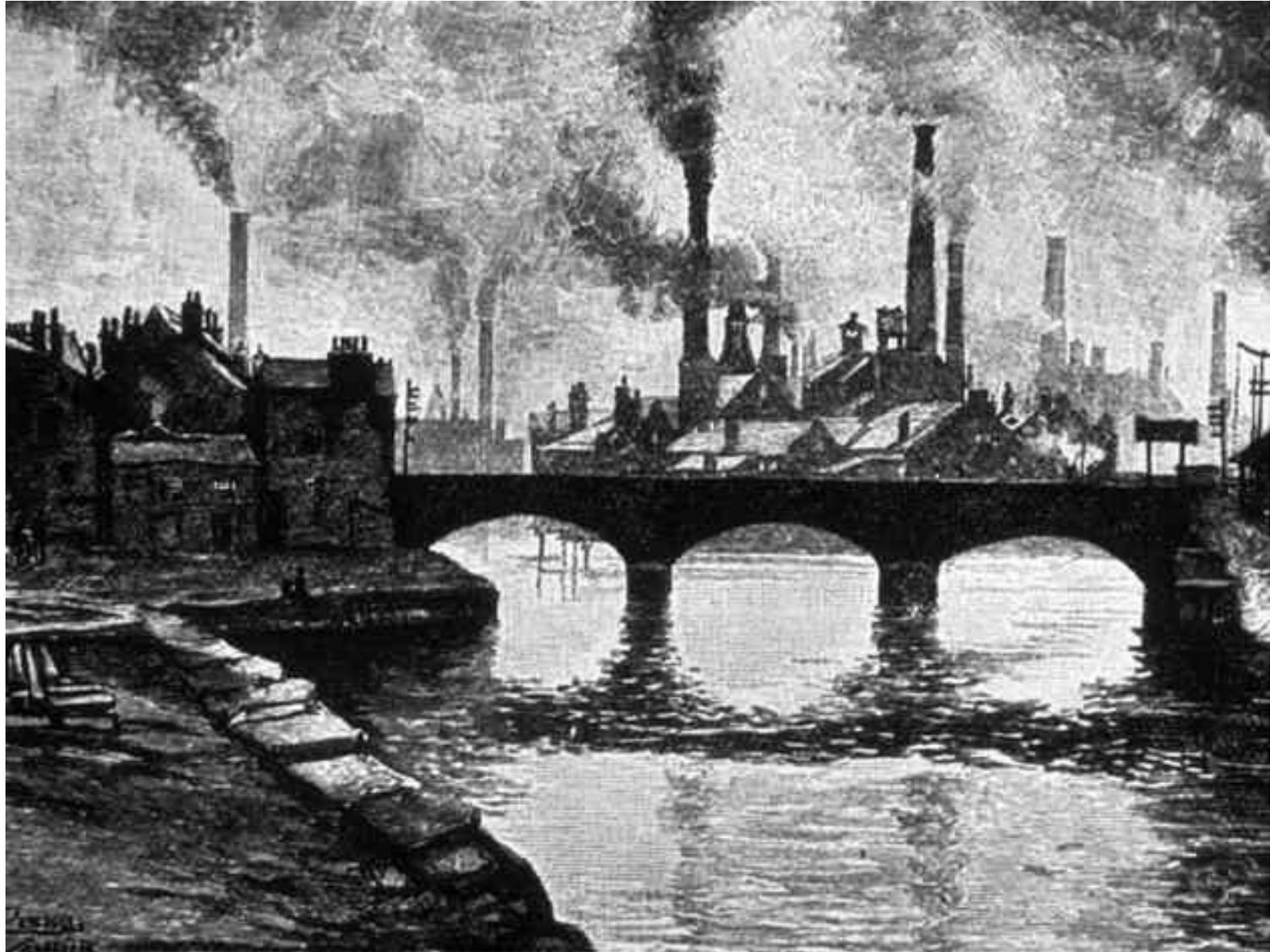
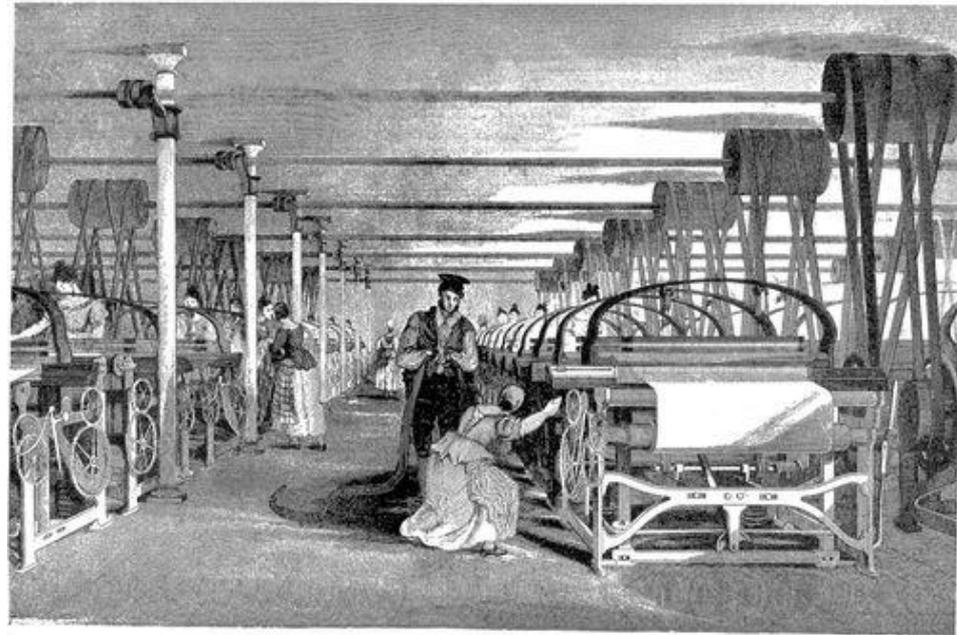


