

# Preface

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The name of Sir Edwin Chadwick (1800–1890) adorns any list of pioneers in the engineering of sanitation, public health, and water resources. Knighted by Queen Victoria in 1889 for these accomplishments, only a year before his death, Chadwick retains a place of honor in the engineering and social aspects of public health, Poor Law reform, and administration. Far less known are his incredible economic excursions into utilitarianism. These inventions, promulgated over his long life and career, include nothing less than an invention of some of the essential tools of modern microeconomics applied to economic policies. Consider some singularly important and contemporary questions:

- Do air bags and seat belts create moral hazard; that is, by lowering the cost of reckless driving do the regulations create a danger to self and public?;
- Are government regulations of mining conditions or elimination of greenhouse gases best handled by regulations (a regulatory body) or by establishing liability provisions?;
- Is the state licensing of physicians or florists (a restrictive regulation in the state of Louisiana in the United States) necessary to protect consumers of such products and services?;
- Should Amtrak be regulated or owned by the federal government in the United States or, alternatively, should it be owned by the government but leased out to private enterprise for particular periods?;
- How should ‘overuse’ of the communally provided police and criminal justice system be curtailed and/or streamlined?;
- What is the effect of immigration, legal and illegal, on national productivity?

It would be absurd to say that Edwin Chadwick answered these particular questions, but he did provide a clear economic framework with which to answer them, within the often-turbulent domestic economic environment of nineteenth-century England. Problems of moral hazard, asymmetric information, liability placement, ‘natural monopoly,’ and labor productivity were, it turns out from reading Chadwick, as much

recognized problems in his day as in ours. But we do not wish to ‘reincarnate’ Chadwick as a ‘modern’ but rather plan to let him speak for himself and to leave it up to the reader to decide ‘how modern’ he was. However, we note that parallel to the contemporary questions and issues mentioned above, Chadwick analyzed:

- How insurance ‘clubs’ in which children of the poor could be covered created a moral hazard for the lives of the children themselves (see Chapter 5);
- How accidents on the railways and in the production of other services could be prevented or mitigated by appropriate assignment of liability-creating incentives for prevention (Chapter 2);
- The manner in which asymmetric information impeded the appropriate functioning of urban markets for funerals of all classes (Chapter 5);
- A new means for regulating national transport industries (in Chadwick’s case, railways) that left operation to private enterprise but ultimate control to the government (see Chapter 4);
- A trenchant analysis of the inefficiencies and ineffectiveness of the police and criminal justice systems, one with particular relevance to today’s problems (see Chapter 7);
- An argument supporting open Irish immigration as increasing England’s productivity, one which has relevance for contemporary issues regarding Hispanic (Mexican) immigration to the United States (see Chapter 6).

These and other brilliant insights and a coda on how they might relate to problems in the twenty-first century are the subject of this book.

Chadwick is most certainly not an elusive and unknown thinker in some areas. Prior research however has focused almost exclusively on his role in social, administrative, and sanitation reforms. Excellent works on these topics include Marston (1925), Lewis (1950), Finer (1952) and, more recently, Brundage’s *England’s ‘Prussian Minister’: Edwin Chadwick and the Politics of Government Growth, 1832–1854* (1988). It is no exaggeration to note that Chadwick is an almost singular progenitor of public health in the UK and elsewhere. The one hundredth anniversary of his death (1990) and the one hundred and fiftieth anniversary of the first Public Health Act (1848) was an occasion for serious and deserved plaudits for him in the United States (Krieger and Birn 1998) and abroad (Hamlin 1998). His prowess in sanitation engineering has also been duly noted (Hamlin 1992). These excellent works appropriately feature Chadwick’s role as one of the two or three most important policymakers of nineteenth-century England.

