

## *Entrepreneurship and the Industrial Revolution*

As Britain moved from the 18<sup>th</sup> to the 19<sup>th</sup> Century, a number of major changes were taking place. Farming practices became more efficient, trade was up, and people were moving into the urban areas to work in factories. There was a great deal of money around, and wealthy businessmen were looking for opportunities to invest.

You and your group are going to try to get these investors to invest in your industry. You will have to create a presentation that brings money from the investors into your business sector.

### Roles:

The following roles must be decided upon in each group. At the end of this activity, each student will write down how they contributed to their group which will be submitted to the instructor. If a student has not met the expectations of the instructor, they will submit a 250-500 word report on the rise of entrepreneurship in 19<sup>th</sup> Century Britain. This will be due at the end of the week.

- leader – responsible for making the final decision
- whip – responsible for keeping the group organized and making sure everyone is carrying out their roles
- creativity director – responsible for coming up with a creative plan for the presentation and helping carry it out
- researcher (x2) – responsible for finding information that your group should use in the presentation
- ALL MEMBERS OF THE GROUP WILL HELP WITH THE PRESENTATION

### Procedure:

1. The class will be divided into six groups
2. Each group will be responsible for 1 of 6 areas of investment: agriculture, business, transportation, textiles, coal, iron, or banks.
3. You will be responsible for creating a presentation for potential investors. This presentation should be between 2-5 minutes long. It must have an element of creativity such as: powerpoint presentation, poster, props, etc.
4. Your presentation should include the following: a description of the changes going on in your sector during the industrial revolution, a description of your industry at this time, why your industry is a good investment, and a conclusion that entices the investors.
5. At the end of our activity, the winner will be determined based on where the investors decide to invest their money.

Name: \_\_\_\_\_

### Response:

1. Define:
  - a. entrepreneurship –
  - b. investor –
  - c. enclosure system –
  - d. cottage system (putting-out system) –
  
2. Explain the changes brought about by each of the following inventions:
  - a. steam engine –
  
  - b. spinning jenny –
  
3. Why was the Seven Years War fought and who won?

### My Role:

Describe your responsibilities during the activity and how you were able to carry out these responsibilities effectively:

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Give yourself a grade based on the work you did while your group prepared for the presentation:

4 3 2 1

Give yourself a grade based on the work you did during the presentation:

4 3 2 1

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**Student Information Sheet**  
**Entrepreneurship**

An entrepreneur is one who can see needs, wants, or problems society which have not been addressed, or which could be addressed in a more effective way. Someone's need, want, or problem is an entrepreneur's opportunity. Then the entrepreneur tries to come with an idea which will address that opportunity. For example, an entrepreneur might recognize that there is a problem with productivity in the textile industry. The entrepreneur's idea for solving this problem might be to invent a new device which will help people be more productive. Or it might be to take the technology which is being used in another industry and adapt and apply it to the textile industry.

An entrepreneur is one who takes risks, because there is no certainty that her or his idea will succeed. Thus an entrepreneur must examine the opportunities and decide which offer the greatest chance of success.

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## **Student Information Sheet**

### **A Guide to Investment in Great Britain for the 1780's and Beyond**

This is your complete guide to investment Opportunities in the world's wealthiest country.

In 1763, Great Britain put an end to the Seven Years' War by defeating France. With this victory, Britain established itself as the world's most formidable power. This victory was made possible by the astounding increase of wealth in Britain. It is still not certain what has led to the growth of industry and improved living in Britain. Just recently a philosopher named Adam Smith wrote a book in which he argues that Britain's economic success has occurred because the government left individuals alone to pursue their own business interests. Smith argues that when individuals are allowed to do what benefits them the most, the state also benefits. No one knows for certain if this is true, but it is certain that Britain has a stable government, and that the government is quite willing to allow companies to pursue business as they please. And many companies have been doing this with great success. This country contains many enterprises in which the wise investor can invest his or her money and expect a handsome return.

The following pages provide background information on the important economic sectors in Great Britain. Each sector has potential risks and possible benefits. The wise investor will consider the short and long term risks and short and long term prospects of each sector, and then will choose the sector which seems to promise the greatest return.

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## **Agriculture**

In the last 150 years, agriculture in Britain has experienced tremendous growth. The enclosure movement and the introduction of new crops has led to dramatic improvements in productivity. Landowners who have kept up with the changes have realized significant profits in the last century.

It is obvious that the demand for food is not going to decrease. Indeed, the population seems to be growing quite rapidly, which would indicate that demand for food will increase significantly in the long term. As well, people seem to be living longer, which further increases the need for food. Furthermore, the population and work force seem to be shifting toward the city. There they are employed in non-agricultural sectors. Thus they are completely dependent on the agricultural sector to provide them with food. All of these factors point to an ever expanding market for food crops.

