Topic 1: Britain's Economic Record 1945-97: An Introduction to the Course

1 Aims & Objectives

This introductory topic is quite important for the course as a whole. It is something more than an introduction. It gives an overview of both the subject area and the methodology for the course.

One way of thinking about what we will be doing this year would go under the heading 'British society and economy 1945-97 in 30 graphs, maps and tables'. For each section of each topic we are going to consider a piece of economic information from Floud and Johnson, in the main, interpret it, and discuss the implications this economic information has for the history we are dealing with. Over the year, you will therefore build up the skills to work through this material in a more informed manner.

Further, this topic will give a historical overview for our course through our time period. You will find that the chapters in Floud and Johnson are actually quite focussed on their individual subject areas. While they build up to give a comprehensive view of the British society and economy in the later part of the twentieth century, individually, they do not constitute the type of linear or chronological history you may have dealt with in the past. This topic will therefore help survey the historical contours of 1945-97 to help you put some of the individual chapters in a broader perspective.

Finally, we will deal with the main periodization, which also maps with the main bodies of economic thought which informed British government policy over our period.

Learning Outcomes

By the end of this topic, you should:

1. be able to appreciate the main interpretive methodology we are going to apply through the course;

2. have an idea of the main events which affected the national economy over the period covered by the course; and
3. get to grips with the periodization of the course, as it maps onto the main body of economic thought informing government policy through our time period.

**2 Debt**

**Debt then and now: The question of failure**

At least in part, you might consider economic and social history as a way of putting contemporary issues into perspective, by reflecting on how similar issues affected nations in the past. The coming of the ‘Great Recession’ (from 2008) has made debt, and particularly government debt, a key and central issue in contemporary politics and international relations. So let us start with debt, and what the British government owed in 1945.

**IMAGE ONLY AVAILABLE TO ENROLLED STUDENTS**

*Fig 1.1 National debt as a proportion of GDP over the twentieth century.*


*The Guardian* newspaper, on 24 January 2012 ran the following headline: “Britain’s national debt tops £1 trillion” ([http://www.guardian.co.uk/business/2012/jan/24/britain-national-debt-tops-one-trillion](http://www.guardian.co.uk/business/2012/jan/24/britain-national-debt-tops-one-trillion)). This suggests that the British government’s accumulated debt – expenditure over income from taxation and the like, amounted to 64.2% of the current size of the economy as measured by gross domestic product (GDP – more on which later... unless you have already grabbed your economics dictionary – which would be a good move).

That means that at the beginning of 2012 the British government owed its debtors the equivalent of roughly two-thirds of all economic activity in the country during the year. Thankfully, they will not have to pay it back immediately. However, the scale of debt accumulated internationally by respective governments has become a major issue since the beginning of the ‘Great Recession’, as the extent of debt held by the public sector (the government and its associated arms and enterprises) has become a major barometer of national and international confidence.
The Conservative-led coalition government in Britain since May 2010 (formed with the Liberal Democrats), has been constraining the growth of public spending in order stop the further rapid accumulation of government debt undermining international faith in the British economy. In truth, both Labour and the Conservatives were proposing a degree of ‘austerity’ – reduced government expenditure – at the 2010 General Election. The difference between the major political parties was the extent to which cuts would be made, and how quickly.

This is similar to what happened in the post-1945 period when the main political parties had similar economic policy agendas, and this could be seen particularly in the 1950s and the 1960s. We will not spend very much of the course comparing the contemporary period with Britain’s historical record, but there will be scope to reflect on this during the seminars (once we have completed the main tasks in each seminar, of course), but we wanted to make this comparison for a very specific reason.

As you go through the literature on Britain’s historical record after 1945, a recurring theme is that of ‘failure’. The British economy in particular is seen to have ‘failed’, in terms of growth, after 1945. It would be very easy to run the entire course confirming this perspective: there is certainly a large enough literature apparently confirming this view. The coming of the ‘Great Recession’, and the widespread media discussion of government indebtedness, led us to reconsider the ‘failure’ argument in this context. How might we consider Britain’s record after 1945 if we focussed on government debt?

