

Chapter 21: Economic Advance and Social
Unrest (1830-1850)
Section 6: Classical Economics

By Dallin F. Hardy

- Adam Smith

- *Wealth of Nations*

- 1776

- *Laissez-faire*

- “Let people do as they please”



■ Classical Economists

■ Advocated

■ Competitive Free Enterprise

- Market should govern economic decisions

■ Viewed

■ Government actions as

- Mischievous
- Corrupt



- Role of Government
 - Maintain sound currency
 - Enforce contracts
 - Protect property
 - Impose law
 - Tariffs
 - Taxes
 - Left economic life to
 - Private initiative



- Protection of Economic Structure

- Defense

- Armies

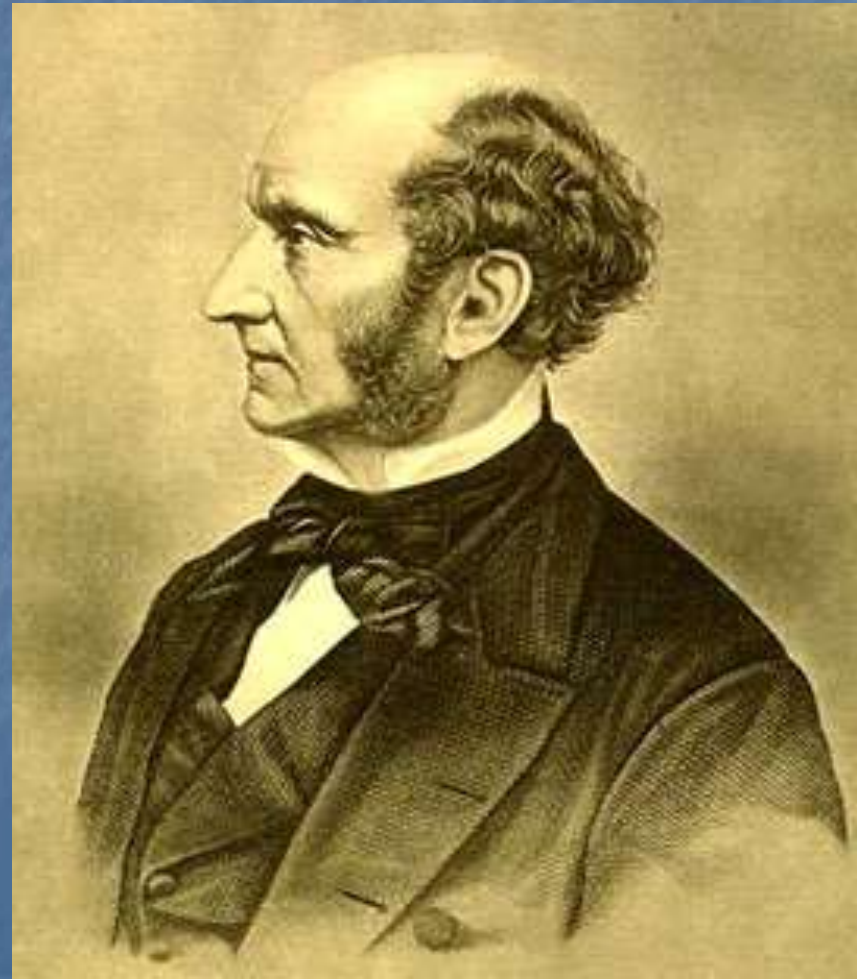
- Navies



■ Pillars of Classical Economics

■ Emphasized

- Thrift
- Competition
- Personal industriousness





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Malthus on Population

- Thomas Malthus
 - *Essay on the Principle of Population*
