

# ***The History of Economic Institutions***

## **Week Three**

Amanda J Felkey

**Focus:** Did the British government play a passive role during the Industrial Revolution, or did it actively pursue policies meant to foster economic growth?

### **Two Views of the Government's Role in the Industrial Revolution→**

After the brief introduction to each of the two views on the government's role, break into pairs. Distribute cards, each with a 19<sup>th</sup> century rule imposed by the British government. With a partner, determine when the law was put in place, or when it was taken out of the statute books. State exactly what the said (what did it restrict). Identify how the restriction affected the Industrial Revolution, how it altered economic activity, whether it enhanced or inhibited growth. Finally, was it an example of the government playing a passive or active role during the Industrial Revolution.

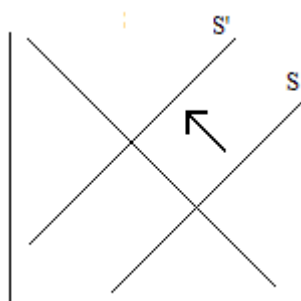
#### **I. Traditional View**

- The government played a passive role during the Industrial Revolution. It allowed the IR to occur spontaneously, ie. private enterprise totally determined the economy's rate of growth.
- The government intervention that did occur was geared toward eliminating Medieval or Merchantilist restrictions from the Statue books.
- Restrictions on free trade were eliminated one by one in the first half of the 19<sup>th</sup> century, and that by 1850, laissez-faire had triumphed.

Break into pairs.  
Take 3 minutes to  
describe the law and  
its economic effect.

#### *Restrictions on Labor:*

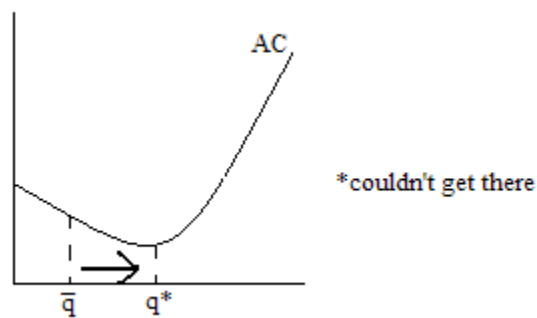
Statute of Apprentices-A person had to serve as an apprentice for seven years before he could become and craftsman. And the number of apprentices was restricted. **Economic effect**—the number of years required increased the cost of entering that trade, and the restriction on the number of apprentices further decreased supply in that industry, which means higher prices and less trade.



*Restrictions on Capital:*

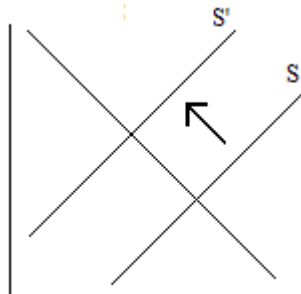
Usury Law- set a 5% limit on the rate that could be charged for loans. This diverted capital from industrial and commercial uses to government uses, where the payoffs to risk were better. The 5% was often too low to compensate for the risks associated with private investment. In 1833, the Bank Charter Act permitted the Bank of England to disregard the Usury Laws. Economic effect—restricted investment and hindered growth.

Bubble Act- (1720) Prohibited the formation of joint stock companies except under special dispensation granted only by Act of Parliament. Economic effect—restricted investment in large scale manufacturing and made it more costly by requiring parliament approval, kept firms small.

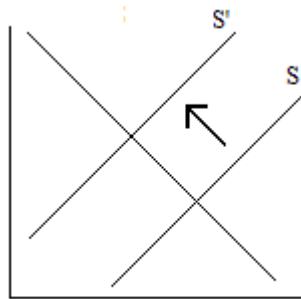


*Restriction on the Manufacturing of commodities:*

Regulation of West Riding Woolen cloth- (1765) Assert control over quality in the interest of consumers (domestic and foreign). Restrictions were placed on the length, width and weight of woolen cloth. Economic effect—increase the cost of production, increase the price of wool and decrease the amount traded.



Assize of Bread- Specified the weight, price and profit margin on a loaf of bread. Repealed in 1822 in London and 1836 everywhere. **Economic effect**—those individuals who would have normally purchased lower quality bread at a lower price no longer have that option. Demand for higher quality bread should increase the price but that isn't allowed either. Not the most efficient market outcome.



#### *Restriction on Foreign Trade:*

Navigation Acts- Prohibited imports from many countries except in British ships, manned by British crews. **Economic effect**—restricted imports which decreased competition in domestic markets and increased prices and lowered trade.

## **II. Revisionist View**

- a. The Medieval restrictions on economic activity had not been effective for some time before they were abolished.
  - i. The apprenticeship laws did not apply to relatively new occupations; many industrial areas were completely unaffected by them.
  - ii. The limitation on joint-stock companies did not hinder their formation in industries where they were particularly valuable (canals, roads).
  - iii. The Usury Laws had been evaded for a long time.
  - iv. Restrictions on foreign trade were evaded by large amounts of smuggling.
  - v. Urban areas needing labor did not enforce the settlement laws.
- b. It was the duty of the government to intervene in the economy on behalf of the socially oppressed. \*\*New problem for I. R.
- c. The government was not passive during the first half of the 19<sup>th</sup> century. The State intervened to alleviate the social distress caused by industrialization.
  - i. Government intervention increased when the middle class was admitted to the electorate by the Reform Act of 1832.
  - ii. Legislation was supported by the laissez-faire preaching of economists.
- d. Legislation passed between 1833 and 1860 laid the foundation for the British Welfare State. Which was the triumph of humanitarian over laissez-faire ideals.
 

