By the end of WWII the leaders of the western world had learnt the lessons of the 30s. They started to organize together and a united nation monetary and financial conference commonly known as the Breton Woods conference was held in the US in July 1944. The delegates from 44 nations met to discuss the postwar recovery of Europe as well as a number of monetary issues. The conference was meant to regulate the international monetary and financial order and to set up joint bodies so as to prevent major international crisis. The delegates reached an agreement (the Breton Woods agreement) and established an international monetary system of convertible currencies, fixed exchange rates and free trade. For a lot of people, the Breton Wood agreement marked the end of economic nationalism. To facilitate these objectives, the agreement created 3 international institutions:

1/ The International Monetary Fund (IMF) -> initially created in 1944 at the time of the conference to encourage international collaboration in monetary matters. It aimed at stabilizing exchange rates and developing a multicultural system between member states who contribute to the funds ans draw on it if needed.

2/ The International Bank for Reconstruction and Development, better known as “the world's bank”, set up in 1945. It was also meant to help the recovery of post-war reconstruction. For example, the first act to help this recovery was a loan of 250 million pounds to France in 1947.

3/ The General Agreement of Tariff and Trade (GATT), 1947 : an international organization promoting the expansion of international trade through the removal of restrictions (or tariffs) on cross frontier trade.

Worth noticing is the fact that the leader of the British delegation was no other than Keynes, who also became chairman of the world bank. Following Keynesian lines governments attending the Breton Woods conference also accepted that they had a duty to intervene more in the running of national economies. As far as Britain is concerned, two main stages can be distinguished :


In 1945, Labour experienced a landslide election victory. Clement Attlee, the new prime minister, was determined to rebuild the country and fight against the combine evils of high unemployment and slow economic growth. He was responsible for the nationalization of 1/5 of the British economy including steel, coal, railways and shipbuilding. Both Attlee government and its Conservative successor Churchill were largely successful in reaching rapid growth, low inflation and full employment. Moreover, the creation of a welfare state guaranteed better living conditions and health standards for everybody rich and poor. In the UK, the term welfare state was introduced opposed to the German warfare system. In 1942, a man called William Beveridge was appointed by Attlee to investigate on how to help those who were in need of assistance or poverty. Beveridge emphasized 5 giant evils in his report : want (besoin), disease, ignorance, squalor, idleness. To fight against this, Beveridge stated that “all people of working age should pay a weekly national insurance contribution : in return, benefits would be paid to people who were sick, unemployed, retired, widowed”. The Beveridge report also established the national health service (NHS), a publicly funded system of free and universal health care that was finally set up in 1948 --> Everybody had to be covered by a system of national social insurance, “from cradle to grave”. However, although the British received aids worth 2.7 billion dollars from the American European Recovery Program called Marshall aid, which was the largest amount obtained by any other recipers, there were considerable problems on the way :
1/ the American put an end to the lend-lease system that had supported the British war effort since 1941: arrangement whereby the US government supplied military equipments and weapons to the UK, in return of British owned military basis for instance in the British West Indies. After this system ended, British had to negotiate an extra loan which emphasized its weak economic position on the international level.

In order to repay war time debts, Britain had to massively export. The following slogan was used by successive governments: "export or die". As a way of making foreign revenue, some industries, e.g. the car industry, were forced to export by the UK government through quotas. Britain was helped by the fact that apart from the USS, all economic competitors were still rebuilding after the war. Yet, in concentrating on manufacturing for export, the country failed to modernize its industry. Finally, the support of Britain to the United Nations at the outbreak of the Korean war (1950 - 53) was accompanied by a massive rearmament program introduced by government in 1951. This had 2 consequences:
1/ cuts were made to the welfare state to pay for the program
2/ it slowed down Britain's economic recovery by taking resources away from the export drive to the armament industry. Britain thus lost important export markets that were difficult to recapture. It also led to a sharp increase in inflation as the price of imports rose (p 14 tableau 2).

B) Smooth growth or relative decline (1955 - 1973)

