



DID WORLD WAR ONE NEARLY BANKRUPT BRITAIN?

VIDEO TRANSCRIPT – Did the government's plans work?

So in trying to pay for the war, how well did government policy work? Well let's start with tax.

Taxes did bring in money, but the amount raised only covered around 40% of government expenditure.

The government increased the money supply by printing more of it. However, alongside goods shortages, this meant price levels had doubled by the end of the war – in other words, rampant inflation.

The War Bonds scheme was a success story. The tank bank scheme alone raised an astonishing £300,000,000 at the time – a lot more of course in today's money.

I have here a ledger recording the different people that bought the War Bonds and it makes absolutely fascinating reading. In the rather quaint language of the day, it records that a 'Gent' and a 'Married woman' bought the bonds. So too an 'Upholsterer' and a 'Farmer' – examples of the range of people who spent money on these bonds.

Here are some examples of War Bonds which the government successfully persuaded the public to buy to back the war effort. But however colourful they may look, they represented debt – long-term financial obligations which the government would have to pay off in the decades following the war.

So these schemes successfully helped the economy motor through to victory in 1918 but they were to have a significant long-term impact on the nation's finances.

Picture this, at its peak, the deficit – the gap between government revenue and government spending – was an astonishing 47.9 per cent of national income. The deficit for 2014 – also reckoned to be of crisis proportions – is projected to be nearer 6.8 per cent.

As a result, the country had massive debt. By the end of the war it had ballooned to 127.5 per cent of national income. That's getting up to the levels that saw Greece require billions of pounds in bailout loans in 2010.

I'm here to see Professor Stephen Broadberry - an economic historian at the London School of Economics – to get his expert view on the wider impact of the government's economic plan.

(Hugh speaks to Stephen Broadberry, Professor in Economic History at the London School of Economics)

HUGH: *Did World War One nearly bankrupt Britain?*

STEPHEN BROADBERRY: *One way to think about this is to make a comparison with Germany – the war put the same kind of pressures on Germany and the other central powers – Austria-Hungary in particular, but the Ottoman Empire – these empires all fell. Britain managed to survive and pay the debts but it becomes clear that actually Britain isn't going to get back to those old market shares that it had before World War One.*

(HUGH PYM TO CAMERA)

The government's plan worked in the sense that Britain was able to pay for this monumentally expensive war effort and the country successfully avoided bankruptcy. But there are debts which remain to this day and World War One certainly speeded up the decline of Britain's economic dominance leaving a legacy that lasted well beyond 1918.

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