\*\*Poverty was NEW problem coming from increased income inequality.

Break into pairs. Take  
3 minutes to describe  
the law.

Hanway's Act- (1788) To protect chimney sweeps from exploitation.

Passenger Act- (1803) For protection of poor emigrants. An officer was appointed in 1833 to supervise the enforcement of this law.

Sir Robert Peel's Act- (1802) Control the conditions of work of pauper children.

The Factory Act of 1833- The 1802 Act provided for factory inspectors. The 1833 Act set up a central authority and subordinate local inspectorate with the power to enforce regulations protection the 'health and morals of apprentices'. They maintained workers' safety, education and the conditions of work.

Chadwick's Public Health Act- (1848) Medical Officer was appointed and health inspectors were appointed to make sure local authorities were complying with the Sanitary Acts.

The City of London's Sewers Act- (1851) prohibited cellar dwellings and the keeping of live cattle in courts. Permitted the condemnation and destruction of unwholesome property and established inspection of let property.

Railway Acts- (1840 and 1842) Officers were appointed to inspect the operations of the railway companies

**BIG QUESTION: Did the British government play a passive role during the Industrial Revolution, or did it actively pursue policies meant to foster economic growth?**

**\*\*ONE MINUTE PAPERS\*\***

# *The History of Economic Institutions*

## **Week Four**

Amanda J Felkey

**Focus:** The Gerschenkron Model  
Capital Supply with Differing Economic Backwardness  
Ideologies of Industrialization

Make them write this down so they can determine if they recall last lecture accurately.

### **Concepts from Last Time→**

Traditional View: The government was passive during I.R. and let growth be determined by the economic activity (→ repealed restrictions on trade).

Revisionist View: The government was proactive during the I.R. they systematically passed laws to alleviate the suffering caused by I.R. (→took a humanitarian role).

### **Preview→**

What were differences among nations that led to differing industrialization processes across England?

What was the standard by which Gerschenkron measures these differences in industrialization?

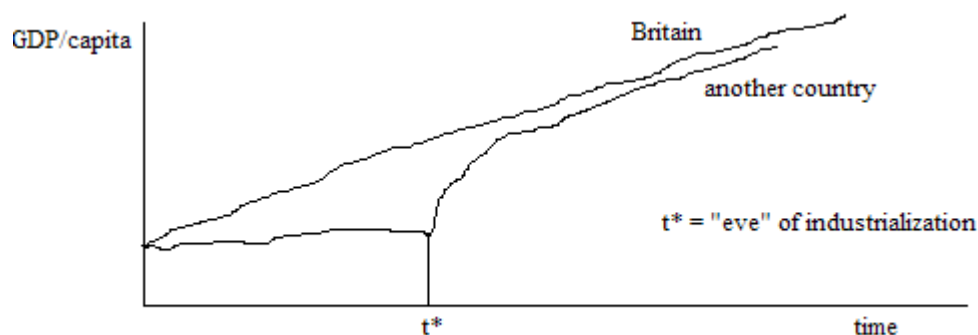
Have a few students take a stab at explaining parts of Gerschenkron's Model.

### **III. The Industrialization Process varied with a country's degree of Economic Backwardness on the "eve" of its industrialization.**

- There was a correlation between economic backwardness and a country's industrialization process seen across Europe
- "eve" of industrialization→ more or less is indicated by the sudden increase in the rate of growth of industrial output.

### **IV. The variations in Industrialization processes can be compressed into 6 propositions. (\*\* ↑D implies a greater degree of economic backwardness )**

- ↑D implies Industrialization starts as a discontinuous spurt.**
  - Graph that illustrates the spurt.



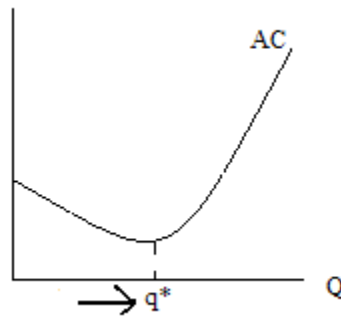
ii. Why the Spurt?

→ countries that industrialized later were able to borrow technology from those that had already industrialized.

b. **↑D implies more pronounced stress on the size of increase in industrial plants and enterprises.**

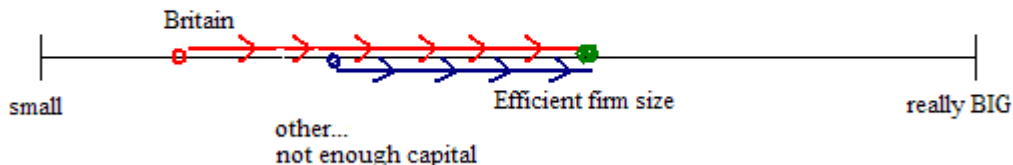
- Family firms did not develop first and then grow like they did in Britain.
- They started with larger firms to take advantage of economies of scale.
- Graphs for illustration.

