IDX G9/10 History H
Study Guide Issue Semester 2 Quiz 2
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<u>Contents:</u>

- **The Industrial Revolution**
  - The Industrial Revolution refers to the greatly increased output of machine-made goods that began in England in the middle 1700s.
  - It lasted until the middle 1800s, is referred to the First Industrial Revolution.
  - The first industrial revolution was the agricultural revolution, in which people innovated the agricultural tools to increase efficiency through machinery.
- **Inventions (drivers of industrial change)**
  - The steam engine, significantly improved by James Watt, provided mobile and reliable power for factories, mines, and transportation.
  - Textile innovations such as the spinning jenny, water frame, and power loom greatly increased the speed and volume of cloth production.
  - Advances in ironmaking, along with the development of railways, canals, and steamships, reduced transport costs and expanded industrial markets.
- **Mercantilism (pre-industrial economic policy and context)**

- Mercantilism promoted the accumulation of gold and silver through export surpluses and tightly controlled colonial trade.
- This system supplied capital, raw materials, and protected markets that early industrial capitalists depended on.
- Over time, mercantilist policies came under criticism as free-trade advocates responded to the needs of an industrializing economy.

- **Capitalism (the expanding economic system)**
  - Capitalism rested on private ownership of factories and other means of production, with profit serving as the central incentive.
  - It enabled large-scale investment and encouraged the development of wage labor and competitive markets.
  - While capitalism generated unprecedented national wealth, it also produced major inequalities in income and living conditions.

- **Adam Smith (intellectual foundation for market economics)**
  - In *The Wealth of Nations* (1776), Adam Smith argued that dividing labor into specialized tasks dramatically raised productivity.
  - He maintained that individuals acting in their own self-interest could unintentionally promote the wellbeing of society.
  - Smith criticized mercantilism and advocated for freer trade and limited government involvement in the economy.

- **Karl Marx (critical response to industrial capitalism)**
  - Karl Marx examined capitalism as a system in which workers were exploited because owners extracted surplus value from their labor.

- He predicted that capitalism would undergo recurring economic crises and intensify class conflict between capitalists and workers.
- Marx argued that industrial labor alienated workers from their work, from themselves, and from one another.

- **Wealth (creation and distribution in the industrial age)**

  - Industrialization generated enormous national wealth through mass production and expanded global trade.
  - Much of this new wealth became concentrated in the hands of industrialists and financiers rather than workers.
  - Although a new middle class emerged, many industrial laborers continued to experience low wages and harsh conditions.

- **Productivity (the engine of economic growth)**

  - Mechanization and factory organization significantly increased the amount of output each worker could produce.
  - Rising productivity reduced the cost of goods and eventually made many products more accessible to ordinary consumers.
  - These gains often came before social protections were established, leaving displaced or deskilled workers vulnerable.

- **Division of labor (factory organization)**

  - The division of labor broke work into small, repetitive tasks that enabled faster production and required less training.
  - Smith's pin-factory example demonstrated how specialization could multiply output many times over.

  - This system also contributed to worker monotony, the loss of traditional craft skills, and tighter managerial control.

- **Invisible hand (Smith's metaphor for market coordination)**

  - The invisible hand describes how individuals pursuing their own interests can unintentionally guide resources toward socially beneficial uses.
  - Smith used this idea to suggest that competitive markets tend to allocate resources efficiently under certain conditions.
  - He also acknowledged that markets have limits and that some government roles remain necessary.

- **Self-interest (motivation in market behavior)**

  - Self-interest motivates entrepreneurs and workers to improve their own circumstances, driving innovation and investment.
  - In a competitive system, prices and market pressures channel self-interested actions into productive economic activity.
  - Without rules or protections, however, self-interest can also encourage exploitative practices.

- **Laissez-faire economy (policy stance)**

  - Laissez-faire ideology calls for minimal government intervention in economic affairs and for the removal of barriers such as tariffs and regulations.
  - Many 19th-century industrialists and classical economists supported laissez-faire principles to promote growth.
  - Social issues such as child labor, poor working conditions, and environmental harm eventually demonstrated the limitations of laissez-faire policy.

- **Free market (institutional arrangement)**

  - A free market is one in which prices and production decisions are determined largely by voluntary exchanges and competition.
  - Free markets during the Industrial Revolution accelerated the spread of goods, capital, and new technologies across regions and countries.
  - These markets also generated debates about fairness, the handling of externalities, and the need for regulations and social safety nets.