
British Economic Policy Adjustment and Overseas Layout during the First Industrial Revolution

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Abstract: This paper centers on the British economy before the outbreak of the war, describing the process of Britain's economic policy from mercantilism at the beginning of the 18th century, which was promoted by classical economic theories such as those of Adam Smith and shifted to free trade through the repeal of the Grain Act and tariff reforms in the 1840s under the background of the First Industrial Revolution. It also introduces that after the completion of the Industrial Revolution, Britain's population growth provided labor and the rise of five major industrial sectors, such as textiles and iron and steel, to become the "factory of the world". Due to overcapacity and demand for raw materials, Britain relied on overseas markets and expanded its layout through colonial conquests, with India and the Near East becoming important economic regions that supported its economic development.

Keywords: Britain; Free trade; Overseas markets; Industrial revolution

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1. British economic policy—evolution from mercantilism to free trade policy

In the nineteenth century, the economic theory that was able to dominate in Britain was classical political economy, which advocated laissez-faire, but at the beginning of the century Britain was still practicing mercantilism, and the evolution to a laissez-faire policy went through a process. In 1776, the classical economist Adam Smith published *The Nature and Study of National Wealth*, in which he put forward the economic ideas of liberalism, thus giving a great impetus to the Industrial Revolution. After that, liberalism developed again. 1798 Malthus published *The Principle of Population*, whose theory of the principle of population, together with David Ricardo's economic liberalism, constituted the two cornerstones of classical economics.

There was a resurgence of mercantilism through the Grain Act of 1815, which was strongly opposed as it put the country's factory owners at a disadvantage in trade with other countries. The British government gradually changed its commercialism policy. Parliament set up the Import and Export Tariff Committee in 1840, which made clear its opposition to the protective tariff system and completed the shift to free trade. When Peel came to power in 1841, he carried out tariff reforms by reducing the import duty on semi-manufactured goods to 10 percent and that on manufactured goods to 20 percent. Imports were stimulated by the reduction of tariffs, thus increasing revenues, and in this year Peel also restored the floating exchange rate of 1828^[1]. In February 1846, the British House of Commons passed a bill to repeal the Grain Act,

and its repeal signaled the complete disintegration of the commercialism dam, and the age of liberalism was finally upon us.

Over the next fourteen years, the remaining tariffs were repealed, as were the Navigation Regulations and the Imperial Privilege System. By the 1860s, “free trade had become the centerpiece of orthodoxy in British politics, almost as firmly entrenched as the Protestant kings who had achieved the right of succession”.

2. The first industrial revolution and the rise of Britain’s economic power

2.1. Completion of the industrial revolution and characterization of the industrial structure

The Industrial Revolution began in the eighteenth century and by the middle of the nineteenth world, the first Industrial Revolution was largely complete. The completion of the Industrial Revolution brought great changes to Britain. By 1856, nearly one-third of the British labor force was engaged in manufacturing. Industry was dominated by modern machine mass production, transportation was well developed, and a dense network of railroads spread throughout the country, making Britain the most powerful industrial and trading nation in the world. Nineteenth-century Britain was the richest country in the world at the time, and by about 1850 Britain had more factories at this time than it had ever had before.

Britain held the Universal Industrial Exposition such as the First World’s Fair in 1851, at which Britain fully demonstrated many industrial achievements including steam engines, forging machines, workhorses, looms, and more, which gave the world a great shock. The exhibition hall and crystal palace with steel as the skeleton and glass covering was already a shocking exhibit in itself. Less than three years after this exhibition, war broke out between the great powers. During the war, the economic strength and industrial base of Britain and Russia also fully influenced the course of the war.

The rapid development of the economy could not be achieved without the creativity of human beings, and this was also true of the industrial revolution in Britain, for if there was no sufficient labor force, even the most advanced machines would become scrap metal because no one would use them. Since the middle of the 18th century, the population of Britain has been growing steadily, and this has continued into the 19th century. A census has been conducted in Britain since 1801, and every ten years since then, and the following table shows the growth of the population (refer **Table 1**)^[1].

