


Industrial Revolution Paradigms

Paradigm – patterns of ideas, beliefs, and values

Example – What is our society's present day paradigm concerning the role of government?

- Use the information provided to find five paradigms that can go into each of the following columns:

Traditional Paradigm	Mercantilist Paradigm	Market Paradigm



1. Which of the first two paradigms more closely resemble our current paradigms?
2. Now that the first two paradigms are complete, predict two of the paradigms we might see in the market paradigm section.

18th Century Attitude

What is a bank? Why would people want to save their money anyway? And who has extra money to save? The average person needs every cent to survive. Saving money is foolish because there is only so much gold to go around and if everyone saves it, there will be none left for buying food. It would be nice to be able to borrow money, but who could ever pay it back? Only a fool would lend money to another person, because everyone knows it is impossible to earn extra money and pay back the loan. Besides, it is morally wrong to loan money for gain. Gain for the sake of gain is evil, and sure to result in a curse on the one who gains.

Work is seen as an end in itself, part of a traditional way of life. without work people would not know what to do. Working life cannot be separated from other aspects of life, such as the social life or religious life. Work is not thought of as having a special purpose - it is just an ordinary part of life. We work because the generations that came before us worked. Work is not even thought of as being necessary for survival. But work does allow us to maintain our standard of living. But we would never think of work as something we do to rove our standard of living. if wages rise, we will not work harder or longer to make more money. Instead, we will work less and simply maintain our standard of living.

In 18th century Europe, the majority of people despised wealth and luxury. Wealth and luxury give rise to greed and all sorts of other evils. People should live simple, good, and virtuous lives. Wealth makes this impossible for it corrupts people. Luxury makes people proud and arrogant, and causes them to despise God.

Merchants in the 18th century sold whatever products could get their hands on. In most cases they did not know from one week to the next what those products would be. They would certainly never produce a catalogue advertising that certain products would be available in nine months time. No 18th century merchant could see that far into the future. Certainly no merchant would sell winter clothes during the summer.

In the 18th century, there was not as much division of labour into "men's work" and "women's work." In most cases, men and women did the same type of work. Women toiled in the fields along with men. Women also worked in mines and factories. In the guild system, women were involved in many aspects of the business, such as selling merchandise, collecting bills, and keeping accounts. If the husband died, they would often continue to run the business. However, despite their important role in the economy, women seldom had any power. Women did not make decisions on the farm, or within a guild. It was always men who managed mines or factories, and who dictated the working conditions of women.

Most parents in the 18th century paid little attention to their children. Children were a burden, likely to die before they reached a productive age. Many children were simply abandoned by their parents, who could not afford them or could not be bothered with them. While still young, many children were sent away from home to work. Although they were largely neglected, children were severely punished whenever parents thought it appropriate.

Mercantilist Economic Paradigm

In this paradigm of economic organization, the delicate balance between the work that people in the society do and the tasks that need to be done is settled by an authoritarian state. The economic life of individuals is regulated by the state; the state believes it must regulate most if not all economic activity. This regulation is necessary in order to maintain order and ensure that essential tasks are done. If people were allowed to pursue their own interests, society would degenerate into chaos. The state determines what needs to be done and ensures that there are people available to do it. The state must ensure that the person who bakes our bread does not leave town and leave us stranded without a baker. The pyramids in Egypt were constructed because an authoritarian state dictated that they should be constructed, not because it was a family tradition to build pyramids, and not because people wanted to build pyramids. This type of economy is often called a command economy, because it operates at the command of an all-powerful leader or leaders.

Besides keeping order in society and ensuring that all necessary tasks get done,, the purpose of this type of economic organization is to strengthen the power of the state. A powerful state can bring about improvements in the lives of the people within the state.

The mercantilist economy of France under Louis XIV, who was king i from 1643-1715, was an example of a command economy. Mercantilism simply refers to the system of policies and regulations established by Louis XIV to control and regulate the economy.

Here are some mercantilist policies which existed in France during the reign of Louis XIV.

- to obtain maximum wealth and power, a state should export as much as possible and import nothing. This means that the state must become self sufficient in those areas where the state is not self sufficient, the state must step in to boost production until self sufficiency is achieved
- to ensure order, industries must be organized into guilds, and the masters of the guilds must have absolute power over the workers.
- a large state bureaucracy is needed to inspect industries and ensure that they are following government regulations

Here are some other beliefs associated with mercantilism and command economies.