Between 1955 and the beginning of the oil crisis (1973), the British economy in terms of GDP grew at a rate of 2.8% per year, i.e. a third higher than in the inter war period. Yet the picture wasn't rosy (doré) at all because the economy of Britain's rivals grew much faster. Britain's share of the world trade declined from a quarter in 1950 to just over 10% in 1970. This slow decline caused great anguish (=anxiety) and the poor economic performance of the country was a dominant theme of political debate. Appointed as Prime Minister in 1957 (until 1963), Conservative Harold McMillan came up with the following slogan: "we've never had it so good". In 1961, he set up the National Economic Development Council, also known as NEDDY, which was a committee which gathered management, trade unions and government and it was appointed to draft (rédiger) a 5-year plan to boost economic growth both in the private and public sector. => it was the first British attempt to plan economy. Though McMillan managed to reach high growth and low unemployment to a mix economy, an important element was the inevitable decline of industry that has traditionally been strong in Britain, for instance shipbuilding declined from a 37% share of the world market in the 50s to only 3.7% in 1974. This was mainly due to a reluctance by companies to specialize or expand to meet international competitors. Similarly, the car industry started to have serious problems at the end of the 60s, when productivity felt well behind that of European countries as well as Japan. For management, due to a lack of trained staff at that level of competence, poor labor relations and the strength of the trade unions have also been pointed out to explain this decline. Major strikes were organized in Britain in the 60s, notably of the London dockers. Of course this created delays in shipping for companies that were exporting, which further worsened this situation. Another major strife was that of car industry. Both these strikes received wide media coverage. Small businessman were often cautious and unwilling to invest in new projects which is why the Labor government of Harold Wilson (1964 - 1970) encouraged the merger (fusion) of smaller companies into larger ones through an agency called the industrial reorganization corporation, particularly in the car, computer, electrical engineering industries. Las but not least, another important was the stop-go cycle of the 50s. In the go phase, the domestic economy grew, reducing unemployment and increasing spending, which,
in term, increased demand and fueled inflation. Then, to control inflation, the government used tax increases and credit restrictions to curb demand which slowed economic growth and increased unemployment = stop phase. Sometimes called the stop-go policy, this phenomenon created an unstable climate that prevented long term economic growth. It was difficult for industry to plan ahead and make the necessary investment to increase productivity. As a result, British goods were overprices compared to those produced in neighboring countries. This therefore stimulated imports at the cost of export ans creates a downward spiral in British economy. Another consequence of this stop-go policy has only been visible in the long run = stagflation appeared in the late 60s in Western economies, especially in GB. A particular feature of this period was nevertheless low unemployment (about 2%) -> this had an impact in two ways on people's lives:

1/ for the working class : since, it became very easy to switch jobs and force wages up, as employers competed for workers

2/ the increase in the number of women inserting the job market : before the 60s, there was a gap between working class women and middle-class women. The former (working-class) were often compelled to work after marriage as their families needed the extra income. By contrast, middle-class women were usually expecting stop their work and enjoy a good life. This situation changed in the 60s, where middle-class women started to go back to work, sometimes also to part-time work. In 1951, 20% of women worked part time. By 1972, they were 44%.

Some things didn't change:

1/ women were still paid less than men, sometimes for the very same job. Pressure for equal pay mounted during the 60s, ans the Equal Pay Act was finally introduced in 1970.

2/ women were still concentrated in lower-status, poorly-paid, white-color jobs, as well as blue collar occupations.

The Equal Pay Act was introduced in 1970 but it was not until 1975 that the sexual discrimination act states that women get the same wages of men for the same work

Conclusion : the period between 1955 and 1973 was one of gentle prosperity According to some historians and economists, this was due to a post-war consensus between the key players of British society i.e. politicians, civil servants, industrialists, trade unions, workers and the general public In the field of domestic policy (affaires intérieures), the 2 main political parties Labour and Conservative had supposedly agreed on the importance of the government's role in maintaining economic stability and high employment levels as well as in building a welfare state and a mix economy managed along keynesian lines Nowadays, this supposedly consensus is much debated (p. 47)

3.3. The roller-coaster economy (1973 - 200?)

Since the early seventies, the British economy has experienced 2 major depressions and several shorter periods of growth. The 70s were largely a period of stagnation; growth was only about 2.5% a year when Conservative PM Edward Heath came to power in 1970. His measure was in favor of free market policies He abolished price and income controls and massively cut public expenditure. As a consequence, there was a rising rate of inflation which was made worse when OPEC quadrupled prices in 1973. The period was further characterized by industrial disputes, notably in the coal/mining industry, which drove governments Labor and Conservative to take over specific endangered firms. The Health government for instance saves Rolls Royce by buying it along with other lame-duck industries. He wanted to avoid bankruptcy. As a result, he was condemned by the Right wing of the Conservative Party,
particularly with Thatcherites, who view this as a U-turn. The Labor governments of 1974 to 1979 under Harold Wilson had their own economic problems as well as the government of his successor Callaghan. 3 years of agreed pay deals between unions and the government had gradually reduced wage rise, which was good for the economy but not so much for many workers in a phase of inflation. Indeed, in 1975, the retail price index showed an increase of 27% in just one year, unemployment reaching one million for the first time since the 1930s. The real problem facing Labor was the lack of confidence in the government by financial markets. This was reinforced even further when Britain decided to seek a massive loan from the IMF, to stop the pound from sliding against the dollar. It fell below 2$ for the first time in March 1976. Yet, there was modest economic recovery between 1976 and 1978, thanks to the arrival of the North-Sea oil, which reduced import considerably.

The balance of payments and the inflation position both improved as the pound went up against the dollar. Thanks to this oil, Britain was now trading with the wealthier, more developed countries of the world instead of being respected to its former empire. But in fact the main change came from the Labor government of James Callaghan who decided to abandon the believe in keynesianism for monetarism (p. 18). Monetarism's main difference with keynesianism is that whereas Keynes was wanting to maintain full employment, monetarism tried to keep inflation under control. This was done through control of the money supply (= masse monétaire) even if this generated a rise in unemployment. For many historians, Callaghan actually paved the way for thatcherism. As a conclusion for this period, we can say that the 70s were a decade in which all industrialized nations had to face new problems, which was mainly due to the international impact of oil price rises in 1973 and 1979. In Britain, it specifically coincided with the collapse of the main industries coupled with problems of industrial relations, inflation and cyclical unemployment. These problems came to be seen as “Britain diseases” and this was an overall feeling of pessimism in Britain, which persisted in the following decades.