There is a serious gap in our knowledge of his substantial achievements, however, for no work focuses on Chadwick's startling advances in economic theory and their application to then-critical and similar contemporary problems. Our interest in Chadwick contrasts with all previous approaches and it stretches back almost forty years. In the early 1970s, Ekelund read Chadwick's long essay of 1859 with the unwieldy title 'Results of Different Principles of Legislation and Administration in Europe; of Competition for the Field, as Compared with Competition within the Field of Service,' published in the *Journal of the Royal Statistical Society* (1859c), in connection with modern papers on franchising and in connection with Crain and Ekelund (1976). The inventions of that essay led to a decades-long quest, one supported by Professor Ronald Coase (then at the University of Chicago) and the late Alfred Chalk of Texas A&M University, which continued and continues to reveal an amazing understanding of economic approaches to policies related to cases of, or cases purported to be, failures of the market to perform efficiently. Portions of this research were conducted by the authors at Texas A&M University during the 1970s. Additionally, in that and the following decades, research was conducted by Ekelund with Price and others on aspects of Chadwick's thought and on the utilitarian approach to economic policy. These include papers written by Ekelund at Texas A&M and Auburn University on ideas relating to Chadwick, John Stuart Mill, regulation, and utilitarian thought generally. (See W.M. Crain and R.B. Ekelund Jr, 'Chadwick and Demsetz on Competition and Regulation,' *Journal of Law and Economics*, 19 (1976): 149–62; R.B. Ekelund Jr and R.D. Tollison, 'The New Political Economy of J.S. Mill: The Means of Social Justice,' *Canadian Journal of Economics*, 9 (1976): 213–33; R.B. Ekelund Jr and Edward O. Price III, 'Sir Edwin Chadwick on Competition and the Social Control of Industry: Railroads,' *History of Political Economy*, 2 (1979): 213–39; Melvin Cross and R.B. Ekelund Jr, 'A.T. Hadley on Monopoly Theory and Railway Regulation: An American Contribution to Economic Analysis and Policy,' *History of Political Economy*, 12 (1980): 214–33; R.B. Ekelund Jr and R.F. Hébert, 'The Proto-History of Franchise Bidding,' *Southern Economic Journal*, 48 (1981): 464–74; R.B. Ekelund Jr and Douglas M. Walker, 'J.S. Mill on the Income Tax Exemption and Inheritance Taxes: The Evidence Reconsidered,' *History of Political Economy*, 28 (1996): 559–81; E.O. Price III, 'The Political Economy of Sir Edwin Chadwick: An Appraisal,' *Social Science Quarterly*, 65 (1984): 975–87; R.B. Ekelund Jr and G.S. Ford, 'Nineteenth Century Urban Market Failure?: Chadwick on Funeral Industry Regulation,' *Journal of Regulatory Economics*, 12 (1997): 27–51; R.B. Ekelund Jr and Cheryl Dorton, 'Criminal Justice Institutions as a

Common Pool: The Nineteenth Century Analysis of Edwin Chadwick,' *Journal of Economic Behavior and Organization*, 50 (2003): 271–94.) We are grateful to these co-authors and the journals for use of some of the materials included here and express deep appreciation to Bob Hébert and Bob Tollison for that as well as for reading and commenting on earlier drafts of this book. Matthew McCaffrey was a great aid in editing our work as were Tara Gorvine and Christine Gowen of Edward Elgar. We are also indebted to Professor Nick Tyler, Chadwick Professor of Engineering at University College London and to Special Collections Librarian Dan Mitchell for information regarding Chadwick's voluminous papers (more than 250 file boxes) housed at University College London. Investigations into Chadwick's incredible productivity and the mass of his writings reveal and, in all likelihood *will continue* to reveal, new and startling concepts and approaches to economic and social issues. Indeed, his contract bidding scheme for the provision of public goods in public-private collaborations for such goods as water provision (Hanke and Walters 2011) remain in use in many countries today, including France. Hence, the reason for putting Chadwick's ideas on economics between two covers for the first time.

Finally, our research on Chadwick casts light on a long-standing debate among intellectual historians; at least, those interested in the history of economic theories and ideas. Does tool development have 'a life of its own' in that there is a steady progression in the value of economic analysis when applied to economic problems? Or does environment play a crucial role in the development of economic theory, as argued by famous historians of economics from the past such as Wesley Clair Mitchell? Put more directly, did Chadwick empirically observe economic and social problems engendered by the Industrial Revolution and urbanization in England, only *then* developing tools to analyze and deal with them? Or did he simply apply tools already extant to deal with pressing economic and social matters? We comment on this issue as our discussion progresses. Fundamentally we argue that Chadwick's message to the world is that economic policies relating to actual or presumed failures in markets – in the nineteenth or twenty-first centuries – are all seeded with the *same* problems and that best evidence must be mounted to support or reject regulation or market interferences. Chadwick's famous contemporaries – political economists David Ricardo, John Ramsey McCulloch, Robert Malthus, and James Mill – almost completely eschewed the empiricism that was Chadwick's trademark. They certainly did not devise the solutions to the kinds of actual or potential market failure that so intrigued him. That is because Chadwick, while certainly acquainted with Adam Smith and his direct intellectual progeny, was possibly, along with his good friend John

Stuart Mill, the chief acolyte of Jeremy Bentham. Chadwick (and to a lesser extent John Stuart Mill) pushed utilitarianism to its logical limits, although Chadwick's desired abrogation of property rights in order to achieve utilitarian ends far exceeded that of John Stuart Mill. Chadwick actually wanted to *realize* the goals of utilitarianism. These issues, ever fresh, concerning the role of government in a market-oriented society deserve a new reading. The problems faced by highly developed first-world countries are, given technological advances, remarkably similar. Chadwick, armed as he was with proto-modern economic tools, was able to offer unique and inventive solutions that still deserve close attention.

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