# Britain: Using Britain: Using Bridgette Fight Wars and Become World Leaders

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#### Napoleonic War

- Before the war, there was a group of rich men dubbed 'the moneyed interest' who financed significant portions of British economy
- During the war, overseas investment fell 3-4% due to low interest rate environment
- Although rates fell, Britain was still able to secure funding as they built a rapport with overseas and domestic investors, building trust that they will be back their debts.
- Although they won the war, they were forced to raise taxes to paydown some of the debt incurred

### **Disruptive Innovation**

- The term Disruptive Innovation was coined by Clayton Christensen in 1995
- It is broadly defined as "any situation in which an industry is shaken up and previously successful incumbents stumble"
- Britain becomes first nation to issue an official government bond.
- Provided investors with an annual interest rate for investment, no maturity date

1853: Crimean War Begins

# Global Financial Crisis

- Big banks mislead investors on riskiness of mortgages, with CDO's and MBS wrapped together to form a less risky investment pool
- Houseowners default on mortgages, sending house prices in freefall, and ultimately Lehman Brothers and Bear Stearns left bankrupt.
- Due to investment banks become overlevered in debt and having little to no excess reserves, when all houseowners started to default it left banks with no liquidity, and investors lost everything they ever worked for

1694: Britain issues first official government bond

## **Crimean War**

- Britain intervenes to stop Russian forces because of their "commercial and strategic" reasons in Middle East
- Under-anticipated the cost of war, had to raise more capital through the issuance of bonds and raising taxes
- Income tax is hiked as well as goods such as brandy and malt
- After war bond market reacts favorably to political stabilization, still leaves investors hesitant about debt levels

1803: Napoleonic War Begins 1945: U.S. Dollar overtakes British pound as world reserve currency



2020: COVID-19

2008: Global

**Financial Crisis** 

## **Debt Markets Today**

- Federal Reserve sets guidelines for required reserves in the Emergency Economy Stabilization Act of 2008
- Low-interest rate environment that has stimulated economy
- COVID-19 currently putting downward pressure on economy. Fed announces \$1.5T in capital injections through debt markets (repurchasing agreements)