- remember last time when I was illustrating the economic effect of the Bubble Act and how a smaller firm size inhibited growth and the industrialization process.



EXPLAIN  
economies of  
scale.

- Consider another illustration. Economies of scale is measured on this horizontal line.



What is the problem with starting BIG?

- These larger firms more needed up-to-date machinery to be competitive.
- The lack of available capital and investment created the STRESS!

c. **↑D implies greater stress on producer's goods rather than consumer's goods.**

- Technological progress was particularly rapid in heavy industry  
⇒ specialize in something which they could be competitive

- ii. Iron & Steel Example:
  1. Germany surpassed Britain
  2. Russia surpassed Germany

- d. **↑D implies an increased pressure on the levels of consumption of the population.**
  - i. Income had to be transferred to the industrial sector, whether it be via voluntary investment or government mandated taxes and subsidies.  
⇒ Example: Soviet Union
  - ii. The standard of living increased slower.

↑C ⇒ more is being produced  
 ↓C ⇒ need to ↑ investment

NOTE: Students found this section confusing...rework (possibly with better examples) before you give this lecture again.

- e. **↑D implies the role played by agriculture as a market for industrial goods and as an area of increased productivity of labor was smaller.**
  - i. The agricultural revolution was not necessary for industrialization. (French, German, Russian agricultural sectors remained large.)  
{recall the British agricultural revolution: ↑mechanization → ↑productivity of labor → decrease labor needed in agricultural areas → ↑ labor available to skill intensive, new industries → this ↑ labor force facilitated the development of these new parts of the economy  
THIS gradual transition ensured Britain was prepared for the BOOM in new industry.}
  - ii. The capital and skill intensity of new industries did not require a massive transfer of labor from rural to urban areas. (\*without this transfer the economic potential decreased)
- f. **↑D implies a larger role played by special institutional factors designed to increase supply of capital to new industries and increase provisions of entrepreneurial guidance.**

## V. Sources of Capital Supply Differed According to D (Economic Backwardness)

- a. 4 types of industrial development with regard to sources of industrial capital.  
**What are the four sources for industrial capital?**
  - i. from industrial profits plowed back into investment and voluntary saving from current incomes in other segments of the economy
  - ii. from previously earned incomes
  - iii. credit creation by banks
  - iv. budgetary operations of the state
- b. **In Advanced Areas→**
  - i. Previously earned income
  - ii. Voluntary savings out of current income earned by other sectors of the economy, ie. merchants and agriculture
  - iii. Industrial profit plowed back into investment

**c. Moderately Backward Countries→**

- i. Investment banks
- ii. Large joint-stock banks
  - Germany, Austria and Italy banks had close relations to industrial enterprise
  - Banks controlled entrepreneurial and managerial decisions

**d. Extremely Backward Countries→**

- i. Government was the major supplier of both capital and entrepreneurial guidance→taxation directed incomes from consumption to investment.
  - Russia and EE, capital was too scarce for banks to develop- they couldn't attract sufficient financing (fraudulent bankruptcy was frequent)
  - Russian government used taxes to transfer income from consumption to investment (burden of taxation was on the peasants)

**e. Role of Banks→**

- i. Low D: banks were never a huge factor in capital accumulation
- ii. Moderate D: reliance on banks → reinvestment of industrial profit
- iii. High D: government budget → banks → investment of profit from industry

**VI. Ideologies of Delayed Industrialization**

- a. Emphasis on “man’s desire to do the best he could for himself and those about him.”
- b. Industrialization was expected to usher in the Golden Age and enhance a nations’ power and prestige.
- c. Harsh but inevitable process, developed in accord with unalterable historical laws.

Differing types of industrialization ideologies.

↑D ⇒

Enormous effort⇒rational arguments for industrialization need to be supplemented by a quasi-religious faith that the ‘Golden Age’ lies ahead.

- France & Germany –Saint Simon
- Russia –↑D required an even more powerful ideology ⇒ Marxism.



# *The History of Economic Institutions*

## Week Seven

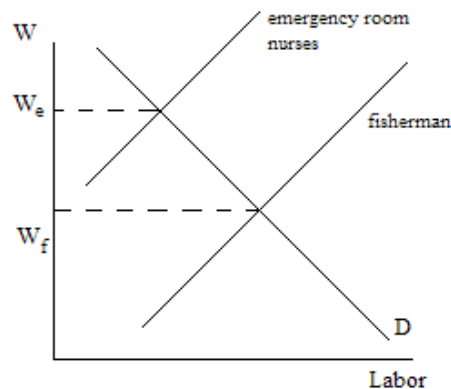
Amanda J Felkey

### The Theory of Compensating Wage Differentials:

{“perhaps the best single pieces of economic analysis in *the Wealth of Nations*”}

#### 1. Agreeableness/Disagreeableness of Employments →

- a. Ease/hardship; cleanliness/dirtiness; honourableness/dishonourableness
  - i. executioner is detestable, and thus must be paid a higher wage
  - ii. public ridicule presents a price that must be compensated for
- b. WHAT ABOUT INDIVIDUALS WHO PURSUE A LIVELIHOOD WHAT OTHERS CONSIDER A PASTTIME?
  - i. (lower wages because there is a large supply of individuals willing to do the job, for not much money compensation because they get enjoyment out of the activity)