**Debt as a percentage of the GDP**

Figure 1.1 gives the graph of government debt as a percentage of GDP (i.e. the size of the economy). This graph is therefore broadly comparable with The Guardian figure of 64.2% in 2012. During the period 1945-50, government indebtedness peaked at over 250% of the size of the economy. That meant that for every £1 transacted in the economy, the government owed £2 10s (£2.50). The figure for 2012 is roughly 64p per £1 transacted. Proportionately, the current situation does not seem so bad. Clearly, what is shown in Figure 1.1 needs further explanation, but this analysis holds. In fact, in modern terms, we could even talk about the ‘success’ Britain made of its economy between 1945 and 1975 by reducing the level of debt from 250% of GDP to about 50%; and then subsequent governments maintaining that ratio for the last quarter of the twentieth century. This is not a case of ‘lies,
damned lies and statistics’: the previous statement is a legitimate way of interpreting the graph.

Is there a problem with describing the reduction and stabilization of government debt over the period of our course as a ‘success’? If not, why does the literature we are going to consult over the course continually refer to ‘failure’?

*The Guardian* gives us further insight here. In May 2012 they published an analysis of what happened to government debt from 1946 ([http://www.guardian.co.uk/news/datablog/2010/oct/18/deficit-debt-government-borrowing-data](http://www.guardian.co.uk/news/datablog/2010/oct/18/deficit-debt-government-borrowing-data)). You might be surprised to learn that, with the exception of a few years from the end at the 1980s, governments actually *accumulated* further debt, in nominal monetary terms. How is this possible?

**Not the size, but the speed**

It is not difficult to understand. The percentage of government debt can stabilize, as it did after c.1975, if the growth of government borrowing is in line with the growth in the size of the economy. The main contemporary problem is not (necessarily) the size of the debt, but how quickly governments were accumulating new debt. In Britain’s case, large amounts were spent by the governments at the end of the first decade of the twentieth century to support the banking system (due to their own debt problems). This meant the British government had to sell long-term debt – bonds – and borrow from the financial markets to underpin the banking system. In many respects, even after that expenditure, Britain’s debt levels were not that bad: the BBC, at the end of 2009, suggested in comparison with other major economies, Britain was “no worse off than the rest of them” ([http://news.bbc.co.uk/1/hi/business/8415703.stm](http://news.bbc.co.uk/1/hi/business/8415703.stm)).

What about the long-term decline in government debt c.1945-75? Was that a ‘success’? As we will discuss later in the course, the 1950-1973 era in the west is considered as the ‘golden age’ of capitalist economic growth. Compared with the immediate interwar period (1919-39), Britain did exceptionally well. The economy grew consistently, government tax returns were healthy, and therefore the long-term ratio of government debt to GDP declined. The level of debt from 1945 into the early 1950s was a constraint, and the then government’s ‘export push’ saw constrained domestic consumption, and rationing in one form or another through the early post-war years. The immediate post war
period was a real ‘era of austerity’, compared to the second decade of the twenty-first century.

**The relative price of debt**

There is also another aspect of government debt in the post-1945 era which helps to explain the decline from 250% to 50% over thirty years. The trend of domestic prices in peacetime before the Second World War – not just for 1919-39, but for most 20 year periods of peace before 1939 – was downwards. Workers would find that their ‘nominal’ wages (the amount of money they received) increased in value as the price of the goods reduced over time. Their ‘real’ wages – the value of wages measured by what they can purchase – went up.

After 1945, the reverse is consistently true – domestic price rises have gone on year-on-year in western nations. Real wages have also increased – people have received pay increases consistently in advance of inflation in aggregate – over the same period. However, persistent price increases – inflation – consistently erodes the value of debt (and savings, for that matter). Government bonds tend to be issued for relatively long periods – 20 years would not be unusual in the past – and at comparatively low rates of fixed interests. The rate of interest tends to reflect risk, and national governments rarely ‘go out of business’.

Until the ‘Great Recession’, at least. Therefore, investors in government bonds trade higher rates of interest on commercial loans for the security associated with government debt.

