

3- The development of industry and capitalism

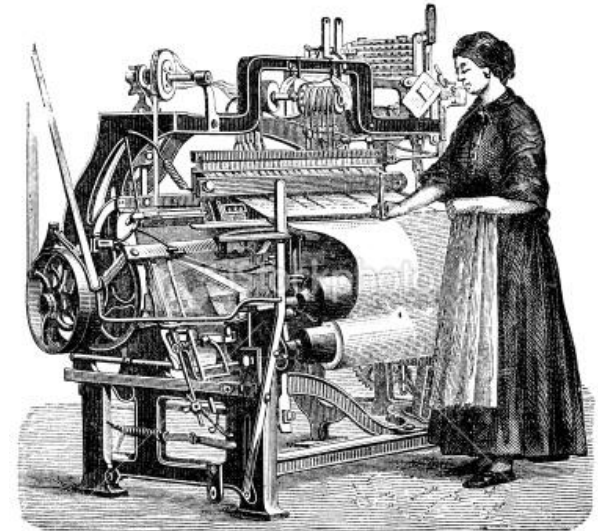
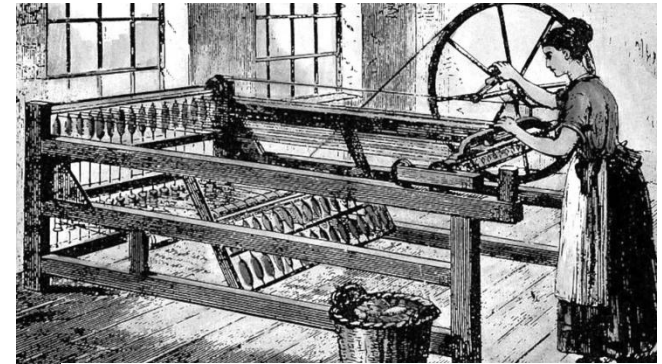
3.A) INDUSTRY

Predominant industries of this first industrialization:

TEXTILE INDUSTRY:

Cotton from India (their colony) and the slave plantations of USA (cheap raw material)

- **John Kay's Flying shuttle** to weave wider fabrics faster.
- **Spinning** machines (spinning jenny, mule and water frame): increased thread production.
- Cartwright's **power loom** (1785) increased cloth production and lowered its cost.



IRON INDUSTRY

- **Iron** was used for: ships, munitions, machines, tools.
- They used **coke** (**mineral coal** with high calorific value, instead of **charcoal**).
- Development of **coal mining** industry.
- New work of iron like **puddling** to make it more resistant.
- From 1856: **steel** (and alloy of iron and carbon) was used in construction, tools, machinery, etc.

