

4

Part 4 of 4

Reforming the Industrial World

MAIN IDEA	WHY IT MATTERS NOW	TERMS & NAMES
ECONOMICS The Industrial Revolution led to economic, social, and political reforms.	Many modern social welfare programs developed during this period of reform.	• laissez faire • Adam Smith • capitalism • utilitarianism • socialism • Karl Marx • communism • union • strike

SETTING THE STAGE In industrialized countries in the 19th century, the Industrial Revolution opened a wide gap between the rich and the poor. Business leaders believed that governments should stay out of business and economic affairs. Reformers, however, felt that governments needed to play an active role to improve conditions for the poor. Workers also demanded more rights and protection. They formed labor unions to increase their influence.

The Philosophers of Industrialization

The term **laissez faire** (LEHS•ay•FAIR) refers to the economic policy of letting owners of industry and business set working conditions without interference. This policy favors a free market unregulated by the government. The term is French for "let do," and by extension, "let people do as they please."

Laissez-faire Economics Laissez-faire economics stemmed from French economic philosophers of the Enlightenment. They criticized the idea that nations grow wealthy by placing heavy tariffs on foreign goods. In fact, they argued, government regulations only interfered with the production of wealth. These philosophers believed that if government allowed free trade—the flow of commerce in the world market without government regulation—the economy would prosper.

Adam Smith, a professor at the University of Glasgow, Scotland, defended the idea of a free economy, or free markets, in his 1776 book *The Wealth of Nations*. According to Smith, economic liberty guaranteed economic progress. As a result, government should not interfere. Smith's arguments rested on what he called the three natural laws of economics:

- the law of self-interest—People work for their own good.
- the law of competition—Competition forces people to make a better product.
- the law of supply and demand—Enough goods would be produced at the lowest possible price to meet demand in a market economy.

The Economists of Capitalism Smith's basic ideas were supported by British economists Thomas Malthus and David Ricardo. Like Smith, they believed that natural laws governed economic life. Their important ideas were the foundation of laissez-faire capitalism. **Capitalism** is an economic system in which the factors of production are privately owned and money is invested in business ventures to make a profit. These ideas also helped bring about the Industrial Revolution.

In *An Essay on the Principle of Population*, written in 1798, Thomas Malthus argued that population tended to increase more rapidly than the food supply. Without wars and epidemics to kill off the extra people, most were destined to be poor and miserable. The predictions of Malthus seemed to be coming true in the 1840s.

David Ricardo, a wealthy stockbroker, took Malthus's theory one step further in his book, *Principles of Political Economy and Taxation* (1817). Like Malthus, Ricardo believed that a permanent underclass would always be poor. In a market system, if there are many workers and abundant resources, then labor and resources are cheap. If there are few workers and scarce resources, then they are expensive. Ricardo believed that wages would be forced down as population increased.

Laissez-faire thinkers such as Smith, Malthus, and Ricardo opposed government efforts to help poor workers. They thought that creating minimum wage laws and better working conditions would upset the free market system, lower profits, and undermine the production of wealth in society. (A)

The Rise of Socialism

In contrast to laissez-faire philosophy, which advised governments to leave business alone, other theorists believed that governments should intervene. These thinkers believed that wealthy people or the government must take action to improve people's lives. The French writer Alexis de Tocqueville gave a warning:

PRIMARY SOURCE

Consider what is happening among the working classes. . . . Do you not see spreading among them, little by little, opinions and ideas that aim not to overturn such and such a ministry, or such laws, or such a government, but society itself, to shake it to the foundations upon which it now rests?

ALEXIS DE TOCQUEVILLE, 1848 speech

Utilitarianism English philosopher Jeremy Bentham modified the ideas of Adam Smith. In the late 1700s, Bentham introduced the philosoophy of **utilitarianism**. Bentham wrote his most influential works in the late 1700s. According to Bentham's theory, people should judge ideas, institutions, and actions on the basis of their utility, or usefulness. He argued that the government should try to promote the greatest good for the greatest number of people. A government policy was only useful if it promoted this goal. Bentham believed that in general the individual should be free to pursue his or her own advantage without interference from the state.