The nominal value of government debt previously accumulated, plus the relatively low rates of interest offered, meant that the national debt was ‘inflated away’, relative to increases in prices, the size of the economy and government income. If you want an example of how inflation can ‘cleanse’ (remove) debt, look at the German hyperinflation of 1922-23. When the German currency was re-established in 1924, pre-existing commercial debt was effectively nil. This is an extreme example, but the principle still applies – in the presence of inflation, debt can be eroded by price increases. This is not to belittle Britain’s achievement in reducing the level of debt after 1945, but to emphasize that there are a number of factors at play – including government policy – and that contemporary historical and modern concerns can differ as the years pass.
The wages of war

Moving back to Figure 1.1, the long-term figures indicate that at the beginning and end of the twentieth century the relative level of debt was stable – around 40% before the First World War, and 50% after c.1975. For the intervening 60 years, the profile of government debt in this country was dominated by the need to finance war, and its aftermath. The First World War saw the level of government indebtedness quadruple. Although there was a decline through to 1940, the cost of social expenditure in an era of mass unemployment still saw that indebtedness persist at three times the pre-1914 levels, only for that relative percentage compared to GDP to double through to the end of the Second World War.

War, or the preparation for war, appears historically to be the only reason why British governments would consistently push up their debt levels. The British Empire was on the winning side at the end of the Second World War, but Britain itself was faced with a debt legacy which took 30 years to work through. It is these sort of paradoxes which make the analysis of British economic performance and the wellbeing of the British public difficult to generalise about in comparative terms. Which is why, in part, you are doing this course.

Systematic accounting vs. historical estimates

Finally, in considering Figure 1.1, you also need to consider what you are looking at. The modern western capitalist state apparatus is largely a post-1945 creation. A sweeping statement, but one which is particularly true when it comes to economic statistics. As a trading nation, Britain always kept very detailed statistics of imports and exports – not least because import duties (tariffs) were an important source of taxation before the creation of the modern state. With the 1911 and 1920 National Insurance Acts, detailed unemployment statistics were kept for those covered by the acts (approximately 50% of the working population after 1920), but detailed and comprehensive national statistics collected contemporary to events is really a facet of the post-1945 world. The adoption of the principles of Keynesian economics (after John Maynard Keynes) during the Second World War and beyond meant that accurate national statistics were needed for government planning purposes. Nobel-prize winning economics Simon Kuznets (http://www.nobelprize.org/nobel_prizes/economics/laureates/1971/kuznets-autobio.html) did pioneering work on how to calculate the size
of national economies in comparison, and after 1945 the process of ‘national income accounting’ was revised and improved upon. Therefore, while commentators might take issue with the usefulness of GDP as a measure of ‘national accounting’ and national income, it is at least a reasonably consistently calculated measure.

For our period of study (post-1945), figures were collected and calculated systematically. Before that date the size of the national debt was something which was very closely accounted for in Britain, but the GDP estimates before 1945 are historical estimates, reconstructed from evidence available from the time, but not collected or complied for national income accounting purposes.

We can take these estimates of GDP as being a good and trustworthy measure of the British economy – Charles Feinstein, who compiled estimates for 1855-1965, published in 1972, was painstaking in his work (see Offer, Avner. ‘Charles Feinstein (1932–2004) and British Historical National Accounts’. University of Oxford Discussion Papers in Economic and Social History, 70 (2008): 1-27. http://www.nuff.ox.ac.uk/economics/history/Paper70/70offer.pdf). However, Feinstein projected his figures to 1965 – 20 years into the ‘modern period’ - so that the post-1945 estimates would marry up with the more modern and sophisticated accounting practices from the mid-1960s. The point being that you need to keep in mind what is being presented to you, and how it is represented. We are not expecting you to critically appraise sources in the same way every time we go through a graph or table, but be aware of the strengths (and weaknesses) of the statistics which are being presented to you. It will make a difference when it comes to whether you accept the interpretations in Floud and Johnson.

