

ECONOMICS IN THE REAL WORLD

PROTECTIONISM

ACTIVITY 2



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UK Coal Industry

Due to increasing competition from new fuel sources, such as oil and gas, alongside foreign nations producing coal cheaper, many coal mines closed during the second half of the 1960s. Subsequent governments attempted to support the industry and stop more mines being closed, reducing the potentially significant social impacts.

'Conservatives forbade coal imports and taxed fuel oil to make British coal more competitive. Wilson's Labour government acted more directly, and the Coal Industry Act of 1965 allowed the National Coal Board (NCB) to write off

£400 million in debt and ease its financial position. As the industry was rationalised in the late 1960s, the Coal Industry Act of 1967 provided subsidisation of redundancy and early retirement.

The Heath government alleviated the NCB deficits through grants and, by the 1970s, coal mining had become a state-subsidised and protected industry.'

In doing so they achieved their goals of protecting the industry however the taxpayer was left to foot the bill of increasingly expensive subsidies, and in 1984 Margaret Thatcher announced the start of the process in closing UK mines.

Japan

Post WW2 Japan's economy was struggling with many key industrial industries severely damaged from bombings and a lack of developed firms in high value added sectors.

The government decided something had to be done. They introduced tariffs, and other protectionist measures on highly income elastic goods, alongside introducing large subsidies and tax breaks to try and support the development of domestic industries.

These policies did not last forever and Japan has since embraced free trade. Recently supporting the EU - Japan Economic Partnership Agreement (EJPA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which entered into force on February 1st 2019 and January 14th 2019 respectively.

Today Japan has many successful, innovative domestic firms notably Sony, Panasonic, Toshiba in the tech space. Alongside significant players in the automotive industry with Toyota, Mitsubishi and Honda.

Sources:

1: <https://www.nationalarchives.gov.uk/cabinetpapers/themes/coal-nationalised-industry.htm>, <https://www.joshuakennon.com/margaret-thatcher-and-the-british-coal-miners-strike/#:~:text=0n%20March%206th%2C%201984%2C%20MacGregor%E2%80%99s%20National%20Coal%20Board,the%20British%20coal%20industry%20up%20to%20competitive%20levels.>

2: <https://www.theperspective.se/2019/05/07/article/japanese-trade-policy-in-a-world-of-protectionism-japan-remains-open-for-business/>