50 Years Since ‘D’ Day

By Dr Steven McCabe, Associate Professor, Institute of Design and Economic Acceleration (IDEA) and Senior Fellow, Centre for Brexit Studies, Birmingham City University

Monday was the 50th anniversary of Decimalisation, ‘D Day’ and provided an opportunity to reflect on the way in which Birmingham, once famously described as ‘the City of a thousand trades’, has altered in half a century.

For the benefit of anyone under the age of 55 who will have no memory of what preceded the current currency, decimalisation a derivation of the *Latin* word *decimus* meaningtenth, was intended to achieve a simpler currency based on 100 pennies in a pound.

Previous to 15th February 1971 a pound consisted of 20 shillings which, in turn, was made up of 12 pennies. As Curator of Modern Money at the British Museum, Catherine Eagleton, told the BBC in 2011, the 40th anniversary of decimalisation, the system of coinage had its origins in the way Romans operated money.

As Eagleton explained, the pound, still with us, was introduced in Anglo-Saxon England in 775 being equivalent to one pound weight of silver which could be subdivided into 240 silver pennies. The shilling, commonly referred to as a ‘bob’, was introduced by Henry VII in the 1500s.

WHAT WAS EACH OLD COIN WORTH POST-DECIMALISATION

Pre-decimalisation	Amount in shillings (s) and pennies (d)	Decimal (p
Farthing	0.25d	0.104p
Halfpenny	0.5d	0.208p
Penny	1d	0.417p
Threepence	3d	1.25p
Sixpence	6d	2.5p
Shilling	1s	5p
Florin	2s	10p
Half crown	2s6d	12.5p
Crown	5s	25p
Pound	20s	£1 = 100p
Guinea	21s	£1.05

Source: ***Daily Mail***

Replacing a system that, in retrospect, looks antiquated and, notably included the florin, half crowns and farthing made sense. The process of decimalisation, agreed five years before in 1966, had long been seen highly desirable. We'd been considering the change since the 1820s and the Decimal Association formed in 1841.

Britain 50 years ago was, unsurprisingly, very different to today.

The UK, notwithstanding indications of trouble ahead such as the 'Sterling Crisis' of 1967 when the pound had been devalued by Labour Prime Minister Harold Wilson by 14%, was still in an era of economic growth of 2.3% for the year. Though not as good as 1968, still respectable.

However, one problem was already apparent, one that would dominate the remainder of the decade and define economic policy of the Thatcher government of the early 1980s, inflation. In 1971 inflation was 8.8%. This was due to of employment being 76.1% (matched in 2019). In an expanding economy, workers, skilled or unskilled, were much in demand.

Inflationary pressure increased because of the ‘Barber Boom 1970-73’, named after Chancellor Tony Barber, whose policy was to stimulate economic growth through deregulation of the mortgage market, growth in credit and tax cuts merely. Workers, particularly those organised in unions, were increasingly willing to withdraw their labour (strike) to maintain spending power.

Such behaviour, though entirely perfectly rational, is problematic if what you produce becomes less competitive and costs increases. Maintenance of living standards becomes a vicious circle and, following the 1973 ‘oil shock’, a vortex into which economic policy is effectively sucked and rendered ineffective.

Looking back as a child in 1971, what did I know (or care) about inflation or its impact on international competitiveness and exports? My daily experience of the area of Birmingham, in which my parents owned a café in Acocks Green, consisted of school and weekly trips to Mrs. Bennett’s shop on Station Road to collect sweets and copies of *Beano* and *Dandy*.