**In conclusion**

We will not be going through any individual graphs in quite the same detail as we have here. This is intended to be an extended introduction, and to go through one of the approaches we will be using. The key concept might be ‘demystification’ of the economic statistics for the course, but you might not be feeling that the veils have been drawn very much after this start! What we will be doing topic by topic is helping to explain the economic statistics in Floud and Johnson in the main, and we are relying on your own reading, and the seminars, to expand the discussion of the historical.
3 Reflective Task 1.1

In the preceding section, the reduction of relative government debt c.1945‐75 was suggested as an alternative measure of economic success of the British economy after 1945. Is this a good measure? What other measures might you look to to gauge whether a country was doing ‘well’, or not?

4 Reconstruction and the Golden Age

IMAGE ONLY AVAILABLE TO ENROLLED STUDENTS

Fig. 1.2 UK GDP growth, 1949‐2000 (annual % change) Source: Kitson, M. ‘Failure Followed by Success or Success Followed by Failure? A Re‐Examination of British Economic Growth since 1949’, in Floud and Johnson (eds). vol. 3: Structural Change: 31.

We are going to spend most of the next topic dealing with the legacy of the Second World War, and particularly on the problems of reconstruction after 1945, so we will touch on this lightly here and move on to outline the main periods of growth from 1951 and thereafter.

More government

It is an unusual aside to consider that Winston Churchill was not Prime Minister either at the beginning of the Second World War as we conventionally date it in the west (1939‐45), or at the end. In July 1945 Clement Attlee became Prime Minister of the first majority Labour government in British history. Attlee had been embedded in the Churchill war cabinet as Deputy Prime Minister from 1942. Along with a number of prominent members of the Labour party, Attlee had experience of office in the war coalition, but becoming Prime Minister in 1945 was an entirely different prospect.

The Labour party came to office with an overtly socialist manifest, although this might be seen as relatively moderate in retrospect. However, there were some markedly radical policies enacted while Labour were in power up to 1951, most notably the creation of the National Health Service (NHS) and a more comprehensive welfare state, following Sir William Beveridge’s recommendations from 1942, and the
nationalisation of key and strategic industries. Both of which we will deal with in greater detail later in the course, but both mark a sea-change in the direction of government economic and social policy, and finally ended the guiding principles of laissez-faire in the operation of the state.

These ‘leave well alone’ principles of government had been weakened after 1931, but the experience of planning and management of the economy during wartime had shown the population that overt state intervention could work, and work effectively. There was an expectation that this role of government would continue beyond the Second World War, and the direction that Attlee’s government took was in keeping with this expectation. They were also faced with grim constraints, which limited Labour’s room for manoeuvre. Most obvious of these was the degree of internal and external debt. Britain can be said to have mortgaged itself to secure its freedom from fascist Europe in the 1940s, and even with the substantial assistance of United States and the Empire, Britain had a long haul to return to a position of global economic prominence after 1945. It is debateable whether Britain ever approached the economic prominence in the world that it held in 1913, and the two world wars fundamentally changed Britain’s position on world export markets.

That said, Britain did move from a period of austerity to one of relative affluence during the 1950s and into the 1960s. Figure 1.2 covers virtually the entire period of the course, and we will discuss it not only for 1950-73, but into the 1970s and beyond in this section.

For Britain, the ‘golden age of western economic growth’ constituted an average running at about 3% per annum in real GDP throughout the 1950s and 1960s. Whether this was a good return during these prosperous years we will come back to, and it is this debate which informs the ‘failure’ analysis.