The Industrial Revolution



Key Ideas about the IR

- Where?
 - Britain → Continental Europe
- When?
 - 1780-1850
- What?
 - Shift from a labor-intensive economy to a capital-intensive economy with the goal of increasing production
- So What?
 - As part of the “Dual Revolution”, it defines the movement of Europe into the Modern Age



Key Cause of the IR

- Agricultural Revolution
 - More food → More people
→ Higher demand for clothing
 - Cheaper food → Higher demand for clothing
- Britain's cottage industry struggled to meet this new demand
 - Cloth merchants needed to speed up the spinning and weaving process
 - How?
 - New technology



The Key to Industrialization

- Industrialization required the combination of all the factors of production
 - Land – natural resources
 - Labor – human resources
 - Capital – machinery and/or wealth for investment
 - Entrepreneurs – those who start businesses
- Why does it begin in Britain?
 - It has all the necessary factors of production!

Factors of Production - 20th Century



Land



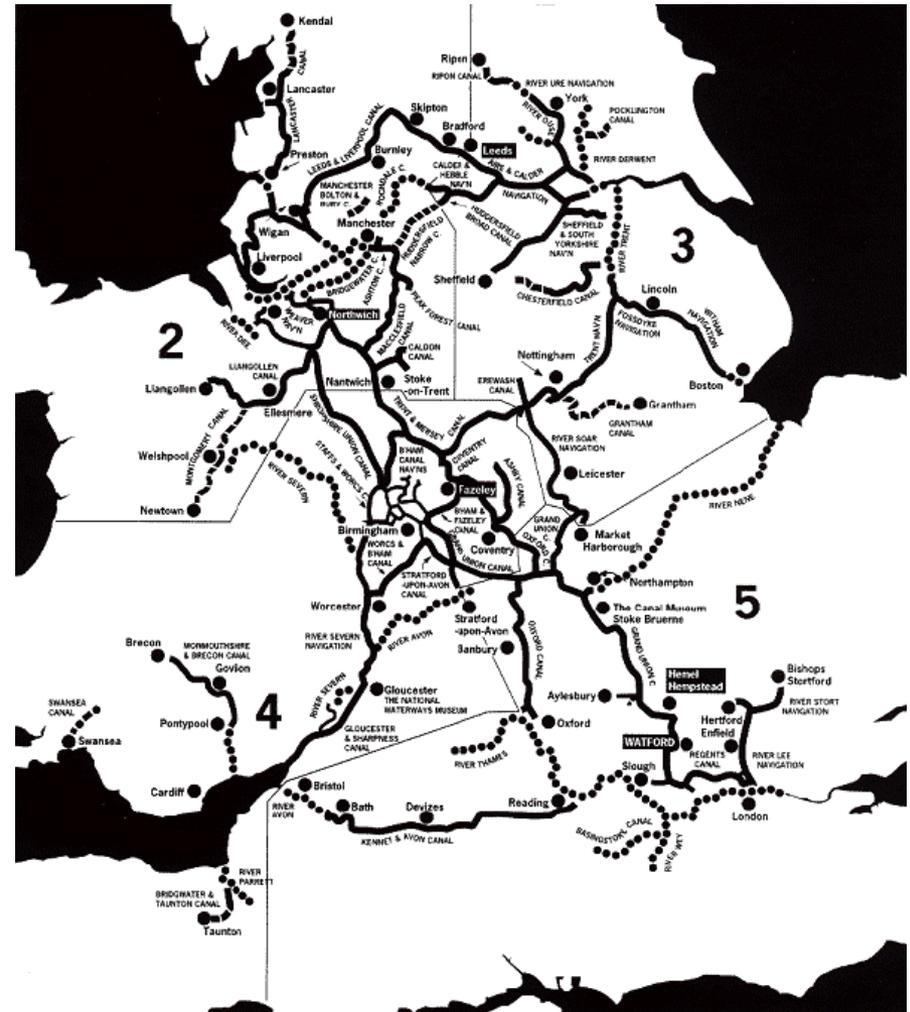
Capital



Labor

Why does it begin in Britain?

- Agricultural Revolution
 - More people and less farm jobs
→ Large supply of factory *labor*
- Mercantilism/Banking
