Why Did Britain Perform Relatively Poorly Between 1945 and 1979

Introduction

Mid the twentieth century, the United Kingdom experienced diverse post-war effects spanning from social to political and to economic effects. With considerations of Britain, cutting through 1940s to 50s, 60s and 1970s, and the economy was largely hit, not forgetting the political sphere of the region (Kitson 29). An evaluation of Britains Gross Domestic Product (GDP) depicts a declining economy during the highlighted period to an extent that comparable countries such as the United States, France, and Germany overtook Britain's GDP per head (Broadberry and Crafts 74). It is only recently in early 21st century, on the eve of the global economic crisis that the real GDP per head for Britain just overtook German and French levels. Commodity pricing and product markets were the majorly hit upon competition in the global market (Crafts 17). In actuality, the presence of lack of product market competition played a vital role in the relative economic decline in Britain especially because of its corporate governance interactions and industrial relations in order to elicit productivity outcomes in the country (Toniolo 254). The political environment also played an indispensable role in the decline of Britain during the stipulated era (Broadberry and Crafts 74). This article provides an overview of some of the reasons why the Britain was not performing well post-war between 1945 and 1979, socially, politically, and to a larger extent, economically. From an economic worldview, the lack or the weaker the product market competition in the economy of UK, as it prevailed from 1945 to 1979, the high probable it was to experience relative deterioration the British economy.

Economic History of Britain

Following industrial revolution in the eighteenth and nineteenth centuries, where Britain was championing, it dominated the lead in lead in European economy, not forgetting the global economy, especially in late 19th century and early 20th century (Kitson 41). Britain was the primary innovator of automated machinery including steam engines, such as motor pumps, steamships, railway locomotors, factories, tool making and the textile industry. It is Britain that was the first to use railway systems, and engaged in similar transport development projects in other countries, which resulted in collection of more foreign revenue.

Another tremendous economic facet was its lead in domestic and international banking, trade, entrepreneurships and investments. Britain basically led the world economy where it created dominance as a global British Empire. After the mid-18th century, Britain discarded the mercantilism, where it adopted the free trade structure which construed foreign and domestic investor to zero tariffs, quotas and no trade restrictions (Kitson 36). From a political point of view, the British economy was so crucial and received maximal protection from the powerful Royal

Navy, which secured the British global holdings. In addition, the legal infrastructure was adeptly streamlined to address international trade disputes economically.

Although a graph of the economic output for Britain spanning from 1870 to 2000 may not detect major fluctuations in the economy, it is worth noting that the British economic output per head of prevailing population literally ascended by 500% index, which induced lifestyle changes and an increase in the level of living standards (Eichengreen and Iversen 121). On the other hand, from mid 1940s onwards to late 1970s, a relative economic decline was eminent in Britain while other economically rival countries such as Germany and US trotted closer. By 1950, the GDP per person was slightly 30% on the lead of the European Economic Community founding members, which included Italy, Belgium, Netherlands, France, Luxembourg, and the West Germany, but in the subsequent forty years, British economy has been overtaken by several European and Asian economies (Broadberry and Crafts 76; Kitson 51).

The primary cause of this relative economic decline is the considerable prominence product market competition from emerging economies post-war, particularly after World War I since the competition was markedly very weak (Crafts 24). Considerations of the implications of the insights regarding after-war effects and weak competition have shown it to be timely because growth economics, whether on the bases of theory or applied research and practice, have shown the two parameters to be significant drivers of economic productivity outcomes, particularly in the precincts of incentive structures delving in British firms (Kitson 32). In order to understand the relative decline, consider the after-war effects between 1945 and 1950, collectivism programs during the same era, and inflation in the 1960s and 70s, were the major decline drivers.

After-War Effects

Immediately after the World War II, the British economy commanded a superfluous wealth since the drivers of economy were entirely based on the satisfaction of war needs. Satisfaction of the needs of the war marked the starting point for the decline since the economy required time to orient its disorganization to focus the economy on peaceful production (Broadberry 76). Britain projected that the conclusion of war conflicts and calming of warring powers would result in better trade option. On the contrary, during the war period, the US took time to make negotiations that would result in international flow of capital and liberalization of post-war trade so that unreachable markets were easily accessible, especially the Pound Sterling bloc owned by the global British Empire. The Atlantic Charter of 1941 provides more insights regarding this intuition and explicates the establishment of the Bretton Woods system, which was developed through 1944 (Toniolo 253). This new trade arrangement was successful considering the weakened British economy leading to the development of a new economic power in the US.