Table 1. Table of population growth in the UK (in millions)

Census year	1801	1811	1821	1831	1841	1851	1861	1871	1881	1891	1901
Size of population	10.5	12.3	14.1	16.3	18.5	20.8	23.1	26.1	29.7	33.0	37.0

From the above table, it can be seen that since the beginning of record keeping, the total population of Britain has increased from fifteen million in 1801 to twenty-eight million before the war, the population showed a steady growth, and the sufficient labor force provided important support for the completion of the industrial revolution. And the increase of labor force in industry, manufacturing and mining was the basis for the increase of industrialization achievement. It is estimated that the proportion of the population engaged in agriculture and other related industries decreased from 35.9% in 1801 to 21.7% in 1851, while the proportion of the population engaged in manufacturing and industry, increased from 29.7% to 42.9% within the same time period, and the proportion of the population engaged in other industries did not change much in this time period, so it can be speculated that a large part of the increase of laborers engaged in industry came from the population in related industries such as agriculture. Similarly industrialization resulted in an increase in the number of factories, which meant that more labor was needed, and the labor force moved from the countryside to the cities; industrial cities became special magnets for attracting populations, and population migration peaked in the mid-nineteenth century.

The expansion of urban areas inevitably also crowded out land for the development of agriculture and other related industries, and the relevant working population had to go to the factories to earn a living, in 1801 there were 1,036 large

and small towns in the United Kingdom, and reached 1,541 in 1911. Overall, the increase in population contributed to the completion of the Industrial Revolution in Britain.

With the establishment of the factory system and changes in the structure of the economy, Britain established five major industrial sectors, namely, textiles, iron and steel, coal, machine building and transportation, and by the 1850s had gained a monopoly in world industry and trade.

2.2. Scale of development and data performance of major industries

The textile industry was a major industry of the British industrial revolution, reaching its peak of relative importance in the British national economy between 1820 and 1840. It absorbed 30 percent of the industrial workforce and 14 percent of the population of Britain as a whole; in 1830, the textile industry accounted for 10 percent of Britain's national income and 72 percent of the total value of its exports, and still accounted for 63 percent of the total value of its exports in 1850. The textile industry became the dominant sector of economic activity in Britain and the engine of its growth until it was replaced by the iron and steel industry in the 1840s as a result of the accelerated pace of railroad construction ^[1]. The Industrial Revolution also began in the handicraft industry developed cotton textile industry, the appearance of the Jenny spinning machine in 1765 in the cotton textile industry triggered the invention of the climax of the machine, at the same time, the cotton textile industry for the industrial revolution in the early stage of the primitive accumulation has made outstanding contributions.

The iron and steel industry was also in the vanguard of the Industrial Revolution, and by the nineteenth century had become one of Britain's mainstay industries. Pig iron production in Britain increased from about 68,000 tons in 1788 to about 678,000 tons in 1830. In the middle of the nineteenth century the iron industry produced mainly clinker iron and less steel, but stimulated by the Crimean War, steel smelting techniques were improving, which allowed steel to be produced in large quantities. Exports of pig iron and steel also increased from 49,000 tons in 1815 to 783,000 tons in 1850. In 1852, the year before the war, exports increased by one million tons. Since the production of steel was low at less than 100,000 tons in 1854, it may be inferred that the great bulk of the exports were dominated by pig iron. The share of metal industry exports in British exports increased markedly from 9% in 1815 to 18% in 1850–1859. By the 1870s, the direct income of the British iron industry accounted for 10% of Britain's gross national income. 1850–1880 the British dominated the world's iron and steel business, its iron and steel exports accounted for three-quarters of the world's total exports, the real "iron and steel hegemony".

The development of the iron and steel industry was naturally supported by the mining industry, which played a very important role in the early years of industrialization. Coal production in the UK grew slowly between 1800 and 1830, but then grew rapidly over the next fifteen years, with coal production at least doubling. The increase in coal production also led to a significant increase in exports, which rose rapidly from 500,000 tons in 1830 to 4 million tons in 1854, and for the next thirty years after 1830, exports grew at a rate of 9% of production each year, and in 1860, coal exports reached 10% of production.

