British industrial development and decline – a perspective
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An analysis and assessment of British economic and social decline in the 20th and 21st centuries

The rise to world dominance

1. Britain presents a remarkable often misunderstood picture: on the one hand prodigious entrepreneurially-driven world scale industrial development; on the other social stagnation and industrial decline. This has played out over the past two hundred year.[1] As the most prosperous economic region in Europe between 1600 and 1700, Britain became the epicentre of the *industrial revolution*. It dominated Europe and the world economy during the 19th century. This was driven by major innovations in coal mining, steel making, shipbuilding and other heavy engineering. It included the building of machinery such as steam engines for pumps, factories, locomotives and steamships - and machinery for every imaginable aspect of manufacturing supported by a vast and versatile tool-making industry.

2. Britain invented the railway transport system. It was a leader in international and domestic banking, economic and political entrepreneurship, and trade having an "absolute advantage"[2] in everything it put its hand to. On these formidable strengths the British Empire was built. After 1840 it retreated from mercantilism.[3] It adopted and promoted *laissez faire* and free trade based on "comparative advantage". No tariffs, quotas or restrictions on trade. The Royal Navy protected the nation's global assets. Its legal system provided a trusted means for resolving disputes. Between 1870 and 1900, output per head of population in Britain and Ireland rose five fold, generating a rise in living standards never before seen. But the winds of change were already blowing.

The emerging picture of pervasive decline

3. From the late 19th century onwards Britain began to experience definite if *relative* economic decline. Other nations, notably the United States and Germany, were catching up.

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[1] From 1870 to 1960, manufacturing played a key role in the development of the economy, undergirding success in other sectors of the economy and securing rising living standards. The subsequent fifty years, from 1960, have witnessed a further steady decline of the UK manufacturing sector – relative to other sectors of the economy, and relative to the manufacturing sectors in other countries: See: The De-indistrialisation Revolution: The rise and fall of UK Manufacturing 1870-2010 Michael Kitson and Jonathan Michie, 1914.

[2] "Absolute advantage" is a technical term in trade theory used by the British as a justification for their trade prowess and an ideological tool to discourage others from seeking to compete. It is sometimes referred to as "mercantilism".

[3] Trade policy priorities shifted from maximising export growth in favour of free trade based on opportunity cost "comparative advantage" rather than the mistaken "absolute advantage".

In 1870, Britain's output per head was the second highest in the world - after Australia.[4] By 1914, it had fallen to fourth place. Even so British output in 1950 was still 30 per cent per capita higher than the six founder members of the European Common Market (now the European Union). But decline continued inexorably.

4. By the early 1970's the British Conservative government headed by Edward Heath finally took Britain – by then known as the "sick man" of Europe - into the Common Market (now the European Union). It did so in a sombre bid to reverse industrial decline, reform industrial relations and rekindle its industrial dynamism. Entry into the Common Market brought with it many new and important opportunities. During the following half century Britain was nonetheless overtaken by a number of European and Asian countries in terms of the principal indicators of economic performance. In 1952 Britain produced a third of national output, employed 40% of the workforce and made up a quarter of world manufacturing exports. Currently manufacturing accounts for 11% of GDP employs less than 8% of the workforce and accounts for 2% of the world's exports of manufactured goods. By then two giants of British industry GEC (electrical, electronic and telecoms) and ICI (chemicals and pharmaceuticals) had all but disappeared.

The magnetic influence of the European single market

5. British industrial decline across a wide spectrum of traditional and modern industries has been without parallel. British owned motor manufacturing, rail transport, shipbuilding, steel, coal, chemicals, nuclear engineering, electrical and electronic engineering and machine tools have all withered. The British landscape has also been shaped by other positive forces – in large measure a consequence of access to the single market of the European Union (EU). Inward capital investment, FDI (foreign direct investment) now dominates key sectors of the British economy. This has grown steadily as British-owned and controlled businesses have retreated leaving large areas of the economy without serious domestic competitors.[5]

6. Foreign owned capital has been crucially influenced by British membership of the single market – the most prosperous and progressive unified market in the world. Examples of this inward investment include companies such as Tata (Indian) motor manufacturing, Honda (Japanese) motor manufacturing, ThyssenKrupp (German) steel, Nissan (Franco/Japanese), BMW & VW (German) motor manufacturing, Airbus Industrie (EU) and Boeing, (American) civil aircraft, Thales (French) aerospace, Electricite de France (French) nuclear engineering, Siemens (German), Hitachi (Japanese) and Bombardier (Canadian) transport systems, Suez (French) water treatment and recycling – a few from a longer list of foreign owned companies who have invested in Britain. Assets now stand in excess of £1trillion. This represents the highest penetration of foreign ownership of any nation state in the OECD. Their combined investment far outstrips investment in Britain by British owned businesses.

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4 The wealth of Australia – a small population country - was generated by agriculture and commodities rather than manufacturing or engineering.

5 Britain's membership has brought with it very significant benefits, which have never been seriously debated much less recognised. British economic under-performance has attracted very large volumes of FDI (foreign direct investment) – the largest of any OECD country attracted by the prospect of frictionless entry into the markets of the EU.

These capital inflows of course support Britain's perilous and worsening current account deficit on its balance of payments.