John Stuart Mill, a philosopher and economist, led the utilitarian movement in the 1800s. Mill came to question unregulated capitalism. He believed it was wrong that workers should lead deprived lives that sometimes bordered on starvation. Mill wished to help ordinary working people with policies that would lead to a more equal division of profits. He also favored a cooperative system of agriculture and women's rights, including the right to vote. Mill called for the government to do away with great differences in wealth. Utilitarians also pushed for reforms in the legal and prison systems and in education. (B)

MAIN IDEA

Clarifying

(B) How did Mill want to change the economic system?

History Makers



Adam Smith
1723–1790

In his book *The Wealth of Nations*, Smith argued that if individuals freely followed their own self-interest, the world would be an orderly and progressive place. Social harmony would result without any government direction, "as if by an invisible hand."

Smith applied an invisible hand of his own. After his death, people discovered that he had secretly donated large sums of his income to charities.

INTEGRATED TECHNOLOGY

RESEARCH LINKS For more on Adam Smith, go to **classzone.com**

Utopian Ideas Other reformers took an even more active approach. Shocked by the misery and poverty of the working class, a British factory owner named Robert Owen improved working conditions for his employees. Near his cotton mill in New Lanark, Scotland, Owen built houses, which he rented at low rates. He prohibited children under ten from working in the mills and provided free schooling.

Then, in 1824, he traveled to the United States. He founded a cooperative community called New Harmony in Indiana, in 1825. He intended this community to be a utopia, or perfect living place. New Harmony lasted only three years but inspired the founding of other communities.

Socialism French reformers such as Charles Fourier (FUR•ee•AY), Saint-Simon (san see•MOHN), and others sought to offset the ill effects of industrialization with a new economic system called socialism. In **socialism**, the factors of production are owned by the public and operate for the welfare of all.

Socialism grew out of an optimistic view of human nature, a belief in progress, and a concern for social justice. Socialists argued that the government should plan the economy rather than depend on free-market capitalism to do the job. They argued that government control of factories, mines, railroads, and other key industries would end poverty and promote equality. Public ownership, they believed, would help workers, who were at the mercy of their employers. Some socialists—such as Louis Blanc—advocated change through extension of the right to vote.

Marxism: Radical Socialism

The writings of a German journalist named **Karl Marx** introduced the world to a radical type of socialism called Marxism. Marx and Friedrich Engels, a German whose father owned a textile mill in Manchester, outlined their ideas in a 23-page pamphlet called *The Communist Manifesto*.

The Communist Manifesto In their manifesto, Marx and Engels argued that human societies have always been divided into warring classes. In their own time, these were the middle class "haves" or employers, called the bourgeoisie (BUR•zhwah•ZEE), and the "have-nots" or workers, called the proletariat (PROH•lih•TAIR•ee•iht). While the wealthy controlled the means of producing goods, the poor performed backbreaking labor under terrible conditions. This situation resulted in conflict:

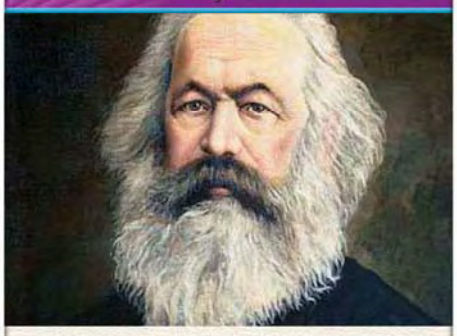
PRIMARY SOURCE

Freeman and slave, patrician and plebeian, lord and serf, guild-master and journeyman, in a word, oppressor and oppressed, stood in constant opposition to one another, carried on an uninterrupted, now hidden, now open fight, a fight that each time ended, either in a revolutionary reconstitution of society at large, or in the common ruin of the contending classes.

KARL MARX and **FRIEDRICH ENGELS**, *The Communist Manifesto* (1848)

According to Marx and Engels, the Industrial Revolution had enriched the wealthy and impoverished the poor. The two writers predicted that the workers would overthrow the owners: "The proletarians have nothing to lose but their chains. They have a world to win. Workingmen of all countries, unite."

