

# Faculty of economics and management situation history essay

[History](#)



**ASSIGN  
BUSTER**

In general, the economy during this time was still agriculturally-based. Main world leading country was England, France, Spain and Portugal. These were main Colonial powers. In that time aspect of colonies was very important. Among colonies developed trading networks and also the way how the culture was shared. Colonial powers realized that keeping colonies organized and working by force is much harder and not really effective. They find out that through colonial education and cultural implementation (mental control) can secure much easier peace and good social and economic condition. During the 18th century, European rulers were very interested in Asian goods, including spices, cotton, silk, and tea; the trade worked only one way however, as Asia wanted no European manufactured goods. Asia became a "gold drain" for Europe. Mean while Industrial revolution started in UK and so far agriculturally-based UK and started new manufacture period of time. Adam Smith grew up in a time in which it took six weeks for a horse-driven goods wagon to ply its way from London to Edinburgh and back again. The first steam engines being invented America was just a colony of Britain and Australia was yet to become one.

## **BIOGRAPHY**

There is no record of Adams Smith date of birth. First information about Adam Smith is from 5th of July 1723 of his baptism in Kirkcaldy, Scotland. His father was lawyer and a customs official who died a few months before his son was born. His relation with his mother was much stronger and they remained extremely close throughout her long life. When he was 14 years old he was sent to Glasgow University. Here he was educated by Francis Hutcheson, the philosopher who's "benevolence" concept or "the greatest

happiness for the greatest numbers" had massive influence on utilitarian Jeremy Bentham. Smith was a star student on Glasgow University he was able to speak Greek and Latin language. Based on his language knowledge he won scholarship to Oxford. After some time he realised that open minded students like him were outsiders in so conservative university. He went back to the Edinburgh and after few years he was paid to give a series of lectures on rhetoric. This lectures helped him to gain an appointment to Glasgow University to chair of logic and rhetoric and after philosophy where he stayed for next thirteen years. In 1764 he left university and started to tutor the young duke of Buccleuch. They travelled more than two years throughout France and Switzerland. During this voyages he came across with important thinkers of his time like Voltaire, Benjamin Franklin or Francois Quesnay. He returned after to his birthplace in Kirkcaldy and start to write book The Wealth of Nations. It was published in 1776 the same year as the American Declaration of Independence was signed. In this year also his close friend David Hume died. Adam Smith died on 19th of July 1790 in Edinburgh. Adam Smith is remembered as a person who described how rational self interest in a free market economy leads to economic well being. Some people point at Smith that he is an advocate of ruthless individualism but as we know nowadays he described perfectly principles on which economy works. Main criticism was based on the fact that in his first publications he included no ethics and charity part which was in that times very live topic and even nowadays still is.

## THE WEALTH OF NATIONS

Book The Wealth of Nations is collection of 5 books and can be considered as base of now-days capitalism. Economics of the time thought that wealth was best measured by the amount of gold and silver. Smith wrote: " It was not by gold or by silver, but by labour, that all the wealth of the world was originally purchased." Smith's proposal that wealth of nation should be judged by the total of its production of goods and services and not by this metric of gold or silver or valuable metals. According to first book of The Wealth of Nations work, SPECIALIZATION, THE PROSPERITY KEY, Smith describes how market economy works and the right way how to understand the role of labour.

What difference is between country which is prospering and poor country is a division of labour. There is a simple example of a people living far away from any town. This people must meet all their needs which are required for their life. On other hand people in towns are highly specialized in just one service for example because environment allows them to do it. There is enough demand for it that they can rely just on this specialization. This leads to greater productivity therefore to greater wealth of nation. Division of labour can lead to more effective production and use of labour but also to a larger fragility of the organisation. If all specialized workers are working to gather they produce big amount of products but if there is missing one than anyone can't replace him immediately because there is need for specialization therefore it is possible that whole producing process can collapse and productivity will be zero. If we will use extreme example of this case, division of labour can go among nations. In this case collapse is much more dangerous than just in one manufacture. There is potential lost of

independence and organization of society which can lead in worst case scenario in to wars.

