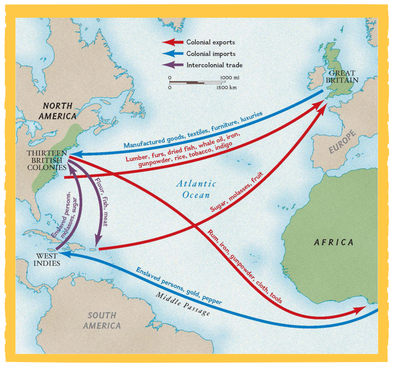
# Causes of the IR: Developments of Capitalism

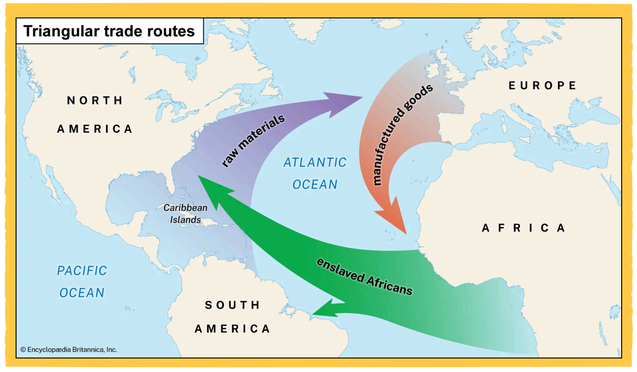
## Investment

- Belief that it was sensible to invest surplus money in business
- Established system of banks
  - Respected local money **lenders** — **Low interest rates**
  - **Bank of England 1694**
- Confidence
  - **Insurance market**
  - Success stories
  - Risks of investment could be spread
  - → Good chance of return on capital
- Government
  - Expenditure matched income
  - Acted quickly — **1720 outburst of speculation** that damaged economy was quickly resolved
- Stable currency

## Overseas trade

- **The Royal Navy**
  - Most powerful in the western world
  - Functions
    - Defending the country
    - Protecting British trading interests overseas
- Important objective of the parliament
  - Taxes on imports
  - Flexible taxes — Adjusted / ended taxes if damaging trade
- Merchant navy
  - Carrying finished goods — Overtaking the Dutch
  - Pressure groups with influence on parliament
    - Wars to conserve commercial interests and acquire colonies — 4 between 1739-1783
    - 1739 PM Walpole went to war with Spain - pressure from gov over trading interests
  - **West Indian Company** — Caribbean
  - **East Indian Company** — Traded (and owned parts of) India
- Major ports
  - Bristol, Liverpool... — Trading centers
  - Outside Britain — Agents called '**factors**' placed overseas in China, South America...
    - Developing markets for british goods
      - Foreign demand grew faster than domestic demand
      - Wool, cotton, pottery, glass, metal
      - Ensured return in profits
    - From 1700s
- Slavery
  - Significant amount of investment (into ports) came from profit from slavery trade
  - **Transatlantic triangular slave trade**
    - Africa
      - Imports to
        - Metal goods
        - Textiles
      - Exports from — Slaves
    - West Indies and North America
      - Imports to — Slaves
      - Exports from
        - Sugar
        - Cotton
        - Tobacco
    - Britain
      - Imports to
        - Sugar
        - Cotton
        - Tobacco
      - Exports from — Manufactured finished goods
    - → Risky and barbaric business but **200-300% profits** → Fund other entrepreneurial projects (canals, railroads...)




## Commerce

- Woollen goods trade flourishing already in 1750 — Sold globally
- **Domestic / Cottage industry**
  - Family — Spare time after working on land during spring and summer
    - Spin wool into yarn
    - Spin yarn into woollen cloth
    - Make nails, shoes, boots, cutlery
  - Specific areas
    - Often those with low agricultural productivity
    - **Yorkshire** — **Wool** — **70% went to Europe or America 1750**
    - Bedfordshire — Lace making
    - Sheffield — Metal work
    - Worcestercire and Warwickshire
      - Nails — Made in small furnaces
      - Pins and needles — Sold in NY and Hamburg in 1750
      - Worcestercire
  - Distribution systems existed — Established, later built on

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