested upon a solid rationale. He was conscious of the speed at which industry expanded produced an increased demand for labour, above all in wealthy districts and towns. In order to help workers to move towards the places where job opportunities were high he «provided in his law that no member of a Friendly Society should be removed until he become actually chargeable» (333). In the debate on the poor laws, friendly societies helped reformers to envision «a new system of welfare where reciprocity would be based on the shared risks posed by poverty. Configuring friendly societies such that each contributed according to ability and

31 From 1772 onwards several proposals to implement life annuity for the poor in time of hardship were proposed, but did not pass. In 1772, Richard Price (1723-1791) and Cursitor Baron Maseres (1731-1824), worked-out a scheme concerning state pensions and allowances for the elderly or sick, to be charged on the parish. Fourteen years later, whilst John Aucland (1699-1796) proposed a national society or club to receive weekly contributions from wage-earners and to supply various benefits, Townsend proposed the universalization of friendly societies whose members would have been excluded from poor relief and Reverend Hawes argued for contributions from rate-payers and wage-earners to support friendly societies. (see Smelser (1959): 354) One year later, John Rolle, supported by an old Thomas Gilbert proposed a large scale allocation of funds to friendly societies. Rolle declared to the House of Commons' members that his proposal for a universal benefit society «would reduce expenditures for the poor, relieve distress, give a spur to industry, and encourage population» (Parliamentary History 26 1062).

received according to liability, reformers found a socially meaningful way of integrating the poor into British society» (Ismay (2010): 8).

The speed at which the Industrial Revolution proceeded generated violent class conflicts between employers and workers above all in the Midlands. From 1793 to 1800 a series of upheavals by textile workers occurred in towns like Manchester and Liverpool. In sheer fear of popular upheaval the Magistrates of the Berkshire village of Speen decided to establish an «allowance scale whereby a labourer would have his income supplemented to subsistence level by the parish, according to the price of bread and the number of children in his family» (Webb and Webb (1927): 172). This was a non-contributory, in-work, means-tested social security benefit subject to 'conditionality' of the individual's *industriousness*. By declaring that from then on poor relief included a subsidy to supplement the labourers' wages the magistrates and clergymen who met at the *Pelican* inn in the village of Speenhamland in Berkshire in May 1795, the Justices of Peace of Speen established a rule that radically altered the workings of the Poor Law for the 40 years to come. As Rabushka put it, «Poor relief instantly became a guaranteed minimum income independent of the amount of a worker's earnings. Although the scale was never formally enacted into law, it shortly become effective throughout the land» (Rabushka (1985): 35).

The decision was not taken without considering other possible ways to cope with the deteriorated conditions of rural labourers. In order to compensate them for the loss caused by nearly fifty years of Parliamentary enclosures, the magistrates considered Eden's and Fox's idea to implement a minimum wage policy. This option was rejected on the grounds that farmers feared «that if once wages were raised to meet the rise in prices it would not be easy to reduce them when the famine was over» (Hammond and Hammond (1911): 144). Another possible solution was to implement a diet reform, but it would have been too impractical. Allotment schemes were also considered, but rejected as they were unwelcomed by both «the large farmer, who did not like saucy labourers, and the shopkeeper, who knew that the more food the labourer raised on his little estate the less would he buy at the village store» (159). Given that, the bread scale seemed to represent the best option. With the blessing of both farmers and landlords, the magistrates asserted that they «have unanimously resolved that they will, in their several divisions, make the following calculations and allowances for relief of all poor and industrious men and their families, who to the satisfaction of the justices of their

Parish, shall endeavour (as far as they can) for their own support and maintenance» (Russell (1835): 207-8).