Britain and globalisation

7. Though by no means alone, Britain has suffered widespread destruction of its industrial heartland. Globalisation has destroyed many thousands of jobs.[6] Whole communities have been upended. Poverty and social privation in many of Britain's old industrial towns is at some of the highest levels in the European Union. Perversely this fact explains the scale of anti-European populist sentiment revealed during the Brexit referendum debate and driven by the Red Banner tabloid press.[7] Though fundamentally mistaken, Brexit has become increasingly a xenophobic anti-European campaign fancifully based on immigrants "stealing" jobs from locals and the illusion of regaining British sovereignty from the clutches of the EU in Brussels. By a narrow majority 52/48 the referendum supported leaving the EU. The campaign was dominated by untruthful "fake news" claims by opponents about the nature[8] and practices of the EU. Reality has emerged in the period since as Brexit negotiators have been faced with the facts of withdrawal from the EU.[9]

8. This has created huge and probably insurmountable difficulties. The massive defeat of the Government in January 2019 when parliament roundly rejected proposals agreed with the EU for Britain's withdrawal from the EU expose the extent of political division in the country over Brexit. Pressure for a fresh referendum has risen sharply. The government is refusing to grant this. The date for exiting the EU[10] is fast approaching with no legislation setting out the terms of exit agreed. This raises sharply the risk of Britain leaving without an agreement – the so called "hard" Brexit. If this happens Britain will abandon the huge economic benefits of the single market.[11] Trade will be severely handicappecd.[12] Single market-driven FDI into Britain will reverse out as free trade with the EU grinds to a halt. Britain also risks

[6] Every advanced economy has been affected by globalisation but in the case of France and Germany both have maintained the competitiveness of their major industries through sustained investment.

[7] A reference to the popular sensationalist and populist press examples of which include newspapers like the Daily Mail, The Sun and the Daly Express.

[8] The elites of the EU Commission were frequently portrayed in the referendum debate as determined to create a "Frankenstein – like" Soviet style federal state into which all members states and their citizens would be herded.

[9] The reality of the EU deal is that Britain will effectively remain in the EU though it will be a *rule taker* not a *rule maker* wand still subject to the ECJ (European Court of Justice) and critically with the EU overseeing through the "backstop" provision the integrity of the open border between the Republic of Ireland and Northern Ireland as a condition of Britain's access to the single market.

[10] This is determined by the decision of the British government to invoke Article 50 of the key EU treaty governing membership and its relinquishment. This will occur on 29 March 2019 unless it is extended – a remote prospect –or revoked which the government is empowered but unwilling to do.

[11] The largest single market in the global economy which has more than 80 individual trade agreements between other countries.

[12] There are widespread concerns that hard Brexit will endanger supplies of critically important products on which the British National Health Service depends apart from everyday foodstuffs.

disintegrating as a unitary state given the political and population dynamics of Northern Ireland, the exigencies of the Good Friday Peace Agreement[13] - and the separatist sentiment of the Scottish people. Hard Brexit will result in a worsening in Britain's economic, political and social prospects[14] and a deepening of populist "them and us" social divisions: an unparalleled economic and social calamity.

Richard Tudway

He is a practicing economist and economic advisor. He is also visiting professor at several international businesses schools.

Higher Education

A former Rolls Royce apprentice he is a graduate of Oxford University where he studied Philosophy Politics and Economics – with specialist papers in Economics. This was followed by postgraduate graduate studies in economics at the Universities of Oxford, Paris and London. He studied business administration at Henley Business School, England.

Professional profile

He worked for the British National Economic Development Office and the Paris based OECD (Organisation for Economic Co-operation and Development) early in his career. This also included spells in industry and investment banking. He was an executive within Plessey (later acquired by Siemens) with responsibility for planning and technological forecasting. He was later appointed as a Vice President of Security Pacific Merchant Bank where he advised on developments in money markets and capital markets. He is the founder and principal of the Centre for International Economics which provides advice and consultancy on developments in the global economy.

Corporate governance

He has made an active contribution to the debate led by the OECD in defining the Framework of Corporate Governance. He has advised TUAC (the Trade Union Advisory Committee) to the OECD and has contributed to the work of the ILO (International Labour Office) on a range of corporate governance initiatives.

Teaching

He has taught programmes covering corporate governance and other related topics at Hult International Business School, the Chongqing School of Economics and Business Administration and Fudan School of Management in China, Villanova University and Ithaca College in the US and Waikato Business School in New Zealand. These include CSR

[13] It needs to be remembered that the signing of the Good Friday Agreement was ratified by Britain in 1997 the Irish Republic and the EU to guarantee the principle of all Irish identity for the people of Northern and Southern Ireland (the Irish Republic). The creation of a customs border between the two Irelands will be in breach of the Agreement with serious potential consequences.

[14] The EU facilitates worldwide trade with deals providing preferential access for EU members to many global markets. British business benefits from being able to trade easily within the single market and also with many other countries. The EU is the top trading partner for 80 countries. This compares with 20 for the US. This will be sacrificed on Brexit.

(Corporate Social Responsibility), corporate governance, corporate finance, international finance and international trade and development and global political economy.

Publications

He has published in academic journals and the press and is the author of The Looming Corporate Calamity which explores the crisis of confidence in corporate governance and what needs to be done.

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