In addition, after the war in the Pacific corridors ended, the emerging powerful economy in the US brought to an end free Lend-Lease, although it considered a long-term low-interest loan to the UK, which amounted to about US $ 4.33 billion. Extreme environmental conditions, such as the unfavourable 1946/47 cold winter aggravated productivity in the UK, and its effects on the declining economy were evidenced following coal shortage by August 1947, which was untimely close to the beginning of foreign exchange convertibility (Broadberry and Crafts 75). Considering the already weakened British economy, this low end in conversion ultimately affected the economy adversely. Enactment of convertibility by the Labour Government later that year resulted in a run for Sterling, where the Pound was being traded for US Dollars. Since the US currency was considered to be a new powerful and stable alternative, especially in the global economy, the British Pound was overvalued and subsequently devalued in 1949, which had momentous damage to the British economy within weeks, and had to be stopped (Toniolo 261). This decline was augmented by the US Marshall Plan grants, which economically coerced British investors to modernize their management approaches.

Collectivism Programs

Immediately after the WWII, the Labour Governments implemented a collectivism political programme in the subsequent five years, which majorly dwelled on nationalisation of industries, coupled with direct control of the economy by the government (Tomlinson 193). This economic idealism had been developed during the war considering the government's involvement in direct manipulation of the economy, which emphasized the potential direction of British economy after war, an idea that obtained total support by Conservatives in the region (Broadberry and Crafts 77). Liberal thoughts were argued politically over nationalization, and led to the implementation of economic management perspectives, such as engagement of state direction in industries, as opposed to the geared state ownership of the same. Although underpinned by nationalization, Keynes economic theories were extensively applied in conjunction with state involvement in managing prime industries leading the economy (Cooley and Ohanian 440).

For instance, the industry was a major boost in the British economy. Nationalizing the coal mines was an idea already accepted by coal mine owners in principle even before the 1945 elections, where they were reimbursed GB£ 165 million (Eichengreen and Iversen 128). Additionally, a National Coal Board was established by the government to control and manage all acquired coal mines. Further, the government provided an incentive of GB£ 150 million to the board in an endeavour to modernize the industry since there were poor general conditions and an associated poor productivity (Cooley and Ohanian 439). As at 1945, the coal mining industry has commanded an additional 28% increase in the number of workers, but only a meagre 8% additional productivity (Broadberry 69). More young workers evaded working in the pits by 1945, which resulted in a percentage increase in the number of mine workers, as reflected by a 13% increase in the number of miners 40 years of age or above. By this time, it was estimated that there was an increase in the number of aged workers over the age of 65 years by 24,000 individuals and an associated decline in the number of underground workers by a figure close to 69,600 (Eichengreen and Iversen 129). During this time, only a small percentage of surface workers declined, which totalled to approximately 3,200 by 1945, which considerably introduced an imbalance in mine labour. Due to these labour alterations, production outputs in the coal mine industry by 1946 relatively reduced to approximately 3.3 million tons a week, and by the end of summer in the same year, coal shortage was evident in the country, especially considering the nearing winter. The shortage was estimated to be over 5 million tons in the lower side.

In principle, nationalization of majority of private industries constituting the pillars of UK economy at the time depicted a dire lack of preparedness in the industrial management to support state ownership, which further exposed the government's failure to draw out stability in the industry to restore the failing economy (Eichengreen and Iversen 132). Following nationalization programs, unemployment level rose in 1955 to the heights of 1% of the then current workforce, especially post-war (Nickell et al., 6; Broadberry and Crafts 73). Evidently, the two world wars educed severe consequences to the Britain economy leading to material loss and loss of the economic empire commanded by Britain. The competitions that emerged emanated from Commonwealth countries, which were streamlining their trade agreements into bilateral trade agreements, while Britain's market share reduced in the global economy since infrastructure in countries afflicted by the wars were repaired and resulted in claiming a share in the global markets (Crafts 18). Lastly, rather than concentrating in the industrial and manufacturing sectors, the economy shifted to service sectors, which repressed the economy of majority of the country (Millward 240).

Inflation

Another important factor leading to the decline of the Britain economy was inflation, which rocked the country in 1960s and 70s (Eichengreen and Iversen 136). In the reign of the Prime Minister, Harold Macmillan, the conservative government was faced with major tussles of trying to avert the spread of inflation with no slight changes to improve the economy. During this time, the GDP per person was only about 50% that of Germany. It is during this time that construction industry grew to its heights holding unemployment level low, while stagnating the failing economy ((Nickell et al., 14; Cooley and Ohanian 449; Broadberry 81). As considered by economists such as Nicholas Crafts, the decline was accelerated by poor competition in major economic sectors, with a particular focus on state-acquired industries, pitiable relations between industries, as well as inadequacies related to vocational training of employees (Broadberry and Crafts 76; Crafts 28). Critiques argue that poor understanding of theories driving the economy, coupled with the collapse of measures to support interest groups, and short-termism have been linked to inflation and lack of competition in inducing poor performance of Britain in the sixties and seventies.

Conclusion

Although the economy of Britain began with tremendous leadership in the global market in the eighteenth century, issues arose post-war, which led to momentous decline between 1945 and 1979. Among the major causes of the declining economy included the influence of US in international trade, especially with the use of long-term loans and grants, poor trade agreements between Britain and other economic powers, nationalization of industries, inflation and increased unemployment rates, as well as poor understanding of business management theories by government parties engagement in control of state-owned industries controlling the economy.