The Speenhamland system represented the apex of the liberal way of thinking about social welfare issues. The widespread subsidisation of workers' wages via allowances financed by the poor rate was a form of non-residential relief that allowed workers to move easily from places to places and find employment where economic growth required their efforts. It provided the workers with a minimum subsistence in time of hardship and some consumption power when the circumstances were better. Thus, it allowed an increased degree of choice to its recipients as envisaged by the liberal tradition. The implementation of this embryonic Negative Income Tax³² shows that by the end of the Eighteenth century society was ready to accept redistributive schemes based on general taxation. The liberal reformers of the time subscribed the view that cash transfer schemes were not dangerous to economic growth. Rather, by efficiently challenging mass poverty, society as a whole could achieve higher standards of justice and economic efficiency.

VII. Conclusions

In this article we have looked at the contributions made by economic thinkers to the debate on poverty occurred between the last quarter of the Seventeenth century and the end of the following century. From mid-Seventeenth century onward, the common wisdom was that the poor were a profitable resource for national prosperity. On this ground, Mercantilist authors carved out a political economy according to which the State had the responsibility to create and maintain poverty as a way to increase the volume of exportable output. Workers were to accept enforced poverty as a necessary foundation for national prosperity. On the ground of such an understanding the advocate of the utility of the poor construed an impeccable rationale for paying low wages to the employed and exploiting the unemployed offering the alternative either to starve or to enter a workhouse.

For those who upheld this view the problem of the poor was not yet the same as the issue of poverty, namely their concern was not the improvement of the poor's standards of life. As long as the problem was framed in this way, their proposals

32 The allowance system - in strict economic terms better known as relief in aid of wage - was a negative income tax «with a 100 per-cent marginal rate of tax on earned income below the minimum» McCloskey (1973): 434).

were meant to relieve the poor in time of hardship, but they did not expect that the poor would cease to be poor. The social integration of the poor was utterly rejected. By the end of the Eighteenth century this understanding, although not completely overthrown, was no longer the dominant wisdom. From around 1730s, notable economic thinkers began putting forward quite a different set of arguments which led to the emergence of a renewed economic outlook whose main tenets concerning social welfare deeply conflicted with the ones around which the Mercantilist tradition was gravitating. Authors like Vanderlint, Berkeley, Tucker, Postlethwayt among others began to reflect on the ways in which it was possible to ameliorate the living condition of the poor.

Further arguments were offered shortly after by Hume and Smith. Above all, these latter acknowledged that poverty was a structural phenomenon resulting from social, economic and institutional causes. Secondly, they proposed a different outlook of the human nature of the poor, one able to acknowledge that the negative attitude to work and other deviant behaviours were not inborn traits of the poor, but rather consequences of either too low wages or the result of the arduousness of work. Differently from their predecessors they did not fail to see that workers' resistance to work was mainly due to the arduousness of work, rather than to any innate character defects in workers themselves. Accordingly, they began to recognise the importance of fair wage as a driving force to human industry. Finally, they acknowledged that keeping the vast majority of population in poverty, namely refusing them social and physical mobility, meant to hinder social and economic development. From this perspective, in fact, poverty was a symptom of economic weakness not only because it was likely to generate further poverty but also because a mass of poor people lacking the necessary resources could not afford the goods the merchants produced so that the opportunity for growing (mass) consumption was lost.

In these regards, Hume's and Smith's arguments represented the most influential effort for the instauration of an optimistic vision of the labouring poor within society in the transition of thought occurring in the Eighteenth century. Hume's reflections on the importance of luxury goods were a land mark on the way to understand work motivations. According to Hume, in fact, it was the absence of commerce that induced workers to be indolent. In his opinion it was the availability of luxury goods also for the lower ranks of society, which prompted workers to be industrious. Smith's understanding of the economy and society marked an even

more substantial discontinuity with the utility of the poor doctrine. For him the amelioration of one's condition of life was the main drive to human action. Basically he believed in the basic goodness of the working class. On these grounds, later commentators of Smith have noted that State intervention on the behalf of the poor was congruent with his economic vision. In the very last part of the century, one of Smith's most ardent admirers, Thomas Paine, called for a ground-rent that would fund the payments to every member of the community as a sort of indemnification for the lost access to land on the part of their legitimate owners.

