Economic Changes during Industrial Revolution

- **Industrial Revolution,** term usually applied to the social and economic changes that mark the transition from a stable agricultural and commercial society to a modern industrial society relying on complex machinery rather than tools.
- Dramatic changes in the social and economic structure took place as inventions and technological innovations created the factory system of large-scale machine production and greater economic specialization, and as the labouring population, formerly employed predominantly in agriculture (in which production had also increased as a result of technological improvements), increasingly gathered in great urban factory centers

Effects

- The Industrial Revolution has changed the face of nations, giving rise to urban centers requiring vast municipal services.
- It created a specialized and interdependent economic life and made the urban worker more completely dependent on the will of the employer than the rural worker had been
- The above pictures shows an inventor and in the background are inventions that were created during the Industrial Revolution. **What are some of the inventions?**

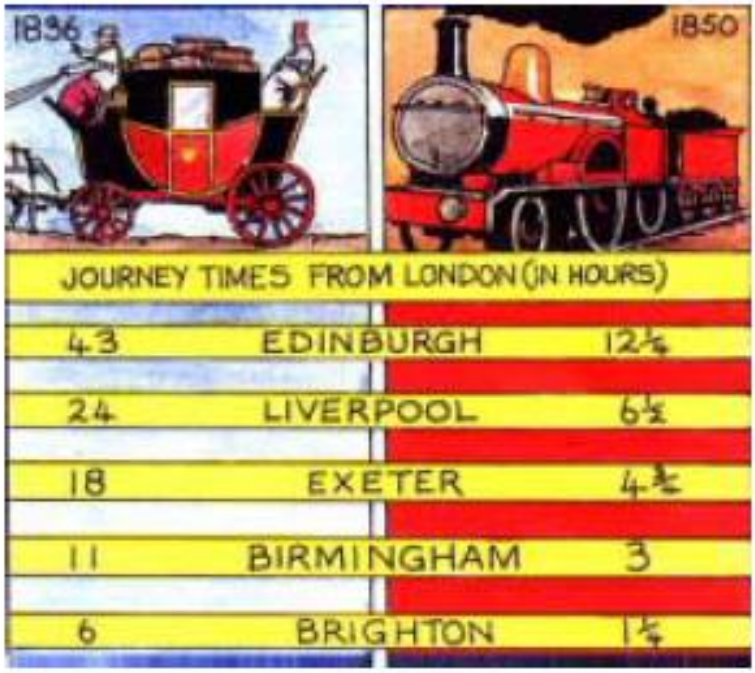
Economic Changes

- As economic activities in many communities moved from agriculture to manufacturing, production shifted from its traditional locations in the home and the small workshop to factories.
- Large portions of the population relocated from the

countryside to the towns and cities where manufacturing centers were found.

- The overall amount of goods and services produced expanded dramatically, and the proportion of capital invested per worker grew.
- New groups of investors, businesspeople, and managers took financial risks and reaped great rewards.

Source D: Journey times from London, 1997



Consumer Demand

- The existing system could not keep up with the demand of goods
- More consumers had sufficient income to afford exotic goods such as cotton cloth and china
- These were the rising "middle class"
- Traders realized that if they could produce goods in greater quantity at a cheaper price, they could find more consumers and make a higher profit.

Multiplier Effect

- Refers to the cycle of consumer demand, investment and innovations that drove the Industrial Revolution
- Cycle works as follows: increased consumer demand prompts entrepreneurs to invest in machines to speed up production, and thereby increase profit
- Faster production in one area of manufacturing prompts investment in another area. (example?)
- Example: Faster methods of spinning cotton requires faster methods of weaving cloth
- Profit from increase production used to invest further innovations and inventions
- Multiplier effect caused Industrial Revolution to gather momentum and prompt new technologies
- The cotton industry becomes the largest single employer of industrial labour, and cotton cloth became the most valued commodity in Britain's export trade.
- In the realm of technical innovations and in the number of people employed, the combination of coal, iron, and steam had an even greater multiplier effect than the cotton industry.
- Impact would become visible in the 1830s and 1840s with the introduction of steam locomotion and the boom in railroad construction.

Why?

- Britain was producing two-thirds of the world's coal, one half of its iron and one-half of its cotton cloth.