## **SELF-INTEREST AND THE BEST ALLOCATION OF RESOURCES**

Each person's act is based on the motive of satisfying needs and wants. In Smith's ideas the best way how to allocate resource in society is each person's self-interest. No one will generally act for " society's best interests" because there is no one who will act in the same way and ensure that this person will get it back. This works in same way in my opinion as a Pacifism generally speaking. This idea is so called invisible hand principle which was also included in book Principle of Economics written by N. Gregory Mankiw.

## **THE CRUCIAL ROLE OF CAPITAL**

In book 2 and 3 Smith explains that people involved in useful work in a society, their productivity can never reach a state greater than the amount of capital available to achieve these things. Company can't expand if there are not enough sufficient stock of materials. It is not possible to expand without having facilities for it. Observations of society by Smith led him to create these categories: Capital that which is immediately consumed Fixed capital Circulation capital All fixed capital is originally brought from circulation capital, and fixed capital strongly connected with circulation capital and needs injections from it. You cannot earn money from farm unless you can protect plants from diseases or can buy seeds for next year. In this Report about Adam Smith I started with over all information how economic and political situation was in 18th century and in what environment Adam Smith lived. I continue with his biography and how his work is influencing now-days <https://assignbuster.com/faculty-of-economics-and-management-situation-history-essay/>

reality. I also included in my work as last parts some interesting parts of his work *The Wealth of Nations*.

## **2. 2 KARL MARX**

Karl Marx was born on May 5, 1818 in Russia in city Tier where he also studied at Gymnasium. His father was lawyer, a Jew. Later he studied at Bonn and after that in Berlin. He studied law, majoring in history and philosophy. He ended his study in 1841, by submitting a doctoral thesis on the philosophy of Epicurus. In Berlin he belonged to the circle of " Left Hegelians" (leaded by Bruno Bauer and other). At school Marx spent many time with friend. He liked to socialize and be the point of interest in many cases. He had a lot of debts but his father pay off them. Marx was impressed by Hegel's Theory. He was impressed about that everything or thought cannot be separated from its opposite. For example slave cannot exist without his master of vice, versa. Hegel argued that unity would eventually be achieved by the equalising of all opposites, by means of the dialectic (logical progression) of thesis, antithesis and synthesis. This was Hegel's theory of the evolving process of history.

### **2. 2. 1 AFTER FATHERS DEATH**

His father H. Marx died in 1838. Marx had to make money on himself. He became a lecturer on university. He hoped his mentor Bruno Bauer is going to help him but in 1842 Bruno was dismissed because of his outspoken atheism.

## **2. 2. 2. IN COLOGNE**

Marx tried also journalism but most of the editors were unwilling to publish his articles. For a better job opportunity Marx moved to Cologne. The newspapers called „ Rhenish Gazette" owned by city's liberal opposition movements published an article where Marx defended the freedom of the press. Marx made a good impression on this group so in October 1842 he was appointed editor of the newspaper. While in Cologne he started to attend socialist meetings organized by his new friend Moses Hess. He was so inspired by these meetings, that he decided to write an article on the poverty of the Mosel wine-farmers. After this article The Rhenish Gazette were banned by the Prussian authorities. They couldn't take critical view on the government.

## **2. 2. 3 IN PARIS**

Before he moved to France he married his girlfriend, Jenny von Westphalia. In France he was offered the post of editor of a new journal „ Franco-German Annals". Among the contributors was :

**Bruno Bauer**

**Michael Bakunin**

**Friedrich Engels**

In Paris he started to mix with the working class. He was impressed by their comradeship but also shocked by their poverty. From then Marx has been a communist, fascinated by Hegel's dialectic theory from his meetings. He wrote about that in the newspapers article. German government also blocked this journal. Alienation a new term used linked with Marx's name.

