

3.2 Post-war Recovery

Post-war economic recovery proved difficult. Britain, which was the world's leading economy in the pre-war period, in particular faced a prolonged crisis. While Britain was preoccupied with war, industries had developed in India and Japan. After the war Britain found it difficult to recapture its earlier position of dominance in the Indian market, and to compete with Japan internationally. Moreover, to finance war expenditures Britain had borrowed liberally from the US. This meant that at the end of the war Britain was burdened with huge external debts. The war had led to an economic boom, that is, to a large increase in demand, production and employment. When the war boom ended, production contracted and unemployment increased. At the same time the government reduced bloated war expenditures to bring them into line with peacetime revenues. These developments led to huge job losses – in 1921 one in every five British workers was out of work. Indeed, anxiety and uncertainty about work became an enduring part of the post-war scenario. Many agricultural economies were also in crisis. Consider the case of wheat producers. Before the war, eastern Europe was a major supplier of wheat in the world market. When this supply was disrupted during the war, wheat production in Canada, America and Australia expanded dramatically. But once the war was over, production in eastern Europe revived and created a glut in wheat output. Grain prices fell, rural incomes declined, and farmers fell deeper into debt.