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History-Geography essay

“The real story of Britain's economy between 1951-79 was one of continuous decline” To what extent do you agree?

During the 2nd half of the 20th century, the British economy was quite unstable. Shortly after the war it was one of the most prominent industries in Europe, but it quickly lost this reputation in profit of the countries rebuilding from the 2nd World War. And from that, the economic situation of Britain just worsened. Although it is important to make clear that at any point Britain didn't go into recession, throughout the whole period they were balancing between an economic growth and relative stagnation. But through all of these years it is true that the British economy is majority lagging behind it's competitors throughout the whole world.

At the beginning of the post-war period the British economy was relatively stable. During the 1950's, Britain enjoyed a relatively brief period of economic growth, during which certain industries saw a boom, notably the car industry, which is dominated by both British and American companies. The early years of the 1950's gave hope to the United Kingdom's economy, because everything seemed that finally they were getting out of the war-time economy, and proceeding onto a new, better path. The times of austerity finally ended and the policy of rationing was pulled off, there was full employment to avoid the mass unemployment from before the war, and the wages were rising on average by 72%, where as the prices were rising only by 45%. This improvement reflected on the trade deficit: in 1951 Britain was 700 million GDP in the red, but at the end of 1952, the Conservative government converted that into 300 million GDP of surplus. All of this improvement could give hope to the British people, tired with the war and the previous politic of austerity, but the image of restarting British industry is stained: the 1950's industry was filled with undergoing weaknesses, such as rising inflation, which the governments tried to counter by initiating an “economic stop”, a period of time during which interest rates and taxes were increased to limit spending, and shift the remaining expenditures to the local market. The government was effectively trying to “freeze” the economy to avoid a situation in which inflation would become uncontrollable. It tilted the United Kingdom into this cycle of “stop-go policies”, alternating between freezing the economy and encouraging people to spend, which heavily impacted the growth rate of the British economy: it was growing, but at a much smaller rate than it's competitors. Around the middle of the 1950's, the Great Britain has lost it's economic ground to it's competitors: France, West Germany and Japan. As they needed to reconstruct after the war, innovation and creative thinking was more valued there than in the old-fashioned UK, which stayed to old, but tested methods, and refused to go with the flow of time and modernize it's industries. This “lethargy” of the British economy caused it to fall off the race for the World market, making it lag behind with it's out-dated methods. This could only tilt the situation towards the worse: near the end of the 1950's, the balance of payments went into the negatives again, and for a good reason: with the given state of their economy, the British didn't want to buy British goods, they wanted to import them instead. The government didn't really help the situation with it's heavy spending on military and R&D: directly after the 2nd World War, the British were leading one of the most advanced jet research (only surpassed by the German engineers). But with the progressing decline of economic growth, the British technology fell off and was surpassed by American and Soviet designs (that were initially based on British technology). If we were to sum up the 1950's for the British economy, we could say that it was a period of economic growth, which was impacted by several weaknesses of the British economy that either appeared or grew stronger with the years. Although we cannot say that the economy was constantly declining and went into a recession during this decade, it's rate of growth constantly declined and caused the UK to fall behind and lose the title of one of the world's biggest economies. This “slow down” of the economy will heavily impact the following years, making the job of restoring the British power even harder.

The situation went further downhill during the 1960's, with the arrival to power of the Wilson government. The British economy saw some growth during the 1960's, even some elements of an economic boom at the end, but it was still largely undermined by ongoing weaknesses and problems that were only increasing the gap that was between Britain and the rest of it's competitors. It's during the 1960's that the reconstruction brought to the ravaged countries really starts to show it's impact: while others reformed and modernized, the British were stuck in their pre-war ideology, which left them with inefficient and over-manned industries. In 1961, the UK fails to join the European Economic Union, and in 1964, when Wilson takes power, he inherits an 800 millions GBP trade deficit. He also met the UK desperately trying to cling on onto it's status of a major military power, maintaining it's bases across all the globe and building a nuclear bomb. All of it puts a heavy strain on the British economy, consuming 6.5% of it's GDP in 1960. It was certain that if he was to relieve the strain on the economy, he would need to cut the expenses on the armed forces, which he did: by the 70's, a good part of the Royal Navy has been sold or scrapped. The industrial relations were very poor, mainly revolving around the “us and them” attitude to the work force. The trade unions were heavily contesting the choices made by the patrons and the government, demanding pay rises along other privileges: in May 66, the Union of Seaman began a strike, demanding a 17% pay rise, effectively disrupting British trade. The trade unions were also using their industrial muscle to keep up many of the uneconomic jobs to avoid the mass unemployment of the 1930's, which partially helped the economy to slow down even more. And in 1969, the workers reached a new record: a total of 7 million workdays have been lost to strikes, most of them being wildcat strikes. To remedy that, Barbara Castle, a new member of Wilson's cabinet, created a bill called “In place of strife”, that would greatly reduce the power of trade unions by heavily organising the preparation of a strike, so the government would have major input in who would strike and when. Sadly, the bill was heavily opposed even by the members of the government, and failed to be passed. Staying on the topic of difficult industrial conditions, the lack of investment, the continuous Stop-go policies, inefficiency of the educational system and the maintenance of the pound as a reserve severely crippled the abilities of the economy. The government managed to maintain a relatively high employment, but it could see unemployment creeping up, and the key industries start to slow down: shipbuilding heavily plummeted from 37% of market shares in the 50's to 3.7% in the 60%. Finally the government was forced to devalue the pound to the US dollar in 1967. And yet, despite all of these problems, Wilson managed to end his government with 387 millions GBP of trade deficit (in 1968). All of this follows up on the picture of the British economy that is continuously slowing down.

During the 1970's the situation starts to get desperate: the strikes intensify, the trade balance becomes even worse, reaching 1 billion pounds deficit, the world falls into an economic crisis, and the Stop-go policies take their final toll: in the 70's there's a high unemployment and high inflation, and unrest from the trade unions rises. To fix that situation, the Conservative government started to lend a lot of money from the IMF, plunging the country in an even greater debt. In the 1972, the Miners Union went on strike, demanding a 45% pay rise, and as the majority of the energy in the UK was produced with coal, Heath, the current Prime Minister, needed to give in. But the next year, the Yom Kippur war broke out, causing the prices of oil to sky rocket, and the Miners Union went on strike again. This caused an economic crisis in the UK, and energy rationing was put up. In 1974, Labour came back into power with Wilson at it's head, and it was up to them to pull out the UK from a crisis. Except they didn't: in 1975, inflation reached 25%, further cuts were introduced to limit spending, all of which culminated in the December 1978: the “Winter of Discontent”, during which there was mass strikes throughout the whole country, which plunged the UK into an even greater chaos. They were only able to pull it through because of the oil and gas excavations in the North Sea, next to Scotland. But the damage was already done: unemployment was still high, so was inflation, and the balance of payments was still negative. Obviously, Wilson lost the election in 1979, and ceded way to Thatcher, who would go out and “save Britain”.

During the majority of the 2nd half of 20th century, the British economy was still one of the bigger economies in the world, growing in average 2% growth per year. But it is clear that with all the problems it had accumulated over the 51-79 period, it grew very slowly when compared to other countries. So it is impossible to say that the UK was in continuous decline going into a recession, it was growing all-right, but it was progressively slowing down. In the end, we can say that the British economy was in a continuous decline of economic growth.