Britain’s War

During the Second World War, Britain confronted Germany not as one sovereign power, but as the leading nation in a global empire. This gave Britain powerful advantages when it came to her productive capacity and reserves of manpower, but the war also demonstrated how vulnerable Britain was. The British had hoped the French would do much of the fighting in continental Europe while Britain used her vast navy. The fall of France and the evacuation at Dunkirk were catastrophic events that left the British desperate for an ally—one which gradually emerged throughout 1940 and 1941 in the guise of the USA. Roosevelt was sympathetic to Churchill, but his administration and determined to enter any war in support of Britain safe in the knowledge that America would take what was left of Britain's world economic role at the war's end. The August 1941 meeting between the two men at Placentia Bay in Newfoundland saw Britain come under pressure to abandon the policy of Imperial Preference that had been established in 1932 as an empire wide protectionist policy for British goods. Opening up the British Empire to American trade was a key war aim of Roosevelt. In 1945 the...
British, bankrupted by war sent a delegation led by the economist John Maynard Keynes to Washington to negotiate a loan. The amount offered, $3.75 billion fell short of what was hoped for and came with the condition that the pound be made fully convertible. This meant that the wartime ban on pounds being exchanged for other currencies had to come to an end. It resulted in a rapid withdrawal of currency reserves from Britain and leading to a dramatic series of cuts in overseas spending (speeding up the exit from Greece, Palestine and India).

**Britain’s Peace**

Britain’s world role since 1945 seems to have declined in direct proportion to her weakening financial state. Post war austerity was replaced by decade long boom from 1954-1964, but during that time Britain became a mass importer of American goods leading to balance of payment crises and a constant fear under Harold Macmillan’s government of ‘relative economic decline’. There is a large body of work devoted to exploring the reasons for Britain’s economic decline but a consensus seems to exist around the notion that Britain was financially over committed after the war. Building a welfare state, keeping large numbers of troops overseas and a failure to recognise that Britain’s world power status was already a fiction before the war had ended led to several currency crises throughout the 1950s and 1960s, culminating in Harold Wilson’s humiliating devaluation in 1967. It was this financial context that led to the rapid retreat from empire that gathered pace throughout the 1950s and 1960s. During this period Britain ceased to be able to pretend that she could remain aloof from the global financial system she had dominated for the previous two centuries. Britain was no longer the biggest creditor nation in the world (as she had been in 1914). In 1976, having little confidence in Harold Wilson and then James Callaghan’s governments, investors feared that there would be another devaluation and began to quickly sell their stirling, resulting in another run on the pound. The only solution that Chancellor Denis Healey had was to turn to the International Monetary Fund for help, finally demonstrating that Britain, whilst still the eighth largest economy in the world, had lost her ability to act independently of the global economic system.

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**Suez: 1956**

The Suez Crisis underlined exactly how far Britain’s world role had diminished by 1956 and how financially vulnerable the country now was.

Britain joined an operation planned by France and Israel against Egypt following President Nasser’s announcement that he had nationalised the Suez Canal. The waterway had been part owned by Britain since the 1860s and Nasser’s friendship with the Soviet Union meant that his actions were alarming not just to Britain and France but to America too. Prime Minister Anthony Eden’s decision to act without consulting America suggests that the British Government thought this wasn’t necessary. US President Eisenhower was furious at what he saw as British duplicity; US voters feared he might allow the British to act as imperialists and instead he undermined the British economy. Eisenhower threatened to sell US stirling reserves and the British were denied an IMF loan. America vetoed the loan until British troops were withdrawn.

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