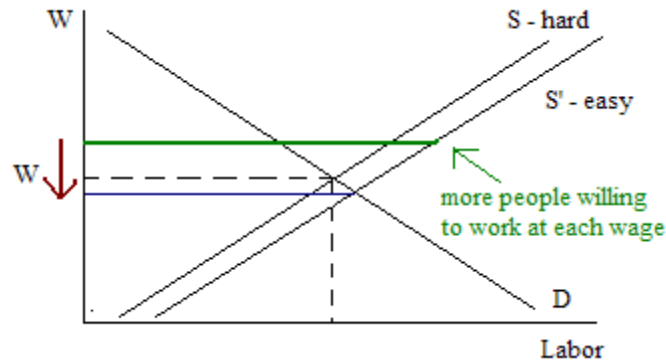
- ii. In advanced states of society hunting and fishing have become a pasttime of the well off—those who hunt and fish for a living are poor

#### c. WHAT ABOUT BUSINESS PROFITS, DO THEY FOLLOW THE SAME THEORY IN REGARD TO AGREEABLENESS?

(Yes, for instance, taverns and inns are exposed to brutality and drunkards. Therefore, in order to be operated they must have higher payoffs, or be more profitable.)

#### 2. Easiness/Cheapness or Difficulty/Expense of Learning the Business →

- a. Must replace to the worker the cost spent on education.  
(No one is going to spend 100,000 USD to be able to attain a 6 dollar an hour job.)
- b. This explains the wage differentials between skilled and unskilled workers.  
(The skilled worker presumably spent more on education or training and would not have done so without the opportunity to replace those costs with higher wages.)
- c. Easy or Cheap to learn the business means more people are willing to do so...Shift the supply curve to the right...Lower Equilibrium wage.



### 3. Consistency/Inconsistency of Employment→

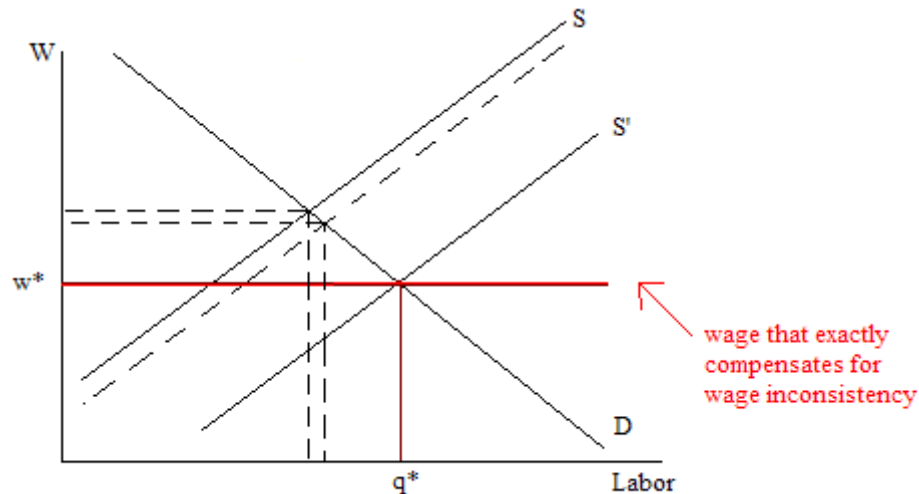
#### a. WHY DOES CONSISTENCY MATTER TO WAGE DIFFERENTIALS?

(lower consistency, due to weather for instance, and you must increase wage so the worker will be able to maintain his living while not working—workers, when deciding to enter into a trade will consider, say, a years earnings. If they know that they will be unable to work for a portion of the year they will make the adjustment in their income stream and demand wages so that they can live an entire year on what they make when they are able to work)

- i. Compensate for money needed when they are not working
- ii. Compensate for the anxiety that accompanies his precarious situation
- iii. Explains why indoor carpenters receive a lower wage than outdoor ones

#### b. WHAT IF WAGES WERE AT A LEVEL THAT WOULD MORE THAN COMPENSATE WORKERS FOR THE INCONSISTENCY IN THEIR TRADE?

- i. there would be more people willing to enter that trade, because the wages are higher than they need to be to compensate workers for not being able to work.
- ii. The supply curve would shift to the right. And the Equilibrium wages in that trade would decrease.
- iii. PEOPLE WOULD COMPETE AWAY THE BENEFITS!!