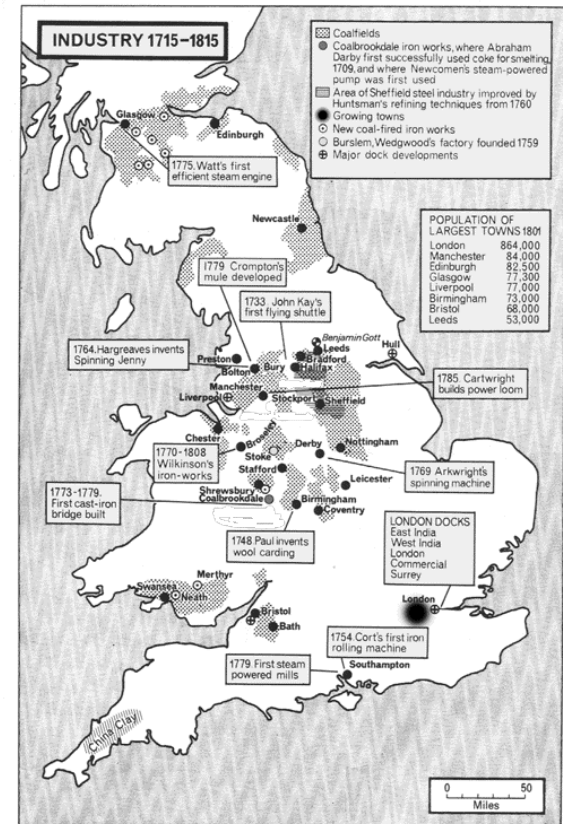
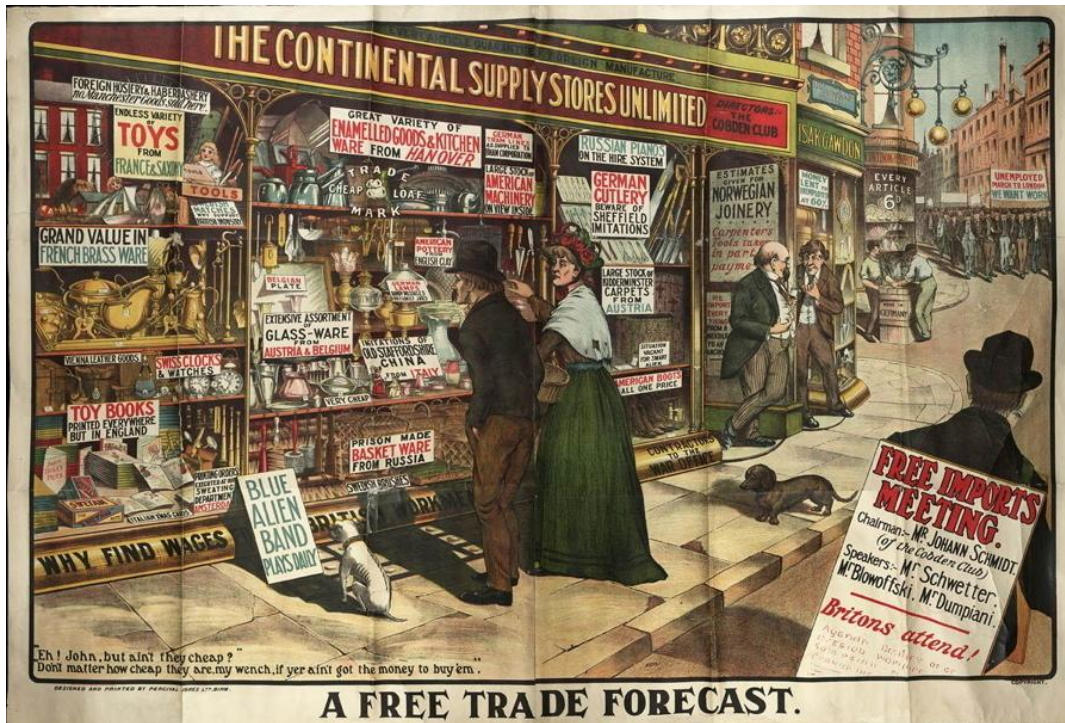
COAL AND IRON MINING

- **Major energy source** during the industrial revolution.
- High quality coal with high calorific value in Wales, Basque Country... So, these regions attracted iron industry because transporting coal was expensive.
- Burning coal at the industrial regions polluted their environment, covering it with soot and smoke (black regions).



COMMERCIAL EXPANSION

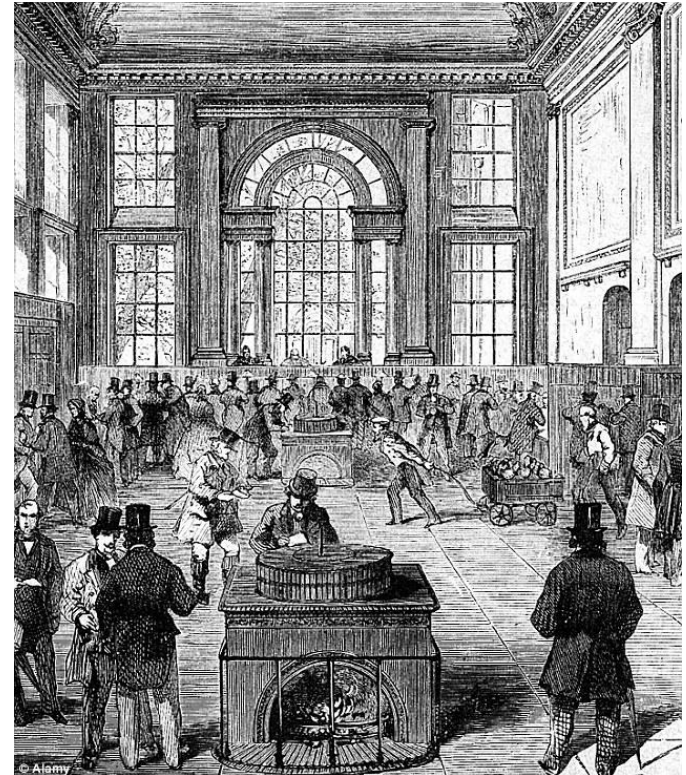
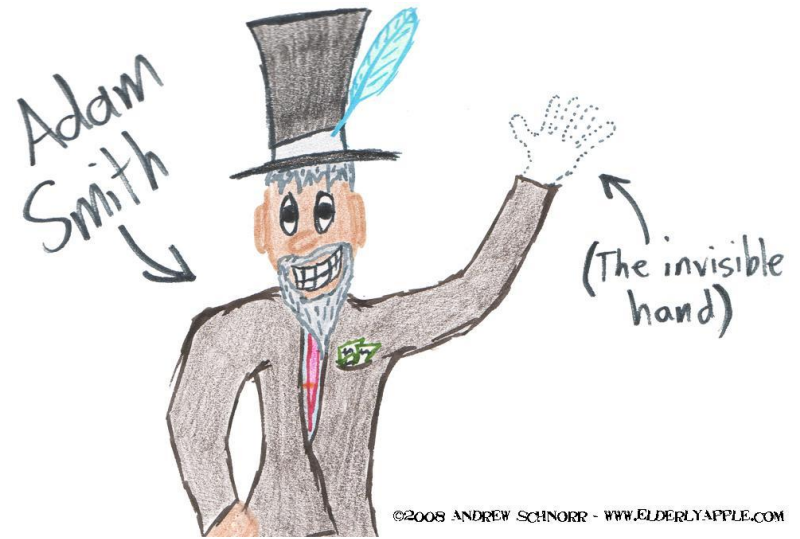
- UK created a **market economy** and they sold their products in their national market. Population grew, the transport network improved and people demanded this products.
- The rest of production found strong **duties** of other European countries that tied to protect their national markets.
- As an alternative, Great Britain exported their excess to their **colonial empire**.