Although growing food crops looks to be profitable, raising animals also holds promise. An increasing population and higher standards of living for the average person mean that the demand for sheep will continue to increase. Sheep provide both wool and meat. The success of raising sheep for wool depends at least partly on the textile industry. However, it appears that cotton may be taking over from wool. Although the short term demand for wool will probably continue to be high, it may drop off sharply in the future if the flow of cotton from America continues to increase. On the other hand, it appears that the demand for meat is increasing. Thus raising sheep will continue to be a good investment, even with reduced demand for wool. The demand for beef and pork is also growing, and will continue to do so as long as standards of living continue to improve.

Despite the promise that investment in agriculture holds, there are also risks and uncertainties. The first concern is the downward trend of food prices. In the past farmers have prospered despite lower prices because increases in productivity have more than made up for the drops in prices. However, it is difficult to know how much longer productivity can continue to improve. Perhaps already the maximum yields have been reached. If that is true, and prices continue to drop as they have been, then profits in agriculture will likely decline.

All in all, despite the risks, agriculture is a very safe investment. The demand for food is undoubtedly growing due to the increasing population and longer life spans. With a steadily growing demand, the future in agriculture seems bright.

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## **Transportation**

There are several factors which make the transportation industry in Britain a good investment. Since the passage of the Navigation Acts, Britain has developed a great commercial fleet. This fleet can carry goods all around the world with a low rate of loss. Improvements in navigation and sailing techniques have meant quicker delivery and lower transportation costs. When the cost of transportation is lowered, more trade is stimulated. And as trade increases, so does the demand for shipping. So the shipping industry is in the fortunate position of being caught in an upward spiral with trade. Of course, if the shipping industry is going to continue to grow, trade must continue to increase. But this seems fairly certain. British industry is producing more of the goods the world wants, at prices the world can afford.

Although international trade is the backbone of the shipping industry, much of the trade within Britain is also carried on ships. Due to the natural advantage of this island nation, no industrial centre in Britain is further than 20 miles from navigable water. This natural advantage has been enhanced by a canal building boom which began in the last decade. This has increased the percentage of trade within Britain that is carried on water. Once again, cheaper transportation serves to encourage more trade between the regions of Britain. Trade within Britain is likely to increase even more because, unlike many other European countries, there are no trading barriers within Britain; trade passes freely from one region of the country to another. The government in Britain is stable, and not inclined to waver from this policy.

Part of the reason for the canal building boom in Britain is the poor quality of the roads. It is very expensive to transport goods overland, as the only power available is horsepower. The condition of the roads make for great uncertainties about when goods can be delivered. However, this weakness in the British economy provides an excellent business opportunity for those who can come up with a more efficient means of overland transportation.

Although the opportunities in the transportation industry are great, there are risks as well. Much of Britain's trade in the last 50 years has been with the American colonies. Now those colonies are in the middle of a revolution, and the outcome of this war is far from certain. If Britain loses the war, it will no longer be able to insist that the two-way trade from Britain to America and back be carried on British ships. Furthermore, there is no guarantee that this trade will continue. That would be a serious blow indeed to the British shipping industry. However, America depends on Britain to buy its goods; moreover, America knows that Britain is best able to supply that vast land with the manufactured goods it needs. Although France is supporting the Americans in their war of independence, it does not appear likely that the French would alter their trading policy and import large amounts of agricultural products from America. However, there is much uncertainty surrounding what will happen as a result of this war, and how Britain's shipping industry will be affected.

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## Textiles

The big news in the textile industry is the recent invention of the cotton spinning jenny. As a result of this amazing invention, one person today can do the amount of work that not long ago required 25 or even 50 people. Perhaps even more exciting is that this or even invention is being constantly improved. There are now several different versions of the spinning jenny, one of which requires water power. It is possible that soon one person using a cotton jenny will be able to produce as much or more than 100 people who spin the old way. These developments are making cotton production cheaper all the time. One can almost begin to imagine that even the poorest people will soon be able to wear fine cotton underwear!

The invention of the spinning jenny has also made the textile industry more efficient by helping to concentrate production in factories. Previously the textile industry relied on the "putting out system." Although this system worked well for a time, it was not always reliable because close supervision of the workers was not possible. Concentrating production in the factory will also encourage development of ever larger spinning jennies which require more power than a human or even many humans can supply. However, the growth of these jennies may be limited by the power supply. There is, however, a good possibility that steam power can be developed for industrial applications.

Although the possibility for growth in the cotton textile industry appears to be limited only by sources of power, there are a number of problems which loom as risks to the potential investor. The first problem is the source of cotton. Most of the raw cotton used in the textile industry is imported from America. Due to the recent revolution in America, the cotton trade has slowed down. Thus it is not known whether or not the textile industry can count on a continuous supply of raw cotton from America. However,, cotton is also grown in India, although not to the same extent. Nevertheless, there appears to be a capacity to grow much more cotton in India.