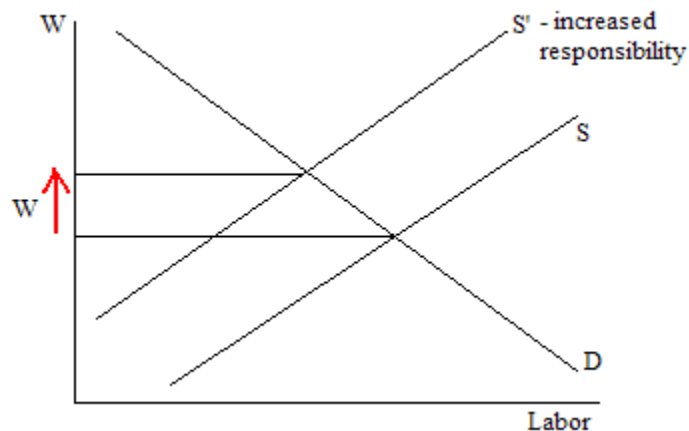
4. Small/Great Trust put in Workman →

a. **SOMEONE NAME SOME EXAMPLES OF OCCUPATIONS IN WHICH TRUST AFFECTS WAGES?**

(Jeweler, Goldsmith, Attorney, Physician)

b. **HOW DOES THIS DIFFERENCE IN OCCUPATION SHIFT THE SUPPLY CURVE?**

- i. There is an increase in responsibility, which presents a cost to be borne by the worker, perhaps in the form of stress. (This additional cost must be compensated for in the form of higher wages.)
- ii. At any given wage fewer individuals are willing to enter this trade given the addition of costs associated with responsibility...which shifts the supply curve to the left...and increases the equilibrium wage in that trade.



5. Probability/Improbability of success in the trade →

a. **WHY WOULD PEOPLE NEED THE PROMISE OF HIGHER WAGE IN ORDER TO ENTER INTO THESE TRADES?**

- i. Need to be compensated for higher risk of income—if they are unsuccessful then their income will be extremely low and they need to account of that possibility.
- ii. Use Expected income to decide whether or not to enter into a given trade.
- iii. There is a certain income that is necessary, say subsistence, and you have to account for the probability of making no money when you determine if your expected income will meet that goal

$\text{Expected Value of Income} = (\text{Wage}) * (\text{probability of earning that wage})$
-----------------------------------------------------------------------------------------------

b. WHAT ABOUT PROFITS IN THIS CASE?

(The same effect as on wage— $\text{EV} = (\text{profit}) * (\text{P}(\text{you get that profit}))$ )

### A Couple Things That Don't Quite Fit:

**WHY ARE WAGES FOR THE MILITARY SO LOW?** (romantic ideas about war)

**WHY ARE WAGES HIGHER IN NEW V. OLD TRADES?** (entice people out of the old and into the new)

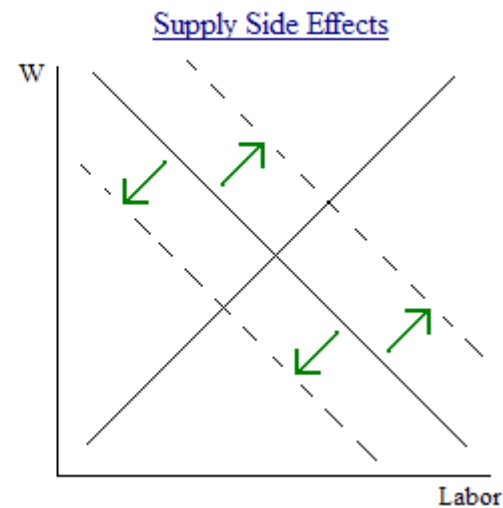
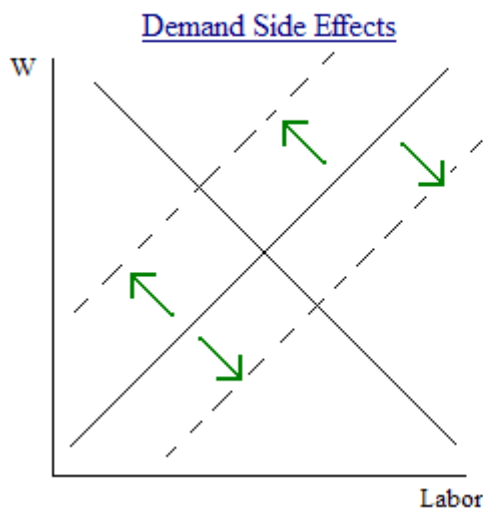
### WHAT DID ADAM SMITH OMIT FROM HIS THEORY?

Demand-Side Factors:

Substitutability→

a mason v. a physician—you can live in a house, an apartment, a tent, a cave...but there is only one person who can perform surgery on your heart. (the physician has higher demand because there are no close substitutes for his services)

a fisherman v. a mason—there are even more substitutes for the services provided by a fisherman...there are even more things you can choose to eat than places in which you can choose to live. (the wages of mason's are higher than fisherman because of their relative substitutability)



# *The History of Economic Institutions*

## **Week Nine**

Amanda J Felkey

**Focus:** Principles of Political Economy (John Stuart Mill)

### **Preview→**

**What should be the general practice of the Government?**

-“laissez-faire...every departures from it, unless required by some greater good is a certain evil.”