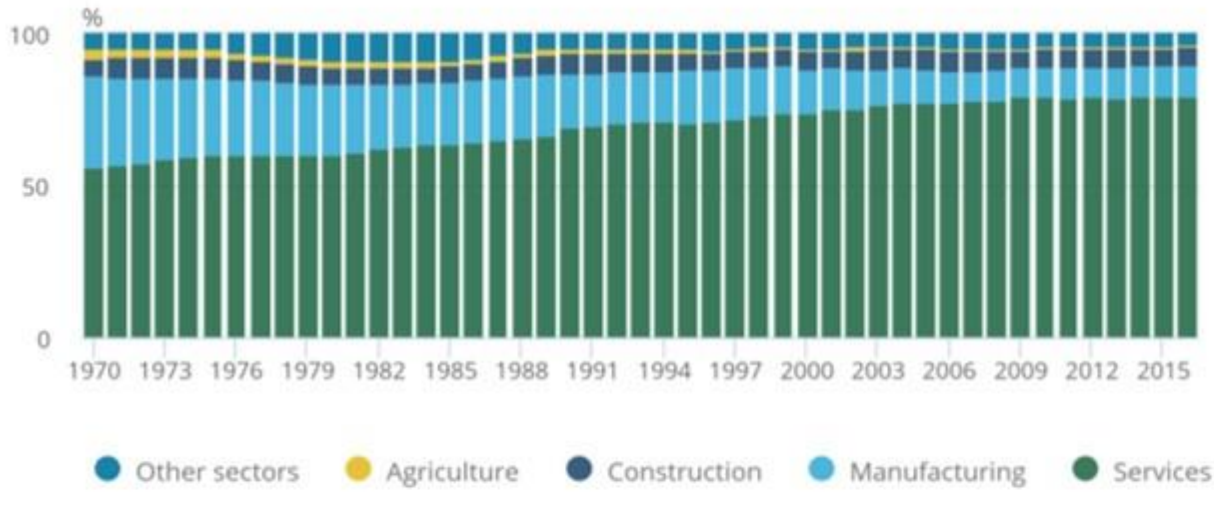
One memory that is very vivid during school holidays was the that mid-morning sandwich order from the small engineering factories close to our café. This provided a steady trade and you got to see many workers who called in for meals at lunchtime including, as he described on the *Johnnie Walker Show* in 2012, one who’d go on to achieve fame as a singer, Kevin Rowland of Dexy’s Midnight Runners.

Those who lived in an area such as Acocks Green, a suburb of Birmingham in which large houses had been built following the opening of a station on the Birmingham to Oxford railway in 1852, could find work relatively easily in the local area. Those prepared to travel by a further afield by bus, train or car, could gain employment in the bigger factories such as Joseph Lucas which owned many plants or the huge Austin car plant at Longbridge. Children with a parent or relative working at Cadbury's in Bournville where luckiest, as there was the perk of cheap chocolate for workers.

Sentimentality aside, in reflecting on what's happened since decimalisation, a walk through a suburb such as Acocks Green tells a story of decline. The big houses are still there. However, many shops and pubs the local community used are closed. Sadly, the small factories providing trade to my parent's business have disappeared, as has the café my parents sold the year after decimalisation.

This demonstration of the virtuous flow of income will have been played out literally hundreds of thousands of times throughout Birmingham and the other parts of this country that have borne the brunt of socially destructive slimming and closures of manufacturing facilities across the country. Companies that once dominated the landscape and provided valuable employment are mere memories. My own mother worked in the Lucas factory on Shaftsmoor Lane until she retired.

Office for National Statistics (ONS) data show that the UK economy has altered from one in which manufacturing has a significant influence to being utterly reliant on service-based industries:



Source: ONS

As part of the BBC article cited above analysing the level of unemployment in 2019, in which there's comparison to 1970, the question is asked by its economics correspondent, Andy Verity, 'Why are jobs, but not investment, flourishing?' Verity contends employers seem comfortable with a situation in which they have flexibility to cope with uncertainty and "risks fall on employees" who can be "let go" should business decline.

