

# Britain's economic situation between 1929-1936



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Britain's economic situation before 1929 had already slumped. After World War One, demand for goods ended, as when other countries weren't able to buy goods from Britain, they started up their own factories. By 1921 unemployment had gone up from 2.6% in 1920 to 18%. British industry, mainly coal mining, shipbuilding and steel were in active decline and faced heavy competition from industrializing nations abroad. One of the reasons for this was the policy of free trade.

This policy allowed foreign goods to enter Britain without any taxes or charges so foreign goods were cheaper to buy in Britain than actual British goods. Other countries such as the USA tried to prevent foreign competition by having the policy of protection, which allowed them to charge taxes on imported products making them more expensive. Britain's share of all world trade dropped from 18% to 11% over this period. In October 24th 1929, Britain's economy was hit by the Wall Street Crash, leading the world into an economic depression.

Prices fell and therefore so did British exports forcing more British factories to close. There was a big balance of payments deficit. America stopped lending money to Britain after world war one and now wanted their money back, Unemployment grew rapidly and by 1932 almost 3 million people were out of work. The Wall Street Crash also affected other parts of Europe. The Depression hit the German economy really badly as 6 million people were left unemployed. Also in 1929, the New Labour Government won the general election under Ramsey MacDonald.

The biggest problem they faced was the economy. Increasing unemployment meant that the government had to pay more money in the unemployment benefits but they were also getting less money because only the people in employment paid tax. The Labour government had disagreements over the solving of this problem, and after the unsuccessful increase of the income tax, the Liberals and the Conservatives joined forces and formed the May Committee to look at the crisis. This Committee suggested a cut in wages for everyone employed by the government and also a 20% cutback in unemployment benefits.

Ramsey MacDonald resigned from the Labour Party because he had to deal with a party who didn't want to set up these measures. So in August 24th 1931, he created a coalition government with the conservatives and Liberals. This government was called the National Government. The National Government were opposed by the majority of the Labour government but were proved popular when they won 554 seats in the 1931 election with the anti-MacDonald Labour party winning only just 54.

The National Government cut its spending and passed out the recommendations made by the May Committee - Government employees had their wages cut by 10% apart from teachers who had their wages cut by 15%. They also tried to deal with the overseas competition by raising import duties to protect British workers, however it forced it forced foreign industries to look for new countries to sell their goods in. this meant that there was now more competition for British goods overseas. British exports fell from 7.5 million (i?? ) in 1923 to 3.5 million (i?? ) in 1933.

In 1931 Britain also came off the Gold Standard, so that the pound was worth less than foreign currencies, therefore making British exports cheaper.

Since 1909 most unemployed men were entitled to the weekly dole. However the National Government cut the dole by 10% and it used a means test to decide how much a person can claim. In 1934 the National Government passed The Special Areas Act to allow the government to pay for new factories to be built in areas of high unemployment. The government also gave subsidies and loans to industries that were suffering.

In the north of England, South Wales and central Scotland, life became very hard as unemployment rose first steadily then quickly from 1929. One of the industries most affected by the depression was shipbuilding. Jarrow in northeast England had been dominated by the shipbuilding industry for decades. By 1936 unemployment in the town had reached 80%. In contrast however, about 90% of British people in the south east and the midlands were getting better off. They could afford to go to the cinema and attend professional sport. Many new industries began to establish moved to the south-east of England and prospered.

For example the motor industry expanded so that between 1932 and 1939 the number of motor vehicles went up from 90, 000 to 0. 5million. The housing industry probably had the most effect on the economy. During the 1930's, the price of houses dropped so low that that 2 years' wages of an ordinary workingman could buy a three bedroom semi-detached house. Britain became a consumer society. The number of radios in Britain quadrupled during this period. Overall By 1936 people had smaller families,

goods and services were cheaper and lots of luxuries were available for the average worker.