The development of any industry needs the help of railroads, roads, and shipping, and the products produced need to be transported everywhere, so along with the growth of production and the expansion of the domestic market, the transportation industry has also seen revolutionary changes. One of the more prominent developments is the British maritime industry and railroads, maritime industry in the decades of 1845–1864, the total assets of the new shipbuilding doubled. The rise of the railroads was even more important, since George Stevenson built the first steam locomotive in 1814, and the opening of the 48-kilometer Liverpool-Manchester Railway in 1830, the United Kingdom entered the "railroad era".

Britain reached its first high point of railroad building in the 1830s, with 54 railroad building acts approved by Parliament in 1825–1835, and 39 more railroads authorized within the next two years. Between 1850 and 1870, 13,500 miles of railroads came into operation. The construction of railroads also required financial support, and it is estimated that by the late 1830s investment in railroad construction amounted to 2% of national income, while in 1847 it reached

7%, with an average of more than £20 million invested annually from 1845–1847. At the same time, the number of people employed on the railroads increased rapidly, from 50,000 in 1847 to 275,000 in 1873. Along with the mammoth development of various industries, by the middle of the nineteenth century, Britain became the real “factory of the world”.

3. The UK’s overseas economic deployment and market expansion

3.1. Motivation for overseas economic deployment: markets and demand for raw materials

Huge production capacity enabled products to be produced far in excess of domestic consumption needs, while technological advances led to rapid increases in labor productivity and significant reductions in product prices, making inexpensive British goods popular internationally. Britain’s powerful shipping industry brought in cheap raw materials from all over the world, and then shipped the processed manufactured goods to the rest of the world, which brought in huge amounts of intangible income. Britain therefore needed the support of foreign markets at this time more than ever before, and the raw materials needed by industry depended on the supply of the world market. For example, according to **Table 2**, it can be seen that the export of textiles in 1850 already accounted for 63% of the total exports, the share of exports of manufactured goods is also high, so it can be seen that the overseas market is extremely important to Britain, and the direction of the sale of cotton textiles also changed considerably.

Table 2. Composition of British exports as a percentage of total exports (in %)

Particular	Exports of manufactured goods	Fabrics	Metals and engineering	Coal
1830	91	67	11	1
1850	93	63	18	2
1870	91	56	21	3
1913	79	34	27	10

In 1804–1846, Europe and the United States absorbed 92% of the exported cotton textile products, while in 1854–1853, 50.1% was exported to the Near East, Asia, and Latin America, most of which the largest single market was India. In the import trade, the proportion of imports of food and raw materials was consistently above 90%, while imports of raw materials were kept at an average of 60% ^[1].

3.2. Overseas market composition and important regions

The demand for trade naturally led Britain to open up new markets overseas, and so the overseas colonies naturally became very valuable to Britain, and the expansion of overseas markets naturally took the form of war, and so the almost uninterrupted conquests and acts of violence that were committed overseas from 1783 to 1870 are all conclusive facts ^[2]. During the first half of the nineteenth century, Britain almost never ceased to conduct wars against other countries outside of Europe, having fought many wars of conquest in Asia and Africa. In Asia, wars were fought against Nepal and India, controlling Nepal’s internal and external affairs, and India was largely conquered after the two Sikh wars of 1848 and 1849; the Natal War was fought in South Africa in 1842–1843 and Natal was captured.

After the completion of the conquest of India, the status of India became more and more important. India not only brought to the British huge taxes, but also for the British empire to provide the army, its huge market also provides infinite business opportunities for Britain, and in the textile export trade, India is the largest market outside the United Kingdom, all of these make India gradually become the sunset empire on the crown of the most sparkling pearl. But the road from Britain to India was always a problem. Before the beginning of the war, the Suez Canal did not open, so at that time the British to go to India, the sea, only bypassing the southern tip of Africa to go, but this will take five to eight months to

arrive, and also need to risk all the goods buried in the sea.

