The ideas of classical economists

Economics

Dry James Anagram Synopsis The purpose of this work is to examine and understand the main thoughts of prominent economists during the classical period, namely Adam Smith, Thomas Malthusian, David Richard, Jeremy Beneath and John Stuart Mill. It is also included the comparison of ideas between these masters and last but not least, the contributions of these Ideas In today's context.

At the beginning, the background of the classical period Is provided to ensure that readers have a better understanding of the economist's ideas. Followed by that, each economists ideas will be discussed respectively, and the comparison will be made. The contributions of Adam Smith, David Richard and Thomas Malthusian will be discussed in the last part and conclusion would be drawn. Content Page No.

 Classical school started during the late 18th century, when Adam Smith published his independent field of study and set forth the development of modern economics. Their ideas such as division of labor and comparative advantages are still discusses and implied in today's world.

The work of this paper is to examine the main thoughts of five leading economists of classical period, namely Adam Smith, Thomas Malthusian, David Richard, Jeremy Beneath and John Mill and to compare their thoughts and concepts. Also, the relevance of contributions of their ideas in today's context will be discussed. Background Before classical period there was mercantilism period (1500 - 1776). During that time, manipulations and government intervention in the market is being practiced. Wealth of a nation is weighed in terms of gold and silver that a country possessed.

Therefore international trade is discouraged by the implementation of tariff, in order to prevent wealth flowing to other countries. However, as scientific revolution and industrial revolution take place, it helps to nurture the ideas of classicists. (Refer appendix 1 for influence of scientific revolution) There are a few main features in classical economics thoughts. Firstly, classical economists advocate free trade in rake. Without government intervention, the economy could self-adjust to achieve full employment. Secondly, each party, I. E. He merchants, workers and consumers will each seek self-benefit as it is in the human nature. Hence, harmony of interests will be achieved when the pursuit of self-interest will eventually leads to the best interest of the society. Thirdly, classicists consider all economic resources such as land, labor, capital and entrepreneurship as the nation's wealth and lastly, the classicists made a remarkable contribution to economics by explaining economic horses explicitly. Adam Smith (1723 - 1790) is often regarded as the father of modern political economy.

In his life he had written two books, The Theory of Moral Sentiments and An Inquiry into the Nature and Causes of the Wealth of Nations. Moral Sentiments discussed the moral forces that restrain selfishness and bind people together in a workable society; Wealth of Nations assumed the existence of a Just society and showed how the individual is guided and limited by economic forces. (Bruce and Grant, 2007: p. 62) Adam Smith economic ideas are something of a novelty during his time. He introduced the idea of division of labor, which in today's word means specialization.

By practicing division of labor, the productivity could be increased as (1) workers' skills are enhanced when they perform only one single task, (2) time for changing work task from one to another is saved, and (3) invention of machines could help increasing productivity once tasks have been simplified and made routine. (Bruce and Grant, 2007). Another idea being pointed out by Smith is the harmony of interest. When all parties in a economy is seeking their self-interest, the natural order of the oral will eventually channel it to become social good.

The key behind this complex mechanism is the concept of competition. Thus, Smith opposed government intervention in the market for the corruption and favoritism will leads to monopoly and competition will fail. This also implies in international trade. Smith thinks that have an advantage in and trades it with other countries. Although Smith is against government involvement in the economy, he did suggest a few roles that government could play in the economy. (Refer to appendix 2) When talk about value, Smith is of he opinion that measurement of value should be labor.

The value of any commodity to a person, who possesses it, if he wishes to exchange it for other commodities, is equal to the quantity of labor which it enables him to purchase or command. Labor, therefore, is the real measure of the exchangeable value of all commodities. (Bruce and Grant, 2007: p. 72) However, Smith did noticed that there are practical and theoretical difficulties in this theory. (Refer appendix 3 for further details) Thomas

Malthusian (1766 - 1834) advanced the population theory in his publication An Essay on the Principle of Population.

He states that population will increases at a geometric rate when unchecked while subsistence would only increases at best arithmetic rate. He suggested 2 types of checks, first is preventive checks which are those that reduce the birth rate and second, positive checks which are those that increase the death rate, to control population growth. Part of Malthusian ideas were adopted when the Poor Law Amendment of 1834 was passed. In his later work Principles of Political Economy, Malthusian came out with the theory of market gluts. He suggested that insufficient demand would occur due to inequality of distribution of income.

Due to that, spending by landlords is important to prevent a glut of goods on the market which would turn into economic stagnation. (Bruce and Grant, 2007) David Richard (1772 - 1823) is a influential figure in the field of economics. He is hailed as the economists' economist for his extraordinary contributions in economics. The man who only had 14 years of formaleducationaddressed economic matters academically. One of his main thoughts is the theory of free trade and from here derived the law of comparative costs, also known as law of comparative advantage.

He explained that a person or country should produce goods which they can produce t a lower opportunity cost as compared to their competitors. In doing so, they would be more efficient and when traded with another country that practices the same theory, would achieve mutual benefit. Taking Turbot's concept of diminishing returns in agriculture, Richard used it to develop his theory of rent and introduced the law of diminishing returns. The law says that as the number of factor of production I. E. Labor increases, assuming sisters Paramus, the marginal product will at some point diminish.