History Makers



Karl Marx
1818–1883

Karl Marx studied philosophy at the University of Berlin before he turned to journalism and economics. In 1849, Marx joined the flood of radicals who fled continental Europe for England. He had declared in *The Communist Manifesto* that "the working men have no country."

Marx's theories of socialism and the inevitable revolt of the working class made him little money. He earned a meager living as a journalist. His wealthy coauthor and fellow German, Friedrich Engels, gave Marx financial aid.

INTEGRATED TECHNOLOGY

RESEARCH LINKS For more on Karl Marx, go to **classzone.com**

> Analyzing Key Concepts

Capitalism vs. Socialism

The economic system called capitalism developed gradually over centuries, beginning in the late Middle Ages. Because of the ways industrialization changed society, some people began to think that capitalism led to certain problems, such as the abuse of workers. They responded by developing a new system of economic ideas called socialism.

Capitalism	Socialism
• Individuals and businesses own property and the means of production.	• The community or the state should own property and the means of production.
• Progress results when individuals follow their own self-interest.	• Progress results when a community of producers cooperate for the good of all.
• Businesses follow their own self-interest by competing for the consumer's money. Each business tries to produce goods or services that are better and less expensive than those of competitors.	• Socialists believe that capitalist employers take advantage of workers. The community or state must act to protect workers.
• Consumers compete to buy the best goods at the lowest prices. This competition shapes the market by affecting what businesses are able to sell.	• Capitalism creates unequal distribution of wealth and material goods. A better system is to distribute goods according to each person's need.
• Government should not interfere in the economy because competition creates efficiency in business.	• An unequal distribution of wealth and material goods is unfair. A better system is to distribute goods according to each person's need.

SKILLBUILDER: Interpreting Charts

1. **Developing Historical Perspective** *Consider the following people from 19th-century Britain: factory worker, shop owner, factory owner, unemployed artisan. Which of them would be most likely to prefer capitalism and which would prefer socialism? Why?*
2. **Forming and Supporting Opinions** *Which system of economic ideas seems most widespread today? Support your opinion.*

The Future According to Marx Marx believed that the capitalist system, which produced the Industrial Revolution, would eventually destroy itself in the following way. Factories would drive small artisans out of business, leaving a small number of manufacturers to control all the wealth. The large proletariat would revolt, seize the factories and mills from the capitalists, and produce what society needed. Workers, sharing in the profits, would bring about economic equality for all people. The workers would control the government in a "dictatorship of the proletariat." After a period of cooperative living and education, the state or government would wither away as a classless society developed.

Marx called this final phase pure communism. Marx described **communism** as a form of complete socialism in which the means of production—all land, mines, factories, railroads, and businesses—would be owned by the people. Private property would in effect cease to exist. All goods and services would be shared equally.

Published in 1848, *The Communist Manifesto* produced few short-term results. Though widespread revolts shook Europe during 1848 and 1849, Europe's leaders eventually put down the uprisings. Only after the turn of the century did the fiery Marxist pamphlet produce explosive results. In the 1900s, Marxism inspired revolutionaries such as Russia's Lenin, China's Mao Zedong, and Cuba's Fidel Castro. These leaders adapted Marx's beliefs to their own specific situations and needs.

Connect to Today



Communism Today

Communism expanded to all parts of the world during the Cold War that followed the end of World War II. (See map on page 963.) At the peak of Communist expansion in the 1980s, about 20 nations were Communist-controlled, including two of the world's largest—China and the Soviet Union. However, dissatisfaction with the theories of Karl Marx had been developing.

Eventually, most Communist governments were replaced. Today, there are only five Communist countries—China, North Korea, Vietnam, and Laos in Asia and Cuba in the Caribbean. (See map above.)