### **I. {What are the two kinds of government intervention and give some examples of each.}→**

Authoritative—control the free agency of individuals, issues a command that is enforces by penalty

Non-authoritative—maintains agencies to work parallel with private ones (post office—you can send mail via other means)

### **II. According to Mill, why should government intervention be kept to a minimum?**

#### **A. Reasons→**

1. infringement on liberty, irksome or degrading restraint
2. more government will increase its power, authority and direct influence
3. more tasks for a body that is already charged with too many duties
4. things are worse done by the government than by those who are interested directly in the task

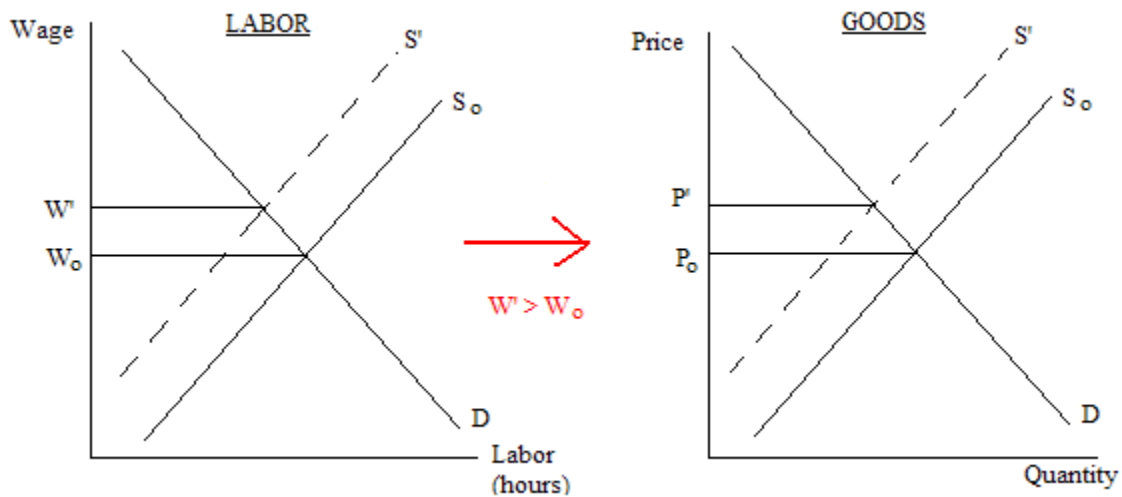
**{ Why can we say in general that this is true? }**

- the government lacks specific information of time and place (there was a large body of literature that developed on this subject after the institution of communism in Eastern Europe)
- Manufacturers know how to most cheaply make their product in their factory and have the incentive to do so in order to make the highest possible profits.
- Hunters know best how to preserve game and have the incentive to do so in order to be able to hunt in the future.

#### **B. Economic Analysis of what happens to both manufacturers and consumers with government intervention→**

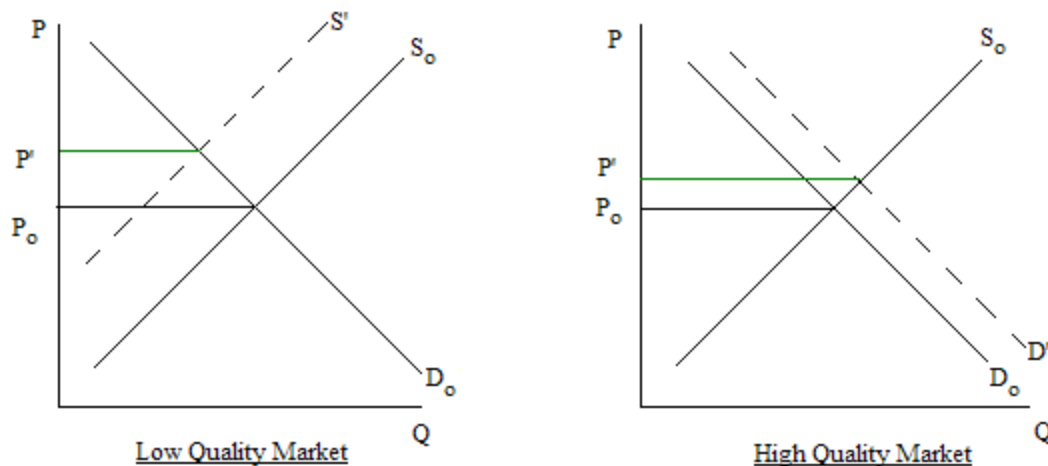
*\*THROUGHOUT, WE WILL BE MEASURING CHANGES BASED ON EFFICIENCY AND WELFARE.*

1. Government Restriction on Labor (Restrict the amount of hours that can be worked)



- the supply curve shifts back because there are fewer available man hours with a restriction on the number of hours that can be worked.
- manufactures have to pay a higher wage and will no longer be operating at the level of production that has minimum average cost (recall that the restriction on firm size impose by the Bubble Act) therefore they will have lower profits
- Goods will be more expensive because they are more costly to produce
- Welfare Analysis: certain reduction in consumer surplus, and certain reduction in total societal welfare.
- Efficiency measure: less efficient due to the fact they aren't producing at minimum average cost.

2. Government Restriction on the Quality of the good

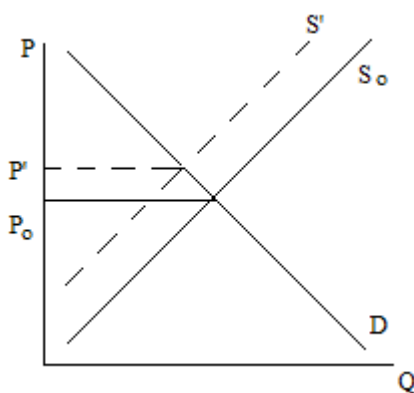


- The supply in the low quality sector will shift left, and cloth will be more expensive

- The demand in the high quality sector will shift out, because some of the people who originally purchased low quality cloth will now purchase high quality cloth.
- Welfare Analysis: certain reduction in consumer surplus and total societal welfare in the low quality market. Those consumers that switch their purchase from one sector to the other will have less surplus.
- Efficiency measure: less efficient due to the fact they aren't producing at minimum average cost in the low quality sector. Also, there is an allocation inefficiency from the fact that consumers cannot purchase exactly what they want...some consumers will go without cloth because they can't afford any.