„ The estrangement, or separation of individuals from one another, so that they do not identify with each other as a group. Thus, K. Marx (1844, 1975) argued that it was employers who enjoyed the products of industry, rather than the workers who actually made the goods; under capitalism, workers become appendages of the machine they use rather than whole people." He wrote about his opinion on social alienation in „ Economic and Philosophic Manuscripts". It was written in 1844 but none were willing to publish it till 1932. These manuscripts were based on short also many times incomplete essays. Those articles Marx wrote to critics society at all and setting „ people vs. people" as result of capitalism They were something like a prequel to his later work „ Manifesto of the communist Party" and „ Das capital." In Paris Marx and F. Engels became a good friends because of Engels statement „ We completely agree in all theoretical fields " about they view on capitalism. They formed a great team together because Marx was good at dealing with abstract content, Engels could write for mass audience.

## **2. 2. 4 IN BRUSSELS**

Prussian authorities expelled Marx from Paris, while he was working on the article " The holy family." On 25th January 1845 Marx moved to Brussels where he met his old friend Moses Hess. He got much more time to study working of capitalist society and government behaviour also how the proletariat could help to bring socialist revolution. Year later Marx formed a Communist Correspondence Committee. His plan was to link socialist leaders living in different parts of Europe influenced by Marx's ideas. Marx used to visit England before in year 1845 also with Engels where he used to spent time consulting books. Socialists in England formed a organization called <https://assignbuster.com/faculty-of-economics-and-management-situation-history-essay/>



Communist league and after that Marx formed branch in Brussels. In 1847 at the meeting in London organization considered the main aims are:

Overthrow of the bourgeoisie  
Domination of proletariat  
Abolition of the old bourgeois society  
Establishment of a new society without classes and private property.

## **2. 2. 5 AFTER THE MEETING**

Marx returned to Brussels and concentrated on writing „ The Communist Manifesto" based on draft made by F. Engels called Principles of Communism. This book captured a whole nature of communist society and became a basis for a communist movement.

## **2. 2. 6 ABOUT: COMMUNIST MANIFESTO**

Communist Manifesto is a call to political action, containing the famous command, " Workers of the world unite!" But Marx and Engels also used the book to spell out some of the basic truths, as they saw it, about how the world works. In the Communist Manifesto we see early versions of essential Marxist concepts that Marx would elaborate with more scientific rigor in mature writings such as Das Kapital. Perhaps most important of these concepts is the theory of historical materialism, which states that historical change is driven by collective actors attempting to realize their economic aims, resulting in class struggles in which one economic and political order is replaced by another. One of the central tenets of this theory is that social relationships and political alliances form around relations of production. Relations of production depend on a given society's mode of production, or the specific economic organization of ownership and division of labour. A

person's actions, attitudes, and outlook on society and his politics, loyalties, and sense of collective belonging all derive from his location in the relations of production. History engages people as political actors whose identities are constituted as exploiter or exploited, who form alliances with others likewise identified, and who act based on these identities. Communist manifesto was published in February 1848. Next month he was expelled from Belgium and moved to Cologne.

### **2. 2. 7 THE NEW RHENISH GAZETTE**

In Cologne was established radical newspapers called the New Rhenish Gazette. He and Engels hoped that they can use newspapers to encourage the revolutionary atmosphere that they had witnessed in Paris. After police brutality Marx helped to establish Public Safety Committee to protect people against the power of the authorities. The New Rhenish Gazette continued to publish reports of revolutionary activity all over Europe. Marx's excitement about revolution began to subside in 1849 because on the 9th May he received a message that he is going to be expelled from the country. The last edition of the New Rhenish Gazette appeared on 18th May and was printed in red.

### **2. 2. 8 TO THE END OF HIS LIFE**

Greatest achievement of Marx's Paris commune in Paris and abdication of Louis Napoleon. But by May 1848 30,000 communards were slaughtered. This failure depressed Marx. After his wife left him he became very depressed and sick. His wife died in 1883 and Marx died 2 months after that.

## **2. 2. 9 CONCLUSION**

Karl Marx was a revolutioner. He was born in Germany; his life was full of studies on many universities. After his father died he started working on himself. He became a lecturer on university where he found many new friends. He change his way of looking at capitalism and also communism. He wrote many articles in newspapers and many books about economics. Also he was expelled from many countries and became a enemy to many people.