In *The Communist Manifesto*, Marx and Engels stated their belief that economic forces alone dominated society. Time has shown, however, that religion, nationalism, ethnic loyalties, and a desire for democratic reforms may be as strong influences on history as economic forces. In addition, the gap between the rich and the poor within the industrialized countries failed to widen in the way that Marx and Engels predicted, mostly because of the various reforms enacted by governments.

Labor Unions and Reform Laws

Factory workers faced long hours, dirty and dangerous working conditions, and the threat of being laid off. By the 1800s, working people became more active in politics. To press for reforms, workers joined together in voluntary labor associations called **unions**.

Unionization A union spoke for all the workers in a particular trade. Unions engaged in collective bargaining, negotiations between workers and their employers. They bargained for better working conditions and higher pay. If factory owners refused these demands, union members could **strike**, or refuse to work.

Skilled workers led the way in forming unions because their special skills gave them extra bargaining power. Management would have trouble replacing such skilled workers as carpenters, printers, and spinners. Thus, the earliest unions helped the lower middle class more than they helped the poorest workers.

The union movement underwent slow, painful growth in both Great Britain and the United States. For years, the British government denied workers the right to form unions. The government saw unions as a threat to social order and stability. Indeed, the Combination Acts of 1799 and 1800 outlawed unions and strikes. Ignoring the threat of jail or job loss, factory workers joined unions anyway. Parliament finally repealed the Combination Acts in 1824. After 1825, the British government unhappily tolerated unions.

British unions had shared goals of raising wages for their members and improving working conditions. By 1875, British trade unions had won the right to strike and picket peacefully. They had also built up a membership of about 1 million people.

In the United States, skilled workers had belonged to unions since the early 1800s. In 1886, several unions joined together to form the organization that would become the American Federation of Labor (AFL). A series of successful strikes won AFL members higher wages and shorter hours.

Reform Laws Eventually, reformers and unions forced political leaders to look into the abuses caused by industrialization. In both Great Britain and the United States, new laws reformed some of the worst abuses of industrialization. In the 1820s and 1830s, for example, Parliament began investigating child labor and working conditions in factories and mines. As a result of its findings, Parliament passed the Factory Act of 1833. The new law made it illegal to hire children under 9 years old. Children from the ages of 9 to 12 could not work more than 8 hours a day. Young people from 13 to 17 could not work more than 12 hours. In 1842, the Mines Act prevented women and children from working underground.

MAIN IDEA

D Summarizing

What were some of the important reform bills passed in Britain during this period?

In 1847, the Parliament passed a bill that helped working women as well as their children. The Ten Hours Act of 1847 limited the workday to ten hours for women and children who worked in factories. D

Reformers in the United States also passed laws to protect child workers. In 1904, a group of progressive reformers organized the National Child Labor Committee to end child labor. Arguing that child labor lowered wages for all workers, union members joined the reformers. Together they pressured national and state politicians to ban child labor and set maximum working hours.

In 1919, the U.S. Supreme Court objected to a federal child labor law, ruling that it interfered with states' rights to regulate labor. However, individual states were allowed to limit the working hours of women and, later, of men.



▲ Hungarian workers meet to plan their strategy before a strike.

The Reform Movement Spreads

Almost from the beginning, reform movements rose in response to the negative impact of industrialization. These reforms included improving the workplace and extending the right to vote to working-class men. The same impulse toward reform, along with the ideals of the French Revolution, also helped to end slavery and promote new rights for women and children.

The Abolition of Slavery William Wilberforce, a highly religious man, was a member of Parliament who led the fight for abolition—the end of the slave trade and slavery in the British Empire. Parliament passed a bill to end the slave trade in the British West Indies in 1807. After he retired from Parliament in 1825, Wilberforce continued his fight to free the slaves. Britain finally abolished slavery in its empire in 1833.

British antislavery activists had mixed motives. Some, such as the abolitionist Wilberforce, were morally against slavery. Others viewed slave labor as an economic threat. Furthermore, a new class of industrialists developed who supported cheap labor rather than slave labor. They soon gained power in Parliament.