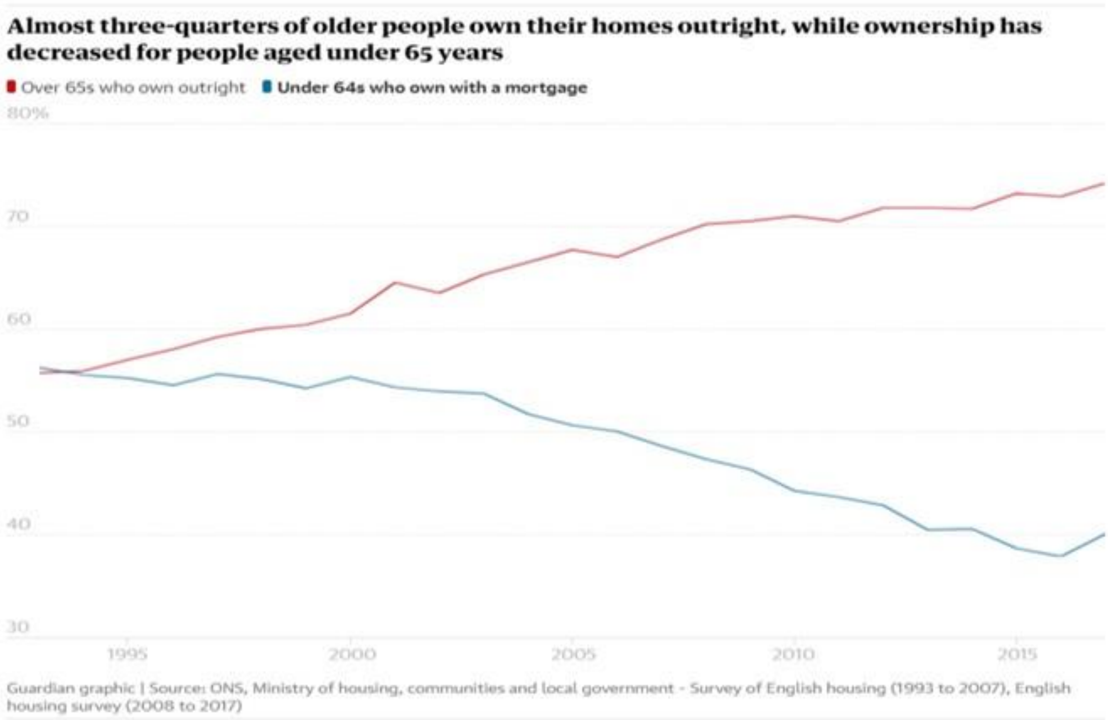
Employers, possibly experiencing recessions in preceding decades, have been chastened. In the absence of guaranteed orders for the future, they're unwilling to invest in new plant and machinery making them more productive and competitive. The downside may be, as we're seeing is fewer workers needed. But as recent news from Cadbury's and Jaguar Land Rover shows, research and innovation in new products is essential to protect the future of workers still employed.

Socially, since decimalisation, there's been other changes affecting people. Added to increasing lack of security and the prospect of unemployment, access to home ownership is an issue of concern. In 1971 the average house cost £5,632. Adjusted for inflation that would be just under £83,000 now. The average salary in 1971 was £2,000 which would be worth £29,500 now.

According to *Financial Reporter*, affordability is an ever-increasing problem for many. If, in 1971, the average house price was between two and a half and three times average salary, the latest data shows how affordability has massively declined in 50 years.

Average net salary in £25,123 in 2020 representing a decline when compared to 1971. The average house price last year was £249,633. It's not hard to see why the dream of owning your own home, though only 51% in 1971 but increasing, seemed increasingly implausible.

Data shows that there is a trend by which those who own their own home, the older generation is increasing whilst among those who are younger its decreasing. As the *Guardian* reported in early February 2020, the decrease in home ownership is notable in those "in their mid-30s to mid-40s" who are "three times more likely to rent than 20 years ago".



Source: *Guardian*

Home ownership in 1971 stood at 51% and peaked at almost 70% in 2002 and fallen steadily since. Lat year it was 62%. This hardly bodes well for a society in which younger members are able to look forward to brighter futures in terms of employment and access to home ownership. Worse, the impact of a pandemic that's devastated the economy may make life even harder for many.