By the 1830s the problem became more pressing as the volume of trade from the East grew. For this reason, a special British department was set up to study the options for a shortcut to India. At that time, there were two options, one was to build a canal through the Isthmus of Suez, and the other was to build a railroad from the eastern shore of the Mediterranean through Syria and Mesopotamia, and use the Tigris and Euphrates rivers to enter the Persian Gulf, a much shorter route, which, in any case, would have involved an area passing through the Turkish Sultan's possessions. Thus since the thirties British foreign policy had become more focused on the Eastern Question^[3]. In 1854 the total import and export trade between India and Britain amounted to 20.3 million pounds sterling, which was the highest amount of trade with other British colonies. Because of the lure of huge profits, India was of great importance to Britain.

The Near East was not only an essential overland route to India, but also an important area for British trade. In the 1830s there were hardly any British merchant ships in the ports of the Danube principalities, but by 1853 one third of the total value of Danube shipping was carried out by British merchant ships. In addition to this, Britain gradually expanded its trade with Turkey, mainly due to the fact that at that time, all the European countries joined in the frenzy of dividing the Ottoman Empire due to its decline. Britain's diplomacy at that time implemented the policy of balance of power, ostensibly to maintain the integrity and independence of the Ottoman Empire and to maintain the stability of Europe, but in fact it was to protect Britain's huge raw material production and commodity dumping ground in the Near East, and it was to maintain the status quo of the Ottoman Empire for the sake of its own economic interests.

The realization of the British Industrial Revolution depended on Britain's continued expansion of channels for the distribution of its goods. Britain's distance from the Near East did not prevent the Near East from becoming a key market for its industrial goods, and it was also an important source of grain and raw materials for Britain. Britain's trade in the Near East consisted mainly of imports of grain and exports of manufactured goods, making the Near East a reserve supply of grain for Britain in extraordinary times^[4]. Along with the Industrial Revolution, Britain's demand for grain increased year by year. A large proportion of Egypt's wheat exports went to Britain, and by 1855 Egypt was supplying Britain with the most wheat. Since the 18th century, Britain had imported grain mainly from Russia, but this changed after the 1840s, when it was estimated in 1852 that imports from Turkey, including the Danube principalities and Egypt, were almost double those from Russia.

In addition to foodstuffs, Britain also imported cotton, which was the most important commodity for the cotton industry, and from 1821 onwards cotton became an important commodity for Egyptian exports to Britain, with the volume of exports increasing year by year^[4]. Exports in 1836 were 256 times greater than in 1821. Britain's purchases of Ottoman agricultural products were accompanied by an expansion of exports of industrial goods to the Ottoman Empire, and in 1853 Britain's sales of industrial goods to the Ottoman Empire including the Danubian of principalities were already more than twice the total of Britain's sales of industrial goods to Russia^[4]. It is clear from these figures that Turkey is gradually replacing Russia as an important dumping ground for British manufactured goods, as well as an important supplier of agricultural products such as grain. The Near East occupies an extremely important place in the formal economic structure of Britain.

4. Conclusion

In summary, driven by the First Industrial Revolution, Britain completed the transformation of its economic policy from mercantilism to free trade, and cleared the policy hurdles for economic development by repealing the Grain Act, reforming tariffs, and other key initiatives. At the same time, population growth brought sufficient labor force, the rise of the five core industrial sectors, together laid the British "factory of the world" status. The huge production capacity and demand for raw materials generated by the Industrial Revolution drove Britain to build an overseas economic layout centered on India and the Near East through colonial conquest and trade expansion, forming the cyclical pattern of "importing raw materials-exporting manufactured goods". This series of economic policy adjustments and overseas layout not only shaped the pre-

war British economy, but also became the key support for maintaining its global economic dominance and empire status, and laid the groundwork for the subsequent economic interactions and competition among the great powers.

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