In the United States the movement to fulfill the promise of the Declaration of Independence by ending slavery grew in the early 1800s. The enslavement of African people finally ended in the United States when the Union won the Civil War in 1865. Then, enslavement persisted in the Americas only in Puerto Rico, Cuba, and Brazil. In Puerto Rico, slavery was ended in 1873. Spain finally abolished slavery in its Cuban colony in 1886. Not until 1888 did Brazil's huge enslaved population win freedom.

The Fight for Women's Rights The Industrial Revolution proved a mixed blessing for women. On the one hand, factory work offered higher wages than work done at home. Women spinners in Manchester, for example, earned much more money than women who stayed home to spin cotton thread. On the other hand, women factory workers usually made only one-third as much money as men did.

Women led reform movements to address this and other pressing social issues. During the mid-1800s, for example, women formed unions in the trades where they dominated. In Britain, some women served as safety inspectors in factories where other women worked. In the United States, college-educated women like Jane Addams ran settlement houses. These community centers served the poor residents of slum neighborhoods.

History Makers



Jane Addams
1860–1935

After graduating from college, Jane Addams wondered what to do with her life.

> *I gradually became convinced that it would be a good thing to rent a house in a part of the city where many primitive and actual needs are found, in which young women who had been given over too exclusively to study, might . . . learn of life from life itself.*

Addams and her friend Ellen Starr set up Hull House in a working-class district in Chicago. Eventually the facilities included a nursery, a gym, a kitchen, and a boarding house for working women. Hull House not only served the immigrant population of the neighborhood, it also trained social workers.

In both the United States and Britain, women who had rallied for the abolition of slavery began to wonder why their own rights should be denied on the basis of gender. The movement for women's rights began in the United States as early as 1848. Women activists around the world joined to found the International Council for Women in 1888. Delegates and observers from 27 countries attended the council's 1899 meeting. E

Reforms Spread to Many Areas of Life In the United States and Western Europe, reformers tried to correct the problems troubling the newly industrialized nations. Public education and prison reform ranked high on the reformers' lists.

One of the most prominent U.S. reformers, Horace Mann of Massachusetts, favored free public education for all children. Mann, who spent his own childhood working at hard labor, warned, "If we do not prepare children to become good citizens . . . if we do not enrich their minds with knowledge, then our republic must go down to destruction." By the 1850s, many states were starting public school systems. In Western Europe, free public schooling became available in the late 1800s.

In 1831, French writer Alexis de Tocqueville had contrasted the brutal conditions in American prisons to the "extended liberty" of American society. Those who sought to reform prisons emphasized the goal of providing prisoners with the means to lead to useful lives upon release.

During the 1800s, democracy grew in industrialized countries even as foreign expansion increased. The industrialized democracies faced new challenges both at home and abroad. You will learn about these challenges in Chapter 26.

MAIN IDEA

E Making Inferences
Why might women abolitionists have headed the movement for women's rights?

SECTION 4 ASSESSMENT

TERMS & NAMES **1.** For each term or name, write a sentence explaining its significance.

• laissez faire • Adam Smith • capitalism • utilitarianism • socialism • Karl Marx • communism • union • strike

USING YOUR NOTES

2. What characteristics do capitalism and socialism share?

Capitalism	Socialism
1.	1.
2.	2.
3.	3.

MAIN IDEAS

3. What were Adam Smith's three natural laws of economics?

4. What kind of society did early socialists want?

5. Why did workers join together in unions?

CRITICAL THINKING & WRITING

6. IDENTIFYING PROBLEMS What were the main problems faced by the unions during the 1800s and how did they overcome them?

7. DRAWING CONCLUSIONS Why do you think that Marx's "dictatorship of the proletariat" did not happen?

8. MAKING INFERENCES Why did the labor reform movement spread to other areas of life?

9. WRITING ACTIVITY ECONOMICS Write a two-paragraph **persuasive essay** on how important economic forces are in society. Support your opinion using evidence from this and previous chapters.

CONNECT TO TODAY **PREPARING AN ECONOMIC REPORT**

Research a present-day corporation. Prepare an **economic report** that includes the corporation's structure, products or services, number of employees, and any other relevant economic information you are able to find.