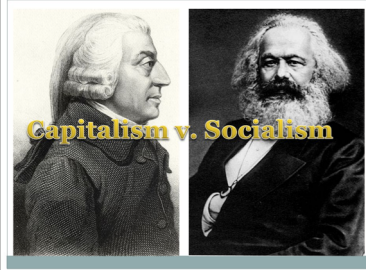


**SSWH15 Describe the Impact of Industrialization and Urbanization**



**Element B: Examine the political and economic ideas of Adam Smith and Karl Marx.**

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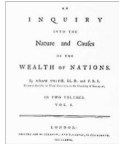
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**Adam Smith**

- Smith's ideas developed as a response to mercantilism.
  - Mercantilist ideas on economic policy dominated Europe from 16th to the 18th century.
    - These policies used state power to tightly regulate trade and business with the goal of accumulating gold and silver in the home economy.
  - With the onset of industrialization in the late 18th century and the mass production of high value manufactured goods calculating wealth based solely on gold and silver reserves began to seem grossly inaccurate.
- In 1776, Adam Smith published The Wealth of Nations. In this work Smith argued that a nation's wealth is best calculated by totaling the amount of goods and services produced by a nation's people (essentially GDP).
  - Considering this, he believed that government policies should be designed to increase wealth based on this new understanding.
  - Smith believed that everyone, rich and poor, would benefit from this approach.




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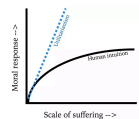
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**Adam Smith**

- In the The Wealth of Nations, Smith outlined the basic principles of Laissez-faire capitalism.
  - He argued that individuals always work for their own self-interest and that in a society in which everyone is allowed to pursue their own self-interest, a collective benefit is realized.
    - Essentially the argument was that when people work to improve their own lives they make life better for everyone else.
  - For this societal benefit to be realized, Smith argued that the government should completely deregulate the economy.
    - He believed that if business could be conducted free from government interference, a nation's wealth (calculated based on the total amount of goods and services produced) would be maximized.
- These ideas became government policy in Britain and United States in the 19th century, but over time they were modified with the principles of other economic philosophies like utilitarianism which accepted Smith's ideas on personal freedom but argued that government needed to step in from time to time to protect the people.




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## Karl Marx

- The forerunner to Karl Marx's communist philosophy was socialism.
  - The economic principles of socialism were developed in the first half of the 19th century.
  - Socialist thinkers like Charles Fourier and Henri de Saint-Simon argued that the major means of production like factories, mines, and railroads should be government controlled.
    - Government control would ensure that the benefits of these means of production would be realized by all members of society.
- In 1848 Karl Marx and Friedrich Engels published The Communist Manifesto.
  - This short work contained economic philosophy, social history, political ideologies and a revolutionary call to arms.
  - In this work Marx and Engels argued that economic inequality was the most important force driving human history.
  - Human history was a series of class struggles, Roman plebs versus patricians, feudal lords versus serfs, and in the 19<sup>th</sup> century the urban working class (proletariat) versus the middle class (bourgeois).


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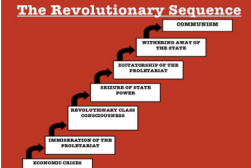
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## Karl Marx

- Marx and Engels predicted that the proletariat would rise in revolution and overthrow the capitalist order and over time create a utopian communist society.
  - They believed that this revolutionary change would come in stages.
    1. First the workers would seize the means of production and overthrow the government.
    2. Once in control, workers would create a "dictatorship of the proletariat" which would seize all private property and redistribute it equitably.
    3. Once equality was established the need for government would wither and humanity would live in a purely communist society where the means of production would be collectively owned and operated by the people for the public good.


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## Karl Marx

- While, few of the ideas of the early socialists or the communist ideas of Marx and Engels were implemented in the 19th century, in the 20th century many countries around the world experimented with these philosophies.
  - Several countries, including to some extent the United States, implemented socialist policies related to state control of the means of production.
    - For example, many railroad networks were brought under state control after the world wars.
- Marxist philosophies drove revolutions in other parts of the world, most notably in Russia and China.
  - None of these revolutions were able to realize the full vision of the communist ideas laid out in the Communist Manifesto.
    - Each revolution stalled at the stage of the "dictatorship of the proletariat" which in all cases devolved into a dictatorship of communist party bosses.
- Reforms in the 20th and 21st century have balanced Smith's argument for freedom with Marx and the socialist's argument for equality in most states around the world.
  - This has led to the prevalence of a hybrid system augmented by more recent scholarship in the fields of economics and political science for most countries.


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