### 3. How does the law affect the market even if it is not followed.

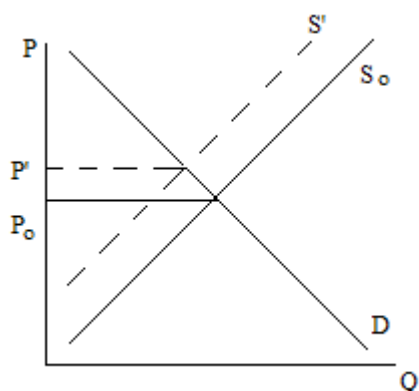
Conform to the Law:



- Supply shifts left because there are restriction on how the producer can produce → not minimum average cost → higher product price.

Break the Law:

EXACT SAME EFFECT.



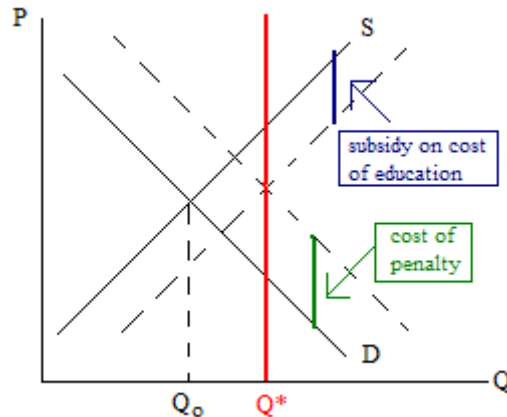
- Supply shifts to the left because there is now a risk premium that is incorporated into the cost of production (the producer takes into account the cost of punishment and the probability of being caught and punished) → higher cost of production → higher product price

$$\{ \text{Cost} = \text{Cost of Production} + P(\text{getting caught}) * \text{Price of Punishment} \}$$

### III. Why does Mill support government provision of compulsory public elementary education? \*\*\*\*\*Societal Good makes it OK\*\*\*\*\*

1. The consumer of education is not a competent judge of the commodity
2. {How does Mill assert that the market mechanism does not function efficiently in the case of education?}
  - left alone parents would not purchase for their children the amount of education that is good for society
  - Demand is not sufficient for the Goodness of Society

3. {How can the government induce a beneficial amount of education to be purchased?}



- impose penalty for not education children  $\Delta$ Demand
- government pays for schooling  $\Delta$ Supply

4. {What exception does Mill make for the government's control over education?}

- the government cannot have complete control over education
  - they cannot stipulate how or from whom children obtain their education
5. {What is another area that is generally believed to be best left to government control?}
- Protection of person and property against force and fraud.
- This is another area in which individual demand may not lead to societal good. Left without regulation there are persons who may find it in their best interest to steal from or act with force upon others. (especially if other are doing so as well)

### III. Why does Mill support the regulation of child labor, but not the regulation of adult female labor?

1. {Generally individual judgment is sufficient security for the goodness of the commodity, What are Mill's Exceptions to this rule?}

- When the person is not the best judge of their situation or is not competent to judge their situation, then the government may intervene in the best interest of that individual
- Insane persons are not competent to judge their situation
- Children are also not the best judge of their situation ( and parents have absolute power over the decisions of their children)—government should intervene to prevent them from being overworked.

2. {What does Mill say about female labor and why does he treat it differently than child labor?}

- They are competent enough to judge for themselves, what is best for them (they are the best judge of what is best for them)
- {What about when women are forced to submit everything to their husbands?}
- Attack this injustice at the source...change social norms

### IV. What are Mill's Views concerning the Poor Law?

- Those destitute have a right to help
- Give relief without inducing reliance (lower moral hazard)



- Provide assistance to subsistence level (ONLY!!!)
- Private charity will more to those who are more deserving.  
→ information of time and place.

# *The History of Economic Institutions*

## **Week Eleven**

Amanda J Felkey

**Focus: Engels, Chapters 8 & 11**

### **I. How did Engels view the bourgeoisie as a class?**

- a. selfish
- b. driven only by money
- c. charitable only out of self interest

### **II. What did Engels say about Trade Unions?**

- a. Why would unions be ineffective?
  - i. Costs of organization—there are a large number of workers with heterogeneous interests. It takes a huge, exceptionally universal excitement to motivate such a mass of individuals. Their benefit is small (wage increase is a relatively small magnitude).
  - ii. Benefit to factory owners of keeping wages low is large. They are benefiting by the unchanged (too low) wage on the magnitude of the number of employed they have.
  - iii. Knobsticks—there are always unemployed people out there that are willing to take the low wage rather than the nothing they currently have (Marx's industrial reserve army of the unemployed).
- b. Unions don't have the ability to change the natural laws of supply and demand.
  - i. Workers are driven back to work by hunger.
  - ii. Unions deteriorate because they have to support those not working.

