An Economic History

Hundreds of years ago, when the United States was just starting out, it was a bit rocky and people might have been doubtful of the success of a now great nation; but just like other great people or businesses or nations, it’s hard to start out fresh with nothing no go by. There are many bright times in our nation’s history but there are also a few dark times, like a lot of wars and especially slavery, but the United States made it and it has a lot to show for all the hard work. One impressive part of the United States is the economy. It may not seem that impressive all the time, but overall it’s a pretty good system. And the question is how did a few foreigners come over on boat, start out with basically nothing and form the foundation for an entire country full of people? There are many factors to look at when considering the beginning of our nation and its economy, including the values of a classical economy, the writers who presented ideas about the economic system, the thinkers who influenced the founding fathers and the different schools of thought that link all of these things together.

The values of the classical economy were not that much different than the values of the economy today. Some of these values included an emphasis on economic freedom, the importance of free competition and laissez-faire, and an interest in economic growth (Classical Economics). These values started to appear hundreds of years ago and there were many people and ideas that helped develop them. Economic freedom is a very important thing in our society because it is how people make a living. Having the ability to buy or produce basically any product, to be an entrepreneur, to trade with people, states or countries; all of these acts allow for people to be successful. The colonies found out early on that intercolonial trade was good. Farmers traded agricultural surpluses for things they couldn’t produce on their own like salt, medicine, ammunition and tea; and coastal colonies traded goods up and down the coast (Walton and Rockoff). And if the colonies didn’t trade with England at first, they never would have made it long enough to need an economy. Without these important trade items, people would just have to fend for themselves in an unknown environment which is quite challenging, so it’s good that people could learn to work together. Free competition is also important, especially when the country was first starting out. People had to be able to compete against each other without interference or regulation from the government; otherwise the government would still be mostly in control today. If there was no free competition, there wouldn’t be that many businesses because everyone would just get their goods from a few places. Laissez-faire ties in with this because it also allows for minimal government interference or regulation. And lastly, economic growth is obviously important because otherwise we would still be using random knick knacks or gold and silver coins as money, which isn’t a very good system. Also, there would probably still be a lot of agricultural businesses and we wouldn’t have as many big businesses as we do today and even though big business can sometimes be problematic, they are generally a good thing for the economy.

There are many important writers of the 18th century that influenced the development of market capitalism but three very important people were Adam Smith, David Ricardo and Thomas Malthus. These people all had different ideas and values that were adopted when the United States developed a market capitalist economy. To start off, market capitalism is an economy based on supply and demand rather than government regulation and the means of production are owned by the people. Adam Smith was probably the most prominent of the influential writers. Out of the group, Smith had the most optimistic view of the economy. He believed that a nation had the greatest wealth when its citizens were allowed to pursue their own self-interest (Classical Economics). Smith also saw the need for divisions of labor, so more work could be done in a day. Smith’s views come through in the fact that people in the United States are allowed to pursue their own self-interests! People are allowed to do whatever they want with their lives, rationally, and that is what makes the economy grow. Also, people own businesses and farms and factories, which is part of market capitalism, and that makes the economy grow because people can make and spend money however they want. David Ricardo had a more pessimistic view of the economy, because of all the bad things he saw growing up. But, he had a very important thought which was that nations should specialize in the things they did well and then trade with each other (Morreale). This is obviously a significant part of our economy today because it is almost impossible to be a fully self-sustained country and we import a ton of everyday items and we also export a lot. There are a few things that we could make ourselves and choose not to, but there are many things that just can’t be grown or made in the United States so we rely on others to get these things for us and they rely on us for things they can’t produce. Of the three, Thomas Malthus had the most logical view of the economy. He saw the world how it was; the fact that if the poor were helped, it would only bring harm in the end. He was also one of the first people to discover that population and poverty were related (Heilbroner). This was a major point in history because he realized that the more people there were, the harder it is to feed them all and the harder it is for them all to be successful. Malthus thought this problem could be solved by regulating the number of children poor people could have (Thomas Malthus). This view is apparent in China since they are only allowed to have one child even though this rule is for everyone, not just poor people. Malthus’s views also come through in laws for things like food stamps and government support. People are only allowed a certain amount of free stuff before they have to start helping themselves, even though Malthus probably would want to give them no help in order to stop the people from being lazy.

The Founding Fathers had a lot to think about when they were becoming independent from England and starting their own government. It’s hard to start a new country with a brand new government so they had many questions like: Who would run the country? How would that person be chosen? And what about laws for all the different states? These are only a few tough questions they had to answer and they definitely had a few influences when it came to the solutions for all their problems. One important influence was from the French Enlightenment thinker, Baron de Montesquieu. He was one of the first people to talk about a separation of powers which the Founding Fathers obviously adopted since we have three different branches of government. This is necessary to keep one section of the government from becoming too powerful and turning our nation into a monarchy or dictatorship. Another influence was John Locke, also of the Enlightenment. He believed that reason was a better way to solve problems, rather than religions, which led to the separation of church and state in our government. This is important because if government figures are acting out of religious beliefs, everyone else might not believe in the same things as them, which isn’t fair. Also, the Articles of Confederation were a major influence because they were basically the first Constitution so when the Founding Fathers wrote the US Constitution, they took a lot of ideas from the Articles and just made them better.

Two schools of thought linking religion, ethics and economics are the relational school and the autonomous school. Both schools believed two very different things when it comes to these issues. In religion, most people of the autonomy school were Puritans, who believed in following the words of the Bible and that a person’s acts on earth would decide the fate of their soul. On the other hand, most people of the relational school were Quakers, who believed that God was directly available to all people. Concerning ethics and obligation, the autonomy school believed that people have a minimal obligation to society and the relational school believed that people have a great obligation to society and that everyone should get fair treatment. Each schools economic virtues were also very different. The autonomous school believed in self reliance, honoring their debt and managing their resources. On the other hand, the relational school believed in compassion, loving their neighbor and the importance of community. Also, the autonomous school believed in private owned businesses while the relational school believed in government regulated business. There are many examples of these schools in today’s world; today’s president, Barack Obama, follows most of the beliefs of the relational school. One of his acts, the Recovery Act, is a main example of this school; the act is giving jobs to thousands of people and helping the community. Obama also signed a Small Business Jobs Act that gave tax breaks and helped small businesses, which is something else the relational school believed in, since small businesses are an essential part of a community. An example of the autonomous school can be found in Ronald Reagan’s policies. During his presidency he worked to “reduce the people’s reliance upon government” (Ronald Reagan). He worked to get people more involved in self-interest and to get the government out of people’s lives. Generally speaking, democrats tend to lean more towards the relational school and republicans towards the autonomous school, but there can obviously be differences from either party because everyone one believes different things and has their own values.

Overall, there were many different ideas, people and philosophies that influenced the founding of the United States and its economy. Without these influences, we would be living like many of the so called third world countries today, even though they might like their systems better than ours, it’s difficult to be a world power with no stable system of government or economy. It’s hard to say if people made all the right decisions hundreds of years ago but it seems to be working out pretty well so far even if there are a few flaws.

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