The relevance of these authors' writings in the second half of the Eighteenth century rests on the fact that their arguments against the subordination of the poor in society were not proposed in vague and general terms like benevolence, sympathy, and/or solidarity for the poor. Rather their advocacy for the integration of the poor within society rested on two firm grounds: one of an economic nature and the other concerning justice. Hume maintained that inequality might endanger society, and that all members of society should be in a full possession of all the necessaries of life. Smith strongly believed that societal wellbeing was both an end in itself and a means to the end of generalised prosperity. Paine recalled that the principle of his proposal was justice, not charity.

More relevant for us is that this new approach to political economy rested on the idea that the integration of the poor within society was not a mere question of justice but a precondition for economic development. The proponents of the emerging liberal thinking recognised the changes occurred within society in the last half century. While they were writing, a different attitude to consumption had established itself, and the idea that each member of the society should play an active role in increasing national prosperity by acquiring part of the goods produced became widespread. However, the second half of the century saw a decrease of the real wage of workers. A decreased consumption power as a result of an increased poverty generated either by low wages or impossibility to find work would have endangered mass consumption. Hume's reflections on luxury goods and Smith's liberal arguments in favour of a high reward of labour were plausible answers to this problem. Offering the poor sufficient consumption opportunities would have not only met the requirement of justice, but also improved economic growth and spread high standards of consumption.

This changed outlook directly impacted on the various attempts to reform the system of poor relief. As this vision advanced in the field of political economy the

legislation changed contextually. Hanway, Gilbert, Rose among others successfully proposed reforms that took seriously the endeavour to better the living condition of the poor by shutting down workhouses for the labouring poor, extending outdoor relief to the maximum possible, reinforcing the Friendly Society and, in so doing, expanding both the social and the physical mobility of the poor. The zenith of this parable was the Speenhamland experiment which lasted until 1834. These reforms allowed the poor to be integrated within society.

The legitimization of outdoor relief obtained by the Gilbert Act, the encouragement of Friendly Societies, and the Speenhamland system met the criteria set by the liberal economic thinkers. The practical aim of these reforms was to put a halt to the consumption crisis resulting from the erosion of real wages that began around the 1760s and was exacerbated by the Napoleonic Wars. By altering some parts of the 1662 Act both Gilbert and Rose's Acts also smothered the limitations imposed on the physical mobility of the labour force. At this point in time, the reformers' true intention was to help the poor to help themselves, but they did so without that point of cynicism and bitterness expressed by Defoe at the beginning of the century.

Following the economic thinkers, late Eighteenth century reformers identified a fair society as the one within which the lowest ranks of society were above poverty level. They recognized that achieving such a tall order required a different policy approach. To their eyes, in a period of time characterized by an increasing population of poor it would have been rather illogical to walk the same path as in the past, namely to exploit the poor's labour often for less than a subsistence wage by locking them within a workhouse. They knew that policy approach pointed to a dismal result. By taking a consistently punitive attitude toward the able bodied pauper the advocate of *the utility of the poor* obtained the opposite result they wished; they simply denied the poor the opportunity to contribute to national prosperity. Rather than enforced labour and whipping as incentive to work the new reformers offered the view of a more industrious, secure, and inclusive society.

Given the persistence of poverty and unemployment throughout the entire period under scrutiny, the legitimization of outdoor relief from 1782 to 1834 represented a vehicle to render the poor more integrated and included within society. The provision of allowances was a policy designed to cope with the inability of the labour market to offer sufficient wages (income) and occupations. It dealt with the victims of technological change by helping (or preventing) the labouring

poor and unemployed from becoming totally dependent on parish relief. It helped the labouring poor to subsidise their wages, and the unemployed to have a minimum to subsist on. Above all, when famine, bad harvests, inflation, etc., occurred it granted the survival of the poor.

Supported by a thoughtful economic reasoning and guided by fair norms of reciprocity the reforms implemented in the last quarter of the Eighteenth century were, at least for some time, successful in shaping a system of relief which permitted to work out the details of the poor's conceptions of need, right, and duty.

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