- luxury is neither bad nor good, but it may be desirable if it serves the purposes of the state
- individual interests are not important unless they coincide with the interests of the state
- the state knows what is best for individuals
- gain, or prof it, is not evil in itself , but individual gain is subordinate to state gain, that is, no individual must gain at the expense of the state.

Heilbroner, R. (1980). *The Worldly Philosophers, 5th ed., p. 21.*
New York: Simon and Schuster.

Student Information Sheet

Market Place Economy

One hundred high school students are looking for part-time jobs, but there are only 30 jobs available. What sort of wages are these jobs likely to pay?

Now, imagine that there are 30 jobs available but only 10 students willing to work. What sort of wages are these jobs likely to pay? What might an employer do to get one of these 10 students to work for him/her, or to persuade an 11th student to work?

There are 100 Lamborghini cars being imported to Canada this year, but there are 1,000 millionaires who want to buy a Lamborghini. What is likely to happen to the price of these Lamborghinis?

A family's pet dog had 9 cute puppies. They noticed that a lot of people sell puppies for anywhere from \$100 to \$200. Since these puppies were so cute, they decided to sell them for \$150 each. Many people phoned to ask what breed the puppies were. The family responded that they did not know who sired the pups, but that the mother was part German Shepherd, part Collie, and part something else. No one seemed interested after that. After two weeks, not even one person had come to see how cute these pups were. Then they found out that most people who buy pups only want to buy pure-breds. So they put an ad in the paper offering to give away their cute, multiple-breed pups. To the family's great surprise, the puppies were gone in three days. When people saw the puppies, they instantly fell in love. Nine families came to see the puppies, and nine walked away with a warm, cute, cuddly puppy in their arms.

A man set up a fast food restaurant along a busy street. He advertised a lot, emphasizing his good food and fast service. At first, he was very busy, but after a month he noticed that the number of customers had been reduced to a trickle. He decided that perhaps his food was not good enough, and his service was not fast enough, so he made some improvements to his operation and then advertised his fast food restaurant with improved food and service. His business increased slightly for a few weeks, but then dropped even lower than it was before. Meanwhile, a competitor was building a new fast food restaurant across the street. Her advertising emphasized good food and friendly service. A week before her grand opening, she received a visit from the owner of the other fast food restaurant. He told her not to bother opening, because there was not enough business in this location. She found this hard to believe, since it was such a busy street, so she went ahead anyway.

Her grand opening was almost too successful; the line-ups were long, and people became impatient. At the end of the day she went across the street to tell the other restaurant owner that she had so much business she could have filled his restaurant too. He scoffed, and told her that at the end of the month her restaurant would be as dead as his. But at the end of the month her restaurant seemed as busy as ever. At the end of two months, she expanded her restaurant, and another competitor started to build one down the street. He could not figure this out, for he knew his food was just as good, and that he could offer faster service.

It seemed obvious to the first restaurant owner that there was a big demand for fast food in the area, and that restaurants to meet that demand were in short supply. In that case, why wasn't his restaurant busy? what was he missing? He decided to go across the street and check out his competitor and see if she was doing anything different than he. When he went to order he was shocked at her prices. \$2.75 for a double burger, \$1.50 for large fries, \$1.25 for an extra large drink. His prices were more than twice as high as hers. He had never thought much about prices; he just set them according to how much money he wanted to make. When he started to lose customers, he raised his prices because he wasn't making enough money.

He hurried back to his restaurant to think. If he charged \$2.50 for a double burger, \$1.25 for large fries, and \$1.00 for an extra large drink, and if he packed out his restaurant like the woman across the street, how much would he make? He realized that by doing that, he could make a lot more money in one day than he had made for the last month. So he advertised: good food, better service, the best prices. He couldn't believe the results. Within a week, his restaurant was more crowded than the one across the street had ever been. And when he had time to look out the window, he noticed that his competitor was not as busy as she used to be.

Can you identify the three factors necessary for the man's restaurant to prosper?

Can you identify those three factors in the other examples given on the previous page?

Speculate on the relationship between those three factors. How does an increase or decrease in one affect the other two?

How does an economy based on these three factors answer the three basic questions that every society must answer. You will recall that these three questions are:

What should be produced?

How should it be produced?

How should the products be distributed?