**Slow growth**

The first part of the graph shows the annual percentage change in GDP, adjusted for price changes (hence ‘real’) from 1949 through to 1973. The broken dotted horizontal line represents the average growth for the period, at approximately 3%. However, you will note that the year-on-year figures vary quiet markedly, which you might interpret as a representation of the business cycle, roughly operating on a four-seven year basis. The key thing to consider here is the fluctuation around that
dotted horizontal line. At the peaks in the cycle Britain achieved growth. At their depths, they are dropping below 0.5% in the 1950s, but rarely below 2.0% in the 1960s. Even at the ‘bottom of the cycle’ the economy was still growing, albeit at a reduced rate. Further, an average of 3% marked a substantial improvement over Britain’s economic growth record 1919-39, which averaged around 1¼% per annum. In fact, research in the latter part of the twentieth century suggests that, even through the industrial revolution period (now dated at 1700-1850), Britain could be considered a ‘slow-growth’ country, averaging 1% per annum. This issue of ‘slow growth’ might actually help explain why the figures show a reasonable degree of variation around that 3% mean. Economic policies in the 1950s and the 1960s are sometimes considered as ‘stop-go’. A slightly odd phrase, but one which sums up well some government concerns in the period. There was a tendency for more rapid economic growth in Britain to fuel inflation, and critically, overseas importation. Britons had a high ‘marginal propensity to import’: put simply, give them an additional pound to spend, and the great majority of it would be spent on overseas products. Therefore, governments would periodically look to dampen down growth, so that the balance of payment figures on physical trade and services would not show a deficit.

Governments could lose elections over such matters, and arguably Harold Wilson’s Labour government lost the 1970 General Election over poor trade statistics published in the run-up to the poll itself. Again, commentators have cited the need to accelerate growth, and then to limit it, as a failure of economic policy, if not the economy itself. However, there was one area in which it was very clear that the problems of the 1920s and 1930s were completely avoided during the ‘golden age’. Mass unemployment was never a problem in the 1950s and 1960s in the way it was in the interwar years, or in the following period. 1973 marked a very definite end to this period of prosperity. The increased price of imported oil 1973-74, and again in 1979-80, upset the working of most western economies, not just Britain’s. This was in the decade before Britain became self-sufficient in oil from the North Sea, and Britain fared worse in both mass unemployment and inflation than other western nations.

Figure 1.2 divides the period it deals with in two. It is probably better to think of a further subdivision under ‘phase two’, and to consider the 1970s (or more specifically, 1973-79) separately from the period after 1979. Most people would point out that there must be a link between
the graph and the election of Mrs Thatcher in 1979, but this is only part of the story. In the main, this course will avoid explicit discussion of individual administrations. That is difficult when it comes to the Conservative administration 1979-90, but nevertheless, it is possible to argue that actually it is 1976 which saw the switch away from Keynesianism and back to neo-classical economics, before Mrs Thatcher came into office.

**Stagflation**

The shift associated with her administration is important, but we are thinking more of another phenomenon associated with the 1970s in considering the decade separately: stagflation. The combination of economic STAGnation (poor rates of economic growth and mass unemployment) and inFLATION (high and persistent domestic and international price increases) at the same time was not supposed to happen, according to conventional economics of the time, and economics in the twenty-first century. As with the Great Depression (1929-33) there is no agreement as to why the stagflation relationship developed in the 1970s. It did, however, undermine faith in the economic policies of the ‘golden age’, and we might do best to consider the 1970s separately from the following two decades.

Taking the second panel of figure 1.2, you can see that the average growth level to 2000 is lower than the 1949-73 period, at approximately 2⅔% per annum. The variation of the figures is far more marked than after 1973, and the 1974-75, 1980-81 and 1991 figures are negative – the troughs of these cycles saw the size of the economy absolutely decline, not simply the rate of growth dipping. A drop of GDP of 1¾%-2% in each of these troughs is significant, and particularly the poor progress throughout the 1970s. Similarly, while the post-1982 period is blighted by the contraction of the economy in 1991, the growth in the rest of the 1980s and the 1990s is consistent with the better years of the ‘golden age’. In fact 1992/3 saw the beginning of another period of extended economic growth for 25 years in Britain, which came to a crashing end in 2008 and the beginning of the ‘Great Recession’.

**5 Reflective Task 1.2**

Review Figure 1.2. Do you agree with a ‘golden age’ – stagflation – post-1979 periodization? Can you identify a better set of sub-periods? (I am tempted to add ‘or does the graph just give you a headache’, but perhaps we will leave that for the seminars.)
6 The 1970s

The ‘Sick man of Europe’

The 1970s was not a good time for Britain. In this I am not talking about the Beatles breaking up, the emergence of glam rock, or the failure for England to qualify for the 1974 and 1978 world cups (while Scotland did). Joking apart, this is the era when Britain wore the mantle as the ‘sick man of Europe’ (http://www.bbc.co.uk/history/british/modern/thatcherism_01.shtml), a term which is applied to whichever European economy is performing worst at the time.

