

- All major currencies devalued
- Ushered in a new era of deregulation

3. 1973 Oil Crisis

- Oil was priced in dollars, which became an issue for the oil market due to uncertainties and the devaluing of currency
- OPEC countered by increasing price of oil by 400%
- Oil exporters did well (always a market for oil regardless of price) and invested in money markets
- \$50 billion dollars 'recycled'
- Invested in developing countries
- Increased the intensity and extensity of global financial flows
- Increased innovation and speculation in commodity markets

Impacts - Recession

USA:

- Crisis in production (overseas [NIC] competition)
- Stock market crash
- High inflation
- Rising unemployment
- The usual recession story

UK:

- The '3-Day Week' - businesses only allowed to open for 3 days/week due to oil rationing (1973)
- Inflation reached 20%
- Widespread strikes by miners
- Culminated in the Winter of Discontent in 1978

By the Mid-1970s...

- Bretton Woods had collapsed
- Oil prices had rocketed
- Increased global competition from NICs (problematic for countries that specialised in manufacturing)
- Rise of mass unemployment (highest rate = 11.9% in 1984)
- Decline of mass production - but essentially matched by a rapid increase in service sector jobs (finance, retail, etc.)
- Saturation of markets - consumer becoming more important, with rising levels of consumer choice, no longer wanted mass produced goods that were the same as everyone else's
- Fiscal crisis of welfare states

The Big Contradiction

- Nation States still tried to act as though their economies were organised and managed
- The reality had changed drastically
- Heralded a new way of thinking that eroded the organisation autonomy of the nation state
- This (two-headed) beast of neoliberalism was...
 - Margaret Thatcher (Prime Minister 1979-1990)
 - Ronald Reagan (President 1981-1989)
- Set us on the path for the economic system we have today