

Q3. Explain the meaning of the following terms:
I.R, Capitalism, Socialism, Laissez-faire.

I. Industrial Revolution

- 1) The desire to produce more goods at low cost to make higher profits led to I.R.
- 2) It started in England in about 1750.
- 3) England comprising small population & eventually higher demands internally & externally (overseas) more & more such as in India for cotton cloth. Thus, inventions & development started from textile industry with existing maritime activities, availability of iron & coal.
- 4) These inventions & development led to improved transportation; Roads, Railways, Cannels.
- 5) Further growth of Capitalism, imperialism, colonialism & opposition of capitalism; socialism

6) Guild System replacement by Factory System.

7) Both Pros & Cons experienced & experiencing:

- a) Creation of Jobs
- b) Wealth to nation

Pros →

- c) technology progress & invention
- d) Raised Standard of living (Improvement)
- e) Hopes for further improvement

Cons →

- a) overuse of natural resources
- b) Abuse of Environment

8) However, at the end, The profits derived from industrialization, permit thoughtful government to invest in urban improvements.

Islam → Crusades → R & R → Geo. Dis.
↓
World Trade ↑
↓
I.R.

Abbreviations:

I.R. - Industrial Revolution

R & R - Renaissance & Reformation

Geo. Dis. - Geographical Discoveries.

II. Capitalism

- 1) The New System of society which had been emerging from the 15th century is called Capitalism.
 - 2) The instruments & the means by which goods are produced are owned by private individuals & the productions are carried out for making profit.
 - 3) The owners of wealth under Capitalism who are called Capitalists; invests to make profits.
 - 4) Economy life under Capitalism was fast moving with the aim of producing more & more goods for higher markets & so that more profits could be made.
 - 5) Characteristics:
 - Lack of govt. intervention
 - Means of production owned by private firms.
 - Goods & ~~products~~ services distributed among according to price mechanism (as oppose govt. price control).
 - 6) Pros:
 - Incentives to be rich encourage innovat-
- 10w

- Firms have incentives to be efficient.
- Consumers free to choose products they desire.
- Prevents large bureaucratic govt.
- Better than alternatives.

7) Firms can gain cond:

- Firms can gain monopoly power & exploit consumers.
- Firms with monopsony power can pay low wages.
- Externalities can damage the environment.
- Tends to lead to charge inequality.
- Prone to 'boom & bust' in economic cycle.

III. Socialism

- 1) A Political & Economic theory of social organization which advocates that means of production, distribution & exchange should be owned & regulated by the community as a whole i.e. owned by the govt.

2) Those means of production, distribution & exchange include M/C's, tools, & factories used to produce goods that aim directly to satisfy human needs.

3) These are opposites w.r.t. strategies' aim as & when compared to Capitalism.

IV. Laissez faire:

1) The doctrine that govt should not interfere in commercial affairs.

2) The famous economist 'Adam Smith' voiced his idea in 1776, & launched the book named 'The Wealth of Nations', which had many supporters.

3) Acc to the same, the capitalist/business should be free to look after his own interests.

4) Only the 'unwritten law' of supply & demand determine the size of his profits (Characteristics of Capitalism).

5) The same unwritten law would determine the fate of the worker as regards his job, its conditions & salary.

6) This doctrine was opposed by many people (Democracy along with Socialism) which gradually accepted by all other countries that the state has a legitimate right & duty to regulate the economy.

More Abbreviations:

Govt - Government

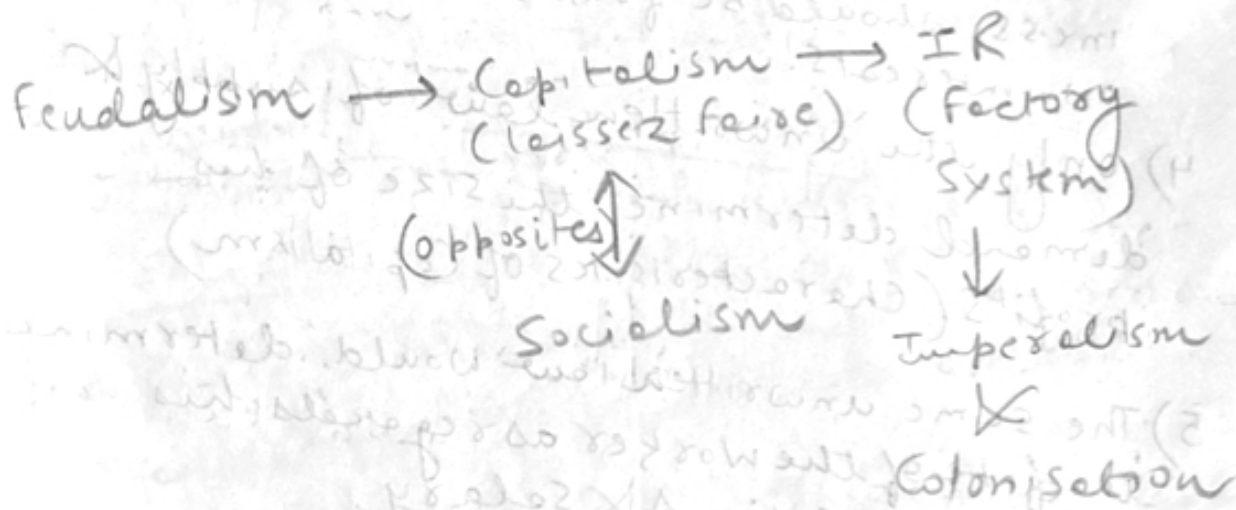
W.r.t - With respect to

M/C - Machinery | Mechanery.

Conclusion : 1) Capitalism influenced 'I.R.'
birth to 'laissez faire'

2) Socialism opposed the above which brought the political structure changes i.e. gave state-legitimate right & duty to regulate economy.

3) Socialism came as the supporter of 'industrial workers'.



7) Also, the Factory Acts in England & many laws dealing with the economy in the country were the consequences of abolition of 'laissez faire'.