 - 1798

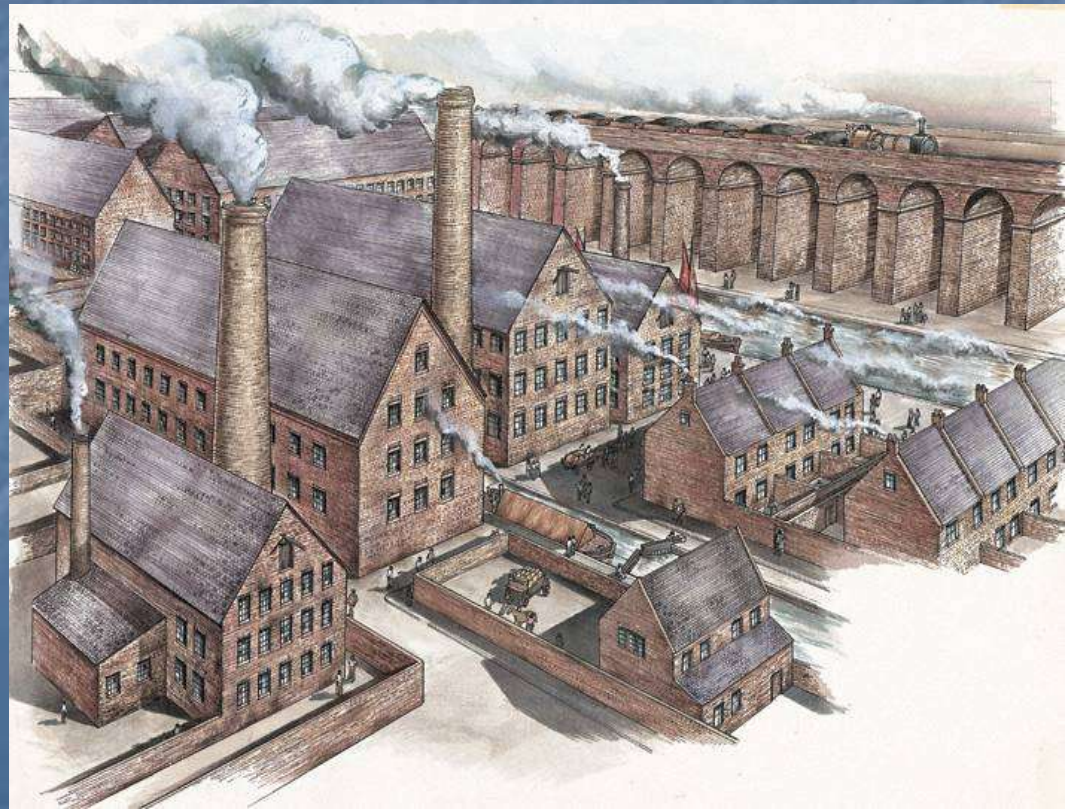


Ricardo on Wages

- David Ricardo
 - 1817
 - *Principles of Political Economy*
 - Supported employers'
 - Reluctance to raise wages



- “Iron Law of Wages”
 - Raised wages = more children
 - Added more workers
 - Lowered wages
 - Lower wages = less children
 - Fewer workers
 - Higher wages



- Economic Literature

- 1830

- Journals

- Newspapers



Government Policies Based on Classical Economics

- German Economics
 - Not influenced by
 - Classical economics
 - Heavily based on
 - State-directed economics



- Home of Classical Economics
 - Britain

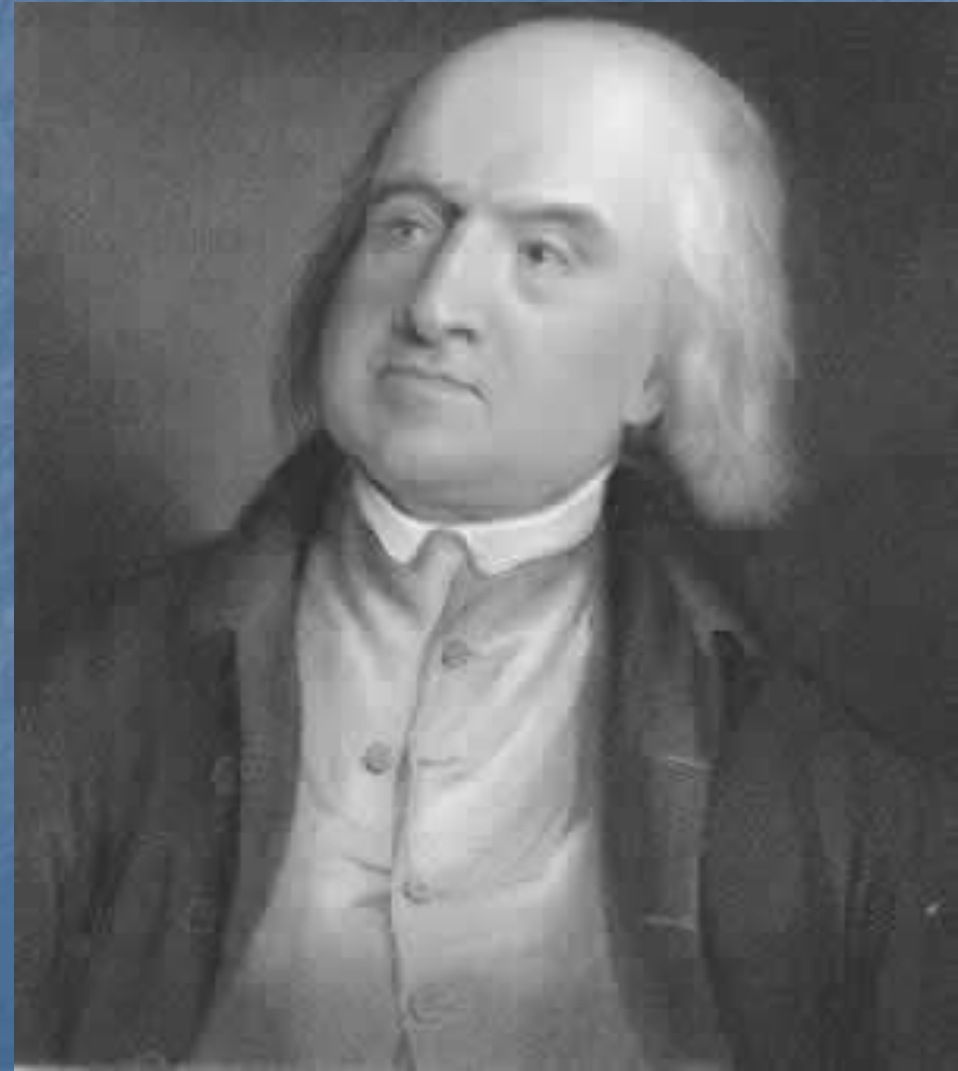


- Jeremy Bentham

- Advocated

- Utilitarianism

- "the greatest happiness for the greatest number."



- Poor Law

- 1834

- Established work houses



■ Repeal of the Corn Laws

- 1846
- Lower food prices
- Opened the era of
 - Free trade