Boris Johnson elected to get Brexit "done" may be forgiven for not having foreseen the pandemic. Outside of China Covid-19 was unknown before late December. His approach in dealing with the pandemic will be thoroughly careful examination in coming months and years. Vital lessons, it must be anticipated, will be learned.

Leaving the EU, though, and the way this has been achieved, is another matter. Problems currently being experienced are with dreadful daily, regularity, being reported. What we're discovering is the consequence of cutting ourselves off from our nearest neighbours and putting businesses exporting to the EU at distinct disadvantage. John Harris's report in *The Guardian* 'Covid has damaged our small businesses. Now Brexit might finish them off' shows how bad things are and likely to become.

Decimalisation Day In 1971 may have been regarded as a useful presage to the eventual entry to the EEC (European Economic Community). This, then, was still uncertain. Though Parliament commenced debate on joining the EEC in October, the European Communities Bill was not agreed until July 1972.

Entry to Europe was supposed to make us better off and improve our prospects. Evidence in the last six weeks suggests otherwise. Though the benefits of membership may not been enjoyed consistently, as we're discovering, leaving one of the most powerful trading blocs in the world, will not improve the lot of citizens, most particularly the young.

Back in 1971 the future looked bright. Humans had successful been to the moon and returned. Nothing seemed impossible. This country, regarded as one with a long and glorious history had, just over a quarter of century previously, emerged as a victor, with not assistance from America, over Hitler. Our membership of the EEC was, almost, universally welcomed as positive.

Though membership of the EEC/EU may not have ensured the continuance of jobs of those employed in the small factories in Acocks Green as well as so many other businesses, the government should recognise that departure is putting the jobs of so many risk. Surely the last thing we want, once the pandemic ends, is more jobs not fewer? Ideally, it must be hoped we return to a situation of well-paid employment with reasonable security and cheaper decent-quality housing.

Sadly, given the myopia of Brexiters, they'll refuse to listen. Worse, some might be tempted to argue independence means this country should return to the system of currency we used before decimalisation. Ridiculous as that sounds, economic evidence suggests it's no less rational than what's now occurring because of having left the EU on terms that are so disadvantageous to many businesses.

Dr. Steven McCabe is co-editor of *Brexit and Northern Ireland, Bordering on Confusion* (published by Bite-Sized Books, ISBN-

13:978-1694447807) and *English Regions After Brexit: Examining Potential Change through Devolved Power* (published by Bite-Sized Books, ISBN-13: 979-8666953099). He has contributed chapters to a number of texts in the last year (in 2020 unless otherwise stated): *Brexit Negotiations after Article 50: Assessing Process, Progress and Impact* (published in 2019 by Emerald Publishing, ISBN: 978-1787697683); *The Wolves in the Forest: Tackling Inequality in the 21st Century* edited by Hindley and Hishman (published in 2019 by Social Liberal Forum); *Boris, Brexit and the Media* edited by Mair, Clark, Fowler, Snoddy and Tait (published by Abramis Academic Publishing, ISBN-13: 978-1845497644); *The Virus and the Media: How British Journalists Covered the Pandemic,* edited by Mair (published by Bite-Sized Books, ISBN-13: 979-8643725824); *The Pandemic, Where Did We Go Wrong?* edited by Mair (published by Bite-Sized Books, ISBN-13: 979-8665858326); *BBC, A Winter of Discontent?* edited by Mair (published by Bite-Sized Books ISBN-13: 979-8694863117) and *The Pandemic, Where are We Still Going Wrong?* edited by Mair, (published by Bite-Sized Books ISBN-13: 979-8563726338). His latest chapter, 'Does Vaccination offer Johnson a Way out of the Pandemic?' is published in *Pandemic, A Year of Mistakes?* Edited by Mair to be published by Bite-Sized Books (ISBN-13: 979-8702357799).