**Strikes—What if they end in disaster?**

### **III. Charterism**

- a. **The 6 points.**
  - i. Universal Suffrage
  - ii. Annual Parliaments
  - iii. Payment of Members of Parliament (to enable the poor to stand for election)
  - iv. Voting by Ballot (to prevent bribery and intimidation by the bourgeoisie)
  - v. Equal electoral districts (to secure equal representation)
  - vi. Abolition of Property Qualification for Candidates (to make every voter eligible)
- b. **Points of Dissent among Charterists.**
  - i. Physical force
  - ii. The Corn Laws
- c. **Charterism was also a form of economic protest.**
  - i. Support fell away whenever economic conditions were good.
  - ii. Charterism was strongest when jobs were scarce and bread was dear.
- d. **How does Engels view Charterism?**
  - i. A class movement—a demand for the power to help themselves.

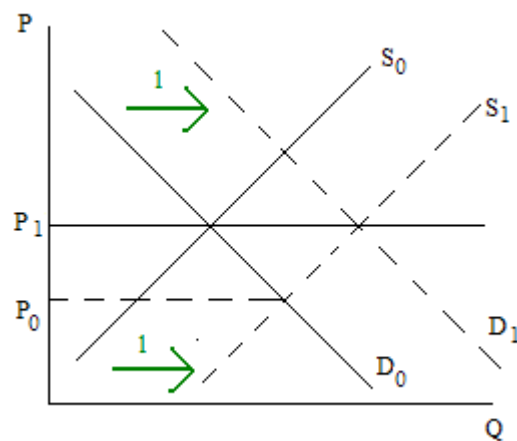
- ii. A method by which the working class can attack the whole of the bourgeoisie political power.
- iii. The laws were made by the bourgeoisie, Charterism was a call for the working class to rise up against the bourgeoisie.

#### IV. The Corn Laws

- a. It was not a big deal to the working class to repeal them. The working class is fine with high prices because they match the high wages they are getting. The workers get the same real wage either way...it's a wash for them.
- b. Manufacturers want to repeal the Corn Laws so that they can decrease wages when prices fall. The decrease in prices means that manufacturers have to pay workers less for them to subsist. They want wages to decrease so they can produce more cheaply and be competitive in the European market.
- c. Graphically. { page 284-5 }

[The Corn Laws = high price of bread = high wages ( $w'$ )] Repeal  $\rightarrow$  lower prices  $\rightarrow$  lower wages  $\rightarrow$  increased competitiveness in Europe product market  $\rightarrow$  increase the demand for English goods  $\rightarrow$  increased demand for labor  $\rightarrow$  increase in equilibrium wage (back to  $w'$ , but increased population)

#### GOODS MARKET



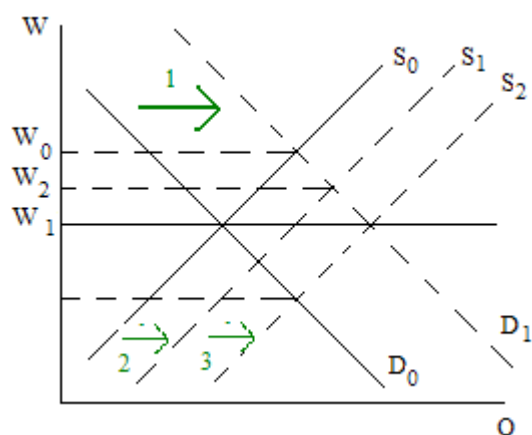
Repeal Corn laws  $\rightarrow$  increase supply ( $P^0$ )  $\rightarrow$  competitive in Europe's market  $\rightarrow$  increased demand ( $P^1$ )  $\rightarrow$  Producers are better off because they sell in Europe's market

$D_0, S_0$  - corn laws

$D_1, S_1$  - repeal of corn laws

$1 \rightarrow \downarrow \text{cost}, \uparrow \text{competitiveness}, \uparrow \text{demand for labor} \rightarrow \uparrow \text{real wages}$

## LABOR MARKET



Lower price ( $P^0$ ) → decrease wages ( $W^0$ ) because people are willing to work for less → shift labor supply out  
Higher price ( $P^1$ ) → decrease real wages, increase nominal wages ( $W^1$ ) → shift supply to the right

2 → ↓ price of bread means worker will work for less →  $W_2 < W_0$  (surplus labor)

3 → economic prosperity led to ↑ population → back to  $(P_1, W_1)$  → same bleak situation

### OUTCOME:

$(P^0, W^0)$  or  $(P^1, W^1)$  are the same for consumers/workers...same real wages.

Producers: same costs and same price but they sell more.

## V. The New Poor Law

- Spirit
- Conditions
- Compare to Mill
- Compare to Malthus

POOR LAW  
EVOLUTION

They had poor laws that were used a lot ⇒ criticism from Malthus, JS Mill, etc. that they needed to have limited relief (subsistence) ⇒ make it hurt and it won't be abused (↑ laziness and population w. too much relief) ⇒ New Poor Law ⇒ Reaction: Engles...ARG, this is too awful.

Note: Engle's Description of the conditions ⇒ p 289-97.