3. B) CAPITALISM

Capitalism: economic system in which the **means of production** are predominantly **privately owned**. Its ideologically based in the **economic liberalism**, conceived by British authors like **Adam Smith**.

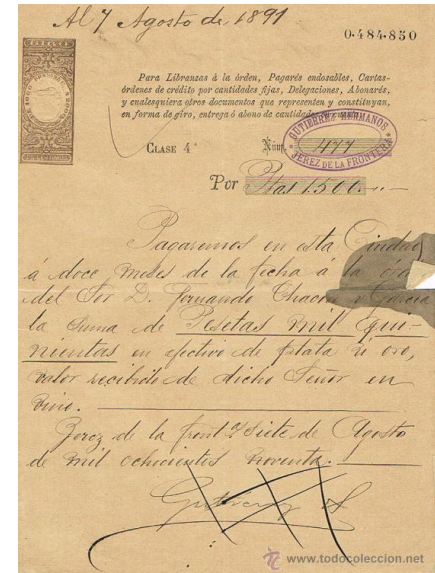
ECONOMIC LIBERALISM: Doctrine followed by the bourgeoisie to defend the private ownership and the **minimal intervention of the State** in economy. This includes the absence of custom duties and the non-regulation of working conditions. The market should only be regulated by the **law of supply and demand** and the free competition law. Economic activities respond to the free initiative of individuals to pursuit the maximum profit. It is the origin of **capitalism**.



THE GROWTH OF FINANCE

- Industrialization needed funding for their projects.
- **Banks** started to multiply to take deposits, supply capital to industry and facilitate payments and exchanges between companies, suppliers and consumers with **cheques, bills of exchange, promissory notes...**
- **Public limited companies (joint-stock companies)**
The capital is divided into **shares** (acciones). These are purchased by **shareholders** (accionistas) who then receive a share of the profits, **dividends** (dividendos). Shares are sold in the stock exchange. They have a value in relation to the **capital** and development of the company, however they are also governed by the law of supply and demand: if there are many buyers and few shares for sale, their price rises. When the opposite occurs, their value decreases.

Capitalism is plagued by **overproduction crises** (excess of supply above the consumption capacity (demand)). These crises usually decline prices, ruin shareholders, close companies and increase unemployment.



PROTECTIONISM VS. FREE TRADE

- **Great Britain**, as the pioneer of the Industrial Revolution, was in favour of **free trade**: no intervention in trade by the different states, **no custom duties or tariffs in the international trade**; just allow business competitiveness.
- However, the rest of **European countries (and USA)**, that weren't so competitive, avoided British competition with **protectionist measures: tariffs on imported goods** to make them more expensive than their own national products.



EXPANSION OF INDUSTRIALIZATION

- **Industrialization** spread in **different moments** depending on the country:
- After UK, **France and Belgium** started their industrialization in the **beginning of the 19th century**. In France, the most important one was the textile industry. In Belgium, coal exploitation was the most relevant one.
- In the **middle of the century** **Germany** established **iron and chemical** industries. In **Italy and Spain**, the industrialization started in this period, but very slowly.
- In the **East of Europe**, only some cities of the **Austrian-Hungarian and Russian empires** had a significant industrialization by the end of the 19th century.