 - Profits from overseas trade provided the *capital* necessary to invest in new technology
- Existence of key natural resources - *land*
 - Coal and iron ore
 - WATER!!!!
- Laissez-faire Economics
 - The lack of gov't restrictions on businessmen encouraged growth and innovation among a burgeoning class of *entrepreneurs*



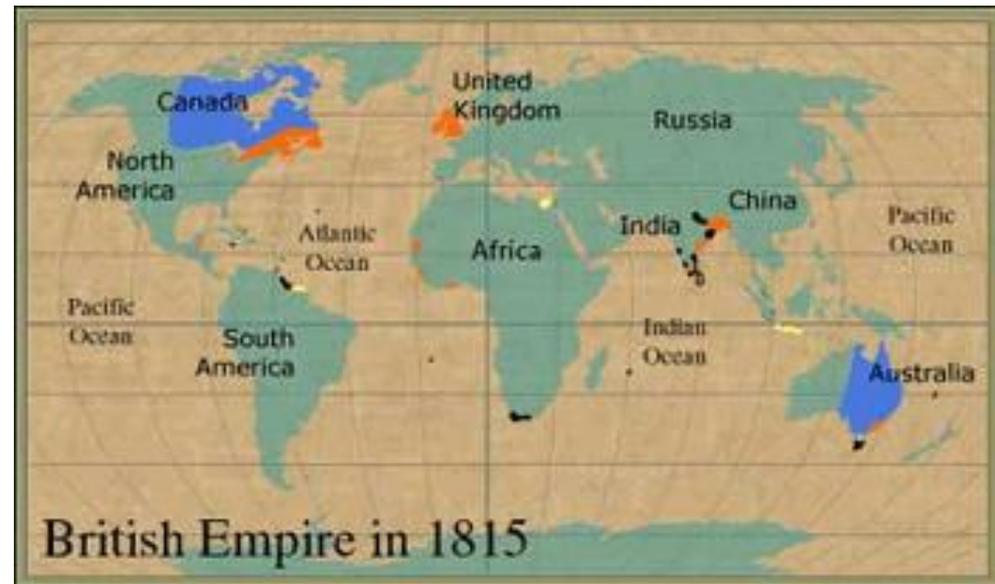
The Importance of Laissez-faire Capitalism

- Laissez faire
 - No gov't interference
 - Free market economy is best!
- Adam Smith's *Wealth of Nations* argues that economic liberty guarantees economic progress
 - Law of self-interest
 - Law of competition
 - Invisible hand
 - Law of supply and demand
- Capitalism – privately-owned businesses led to IR



Other factors supporting Britain?

- Britain possessed the economic and political stability during the 18th century necessary to foster economic expansion
- Most importantly, it had access to large **MARKETS!**
 - A huge colonial empire provided entrepreneurs with the incentive to produce “in-demand” goods



■ Territory claimed by Britain but not settled
■ British territory held before 1793

■ Territory permanently acquired by Britain during wars, 1793 - 1814
■ Territory temporarily occupied by Britain during wars, 1793 - 1814