In the discussion of value, Richard said that a commodity must have use alee if it is to have exchange value. The use value of a commodity is derived from their scarcity and also the quantity of labor requires in obtaining it. Although utility is vital, it is not a measurement of exchange value. Time needed for producing the good and obtaining the raw material to produce the good is the exchange value for a commodity, according to Richard. The minimization of a person's pleasure, advanced the principle of utility.

This notion is that people pursue things that provide pleasure and avoid things that produce pain; all individuals seek to maximize their total pleasure. Bruce and Grant, 2007: p. 122) Unlike hedonism, Beneath added the ethical doctrine into utilitarianism that human action should direct to the greatesthappinessof the greatest number of people. For that reason, Beneath was very active in social reforms. He supported free education for all, right for women, abolition of slavery anddeath penaltyand many more. The major problem with Bantam's utility theory was that pleasure, a kind of emotion could not be quantify or measure.

He tried to measure it using the Felicia Calculus, but he himself acknowledged the flaws in his calculation. John Stuart Mill who attended home schooling had his father, James Mill as histeacher. As a result, he got influenced by Bantam's thoughts of utilitarianism, as his father is a close friend to Jeremy Beneath. He further enhanced the utilitarianism concept, stating that enjoyment ought to be viewed in terms of not only quantity but also quality. (Anagram, 2012) His publication, Principles of Political Economy summarizes and fused all the economic knowledge up to his day.

His discussed various issues from production to international trade. His most important and original contribution is the law of international values. He implied the elasticity of demand for goods in his theory and successfully showed that the real exchange price takes into account not only the domestic costs, but also the elasticity of demand for each product abroad. Comparisons of Ideas between the Five Economists After reading the main thoughts of the five economists, we can see the evolution of economic thoughts in the timeline.

The masters each have their own explanation on various topics, sometimes agreeing with each other and other times which they argued. From a bigger picture, we can depict that the ideas during the early period of lassie period varies from ideas of those in the end of classical period. For example, Adam Smith proposed laissez-fairer with minimal government involvement as the invisible hand in the market would eventually move the market to its equilibrium stage. However, Jeremy Beneath, who holds the idea of the greatest happiness for the largest number of people, thinks that government should overlook the economy and social policy.

In international trade issue, Adam Smith explained that export could remove surpluses in market but it could be done only when a country has absolute advantage in producing the particular goods. It was Richard then who argued that country could still benefit from trade even without absolute advantage.

He introduced the theory of comparative costs, which is a situation when a country could produce certain goods with relative lower opportunity cost than the other country, and trades between them would still benefit each other.

Mill supported Orchard's view of international trade, and further elaborated it by the law of international values. Mill said that the international price of trade is determined by the elasticity of demand of the product. Mill's theory is important as it overcome the economy. On the topic of value, Adam Smith placed his concern in value of exchange. He explained that the measurement of value should be labor and in exchanging commodities, both commodities should have equal quantity of labor to obtain it. As for Richard, he defined exchange value must have use value.

The use value of a good is derived from its scarcity and also numbers of labor needed to obtain it. Richard then argued that exchange value of a good rely not only on the time used by labor to produce it, but also the time taken to obtain raw materials and capital goods which s used in the production process. In examining Thomas Malthusian ideas, the work of a very controversial man during his time, we could see that his works are favored by the wealthy landlords and on the other hand, pushed the lower classes - the poor people - into a deeper pit.

In his population theory, he states that " population when unchecked increases geometrically, while subsistence increases at best arithmetically'. Therefore, to control the population growth there is preventive checks and positive checks. Richard, who is a close friend to Malthusian, argued that the theory s untrue and as a matter of fact, as years go by, the increment offoodproduction is higher than increment of population growth. Contributions of the Classical School in Contemporary It is undeniable that the ideas of classical economists are a breakthrough in the mercantilism period and set forth the foundation of modern economic studies.

Their works, being influenced by the scientific revolution, seeks experimental evidence to support and verify their ideas thus increase the credibility of their works. Below are three economists that made lasting contributions to the economic until today: 1 . Credited with the title father of modern political economy, Adam Smith indeed had made a huge impact in transformation of economy from mercantilism to free market. The most valuable idea that he leave for us would be the harmony of interest.

The key behind the mechanism that brought all self-interest seeking behavior to become a social good, commonly also known as the invisible hand, is the concept of competition. It is because of competition that producers are restrained from making extra profit and hence drives down the price of goods. This theory is still recognized n today's economy. 2. David Richard Richard made a significant contribution with his theory of comparative advantage that served as a cornerstone in today's international trading policies.

Although it was later refined by John Mill, nevertheless credits should still be given to this man. 3. Thomas Malthusian Despite being a controversial figure and his theories favor the upper class of the society, Thomas Malthusian still made some contributions to the contemporary economy. It was through his notions that the population growth issue is being concerned and later developed to be a formal study. It was his work regarding market gluts that later catches Keynes attention and expanded it. The classical school of thoughts indeed is an essential period in the history of the economical behavior of the society.