THE FRENCH REVOLUTION

Edward the end of the eighteenth century, the people of France grew tired of the inequalities within their country.

In 1776 America gained their independence from Britain and King George III.

This, and the writings of Rousseau and Voltaire fired the people of France into action. On 14th July, 1789, the people stormed the Bastille (a royal fortress and prison), and a bloody revolution began.

After the revolution it was advocated that agriculture be recognised as the major industry with all citizens receiving equal benefits.

The idea of natural law rather than the despotic behaviour of the monarchy and aristocrats that had gone on before, became important.

This meant that things should be allowed to work themselves out without too much intervention from the government. It was laissez faire.

It was thought that the questions of what, how and for whom to produce and whether it would work themselves out, except for national defence, governments should have little to do with the economy.

This was against the ideas of mercantilism where merchants received government grants, rights to monopolies and other trade advantages.

The ideas of laissez faire are similar to those of competition and the free market.
THE INDUSTRIAL REVOLUTION

After James Watt invented the steam engine, the factory system was born. Steam power was at first used to drive lines of textile machines.

Here it was made into cloth, returned to the merchants, who sold the finished product to the consumers.

This brought about great economic changes which would gradually spread to other European countries.

He attended the University of Glasgow, where he later became professor of logic and moral philosophy.

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He was born in 1723. His father was a collector of customs - an important job which was central to the power of the merchants who depended on trade protection.

In 1763, he resigned from the University and travelled to France. He visited Voltaire and other writers and thinkers of the time of the French Revolution.

It was in France that he began to write his famous book, Wealth of Nations.

He continued to work on it for the next ten years after his return to Britain in 1766.

This was another blow to the status of the merchants they had bought the raw material (wool and cotton) and delivered it to families in their cottages.
RESOURCES

Another term for resources is **factors of production**.

**These are the scarce things we use to produce goods and services** - the things with which we satisfy our wants.

**Factors of production are grouped under 4 headings:**

- **Land** - or **natural resources** (e.g. soil, minerals, fish in the sea)
- **Labour** - this is the human effort used in making something. The size and quality of the labour force is determined by population, education and training.
- **Capital** - the things made by people to make other things. (e.g. factories, machines, office equipment)
  - capital means real things, not dollars.
- **Enterprise** - the ability to organise the first three factors of production so that goods can be manufactured and distributed and services can be provided.
  - This person is called an entrepreneur and he or she must be willing to take a risk because money will be borrowed and the enterprise may be unsuccessful.

Read pages 8 and 9 of the illustrated text and answer the following:

1. What conditions prevailed before the French Revolution?

2. After the Revolution, why was it advocated that agriculture be recognised as the major industry, with all citizens receiving equal benefits?

3. What was the idea of 'natural law'?

4. What basic economic questions did the new society decide should be allowed to work themselves out?

5. To what extent does this principle apply to our economy today?

6. In what ways did the social changes brought about by the French and Industrial Revolutions change the fundamental economic questions of -
   (a) **What** to produce
   (b) **How** to produce it
   (c) **For whom** to produce it?

7. What factor of production did the Industrialists provide?

8. Why has Adam Smith been named the 'father of economics'?

9. What did he study at the University of Glasgow?