Another potential problem is whether the textile industry will be able to sell what it is capable of producing. True enough, the price of cotton textiles will probably continue to drop. It is also true that population increases and longer life spans will increase the demand for textiles. Despite these positive indicators, the uncertain market for textiles raises questions about how much demand can continue to grow. The rest of Europe may close the door even farther to our textile exports, as may America. America has been an important buyer of our textiles but given the uncertain situation there now, they might decide to stop buying British textiles altogether. On the other hand, the American market may continue to grow,, providing a greater outlet for British textiles. The growth of Britain's colonial empire, which includes the recently acquired territory of Quebec, may also provide additional markets.

To conclude, the productive ability of the textile industry seems to be limited only by the amount of power that can be provided, but it is not known whether markets for these textiles can be found.

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## Coal

Coal is the most important natural resource in Britain. This has become abundantly clear with some recent and very exciting developments in British industry. The first development is the steam engine, which of course uses coal as fuel. The second development is the use of coal for smelting pig iron.

Coal and the development of the steam engine are closely linked. For several centuries, coal has been used in Britain to heat houses and provide the heat necessary for products such as beer and glass (who would have thought that when you go to the pub the liquid you drink and the container you drink it from are made with the help of coal!). AS the demand for coal for these applications increased (perhaps partly because of more beer drinkers), mines were dug deeper. This led to frequent flooding of the mines. Horse drawn pumps were used to pump out this water. In one mine, 500 horses were used. This led to a search for a more efficient pump. At the beginning of the 18th century, the first steam engines were developed. These were very inefficient, but proved capable of pumping water from mines. The steam engines, of course,, burned coal. Now it appears that the coal industry's steam driven pump can serve as a source of power for almost anything. Many improvements have been made to the steam engine in recent years, and it is just beginning to be applied to other industries. If the steam engine catches on, the demand for coal will be great. Imagine that - it could have been beer drinkers who started all of this!

The steam engine is also closely connected to the other important use of coal, and that is as coke for smelting pig iron. Up until very recently, charcoal (produced by burning wood) was used for making iron. However, about 40 years ago Britain almost ran out of trees. The country was forced to import most of its iron from Russia, where trees are abundant. The iron industry in Britain suffered greatly. However, with the aid of steam power, iron makers have been able to switch from charcoal to coke,, which is made from coal. If the demand for iron continues to increase, the demand for coal will also increase.

Of course there are some risks involved for those who might consider investing in coal. As can be seen, the coal industry is dependent on the continued success and spread of the steam engine and an increased demand for iron. Although there is much optimism, it is difficult to say for sure whether either of these conditions will occur. As well, there is always the risk that a coal mine will collapse, resulting in a great loss of money. Despite these risks, coal appears to be a good investment, because it seems likely that the demand for coal will continue to increase in the future.



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## **Pig Iron**

As was indicated previously, the iron industry suffered greatly in the last number of years because of the shortage of trees in Britain. However, this industry is just starting to make a comeback due to some recent developments in smelting techniques. With the use of huge steam driven bellows, coke (not the kind you sniff or drink, the kind you make from coal) is now being used in the smelting process instead of charcoal. This has greatly increased British iron makers to produce iron. As a result of this development, this once dying industry is being revived. Given the application of steam power and the great amounts of cheap coal available, the potential for iron production appears limitless.

There are, however, some unknowns about the iron industry which pose risks for the potential investor. The first is that iron is difficult to work with - difficult to mould and shape. Whether steam power can be used to aid in this process is completely unknown.

A second question is whether a large market exists for iron. At present, the applications for iron appear limited. Even if the iron industry in Britain can produce many tons of iron, is all of that iron needed? Many people are confident that new uses can be found for iron, but this is not entirely certain.

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## **Banks**

If British agriculture and industry are going to grow, as we believe they will, they will need the help of banks. Britain has a well established banking industry, and this has helped stimulate production in all sectors of the economy. Banks appeal to many ordinary people because they provide a safe keeping place for money and pay a bit of interest as well. Of course banks also appeal to companies who need to borrow money to start, expand, or modernize their business.

The success of banks depends largely on whether Britain continues to become more prosperous. If there is considerable growth in agriculture and industry, the average person will have more money to put in the bank. This will make more money available for businesses. if, however, some businesses begin to fail, the bank will lose a lot of money. If many businesses fail, the bank will also fail, and those who have invested money in the bank will lose everything. This will also cause people to lose confidence in the banking system, which will make future growth difficult. Although this is a remote possibility, it could conceivably happen. However, this has not occurred in the past. In the past, those who have invested in the banking industry have enjoyed high returns. Given the good prospects in other areas of the economy, these high returns should continue.