Inflation and unemployment was running in Britain at a faster rate than most of our European competitors in the stagflation period; but the 1970s are also associated with increased industrial conflict in disputes between mass membership trades unions and the government, through the nationalised industries and services.

Edward Heath’s Conservative administration (1972-74) failed to address union militancy in the energy or transport sectors operated by the government. Similarly, Jim Callaghan’s ‘winter of discontent’ (1978-79), saw repeated public and private sector strikes. Both Prime Ministers lost General Elections at the end of these periods of dispute. Possibly the nadir came with the ‘three-day week’ in the run-up to the first election in 1974, where firms could only rely on electricity for three days a week, as the government tried to conserve coal reserves; and the Healey/Callaghan negotiations in late-1976 with the International Monetary Fund (the IMF) to secure a stabilization loan of US$3.9B, conditional on reduced public expenditure by the British government. The latter event saw Labour being branded as having to go ‘cap in hand’ to the IMF; and this phrase is another one which recurs in the context of the ‘Great Recession’.

(See The Daily Telegraph’s comment on Iceland’s financial plight in 2008: “Iceland is poised to become the first Western nation to go cap-in-hand to the International Monetary Fund since Britain’s humiliating loan in 1976”
If you are interested in going into depth over exactly how bad the 1970s were from a social and economic policy perspective, the UK National Archives have digitized a number of cabinet documents from the period, which you can access following this link: [http://www.nationalarchives.gov.uk/cabinetpapers/themes/imf-crisis.htm#The%203.9%20billion%20loan](http://www.nationalarchives.gov.uk/cabinetpapers/themes/imf-crisis.htm#The%203.9%20billion%20loan). This site also covers a number of other issues discussed in this section, including the oil crisis, stagflation, and UK manufacturing in the 1970s, which will be useful later in the course.

Public spending

In terms of thinking about how to describe some of the economic trends during the period, Table 1.1 adds to some of our discussions earlier.

**Table 1.1. Public spending and deficits in the 1970s**


This illustrates the degree to which the government was becoming indebted during the crisis – returning to an earlier theme, but also the issue of the size of government. At the height of the stagflation crisis, the ‘government’ (public expenditure) accounted for 46½% for the economy as a whole. This represents a wholesale shift in the function of Government from the interwar period, and the end of laissez-faire following 1945.

With social and health expenditure, national ownership of a whole range of industries, including aero-engines, steel and car manufacturing, the scope and function of government had pushed the idea of a ‘mixed-economy’ to a near 50%-50% split public and private.

The size of government in the economy was inflated by the absolute decline in GDP around the peak year of 1975, but also by an increase in transfer payments to the unemployed as the stagflation era saw a return to benefit claimants *a la* the 1920s.

The discussion of ‘big government’ in the literature tends to focus on the function of government, but purely in terms of expenditure, this was a zenith for the UK government in the 1970s. Again, the problem was not simply the degree to which the government was spending, but also the rate at which they were accumulating additional debt.
In 1976 – the year of the IMF loan - that amounted to 5% of the size of the economy. Subsequent to the IMF loan, you can see that public expenditure and borrowing as a percentage of the economy both trended downwards – the loan, as noted above, came with ‘strings attached’. Therefore it is possible to argue that it was a Labour Chancellor – Denis Healey - who ushered in the neo-classical revival in government policy making, two-and-a-half years before Mrs Thatcher came to office.

7 Reflective Task 1.3

Read through some of the National Archive material at http://www.nationalarchives.gov.uk/cabinetpapers/default.htm

Consider how your assessment of the situation in the 1970s is shaped by the opportunity to review some of the original documents, as presented to the government of the time.

8 Nineteen-Seventy-Nine and Beyond.

Old Economic theories never die

Clearly, the course will contain a lot about the post-1979 period. To a certain extent, the course will contrast the pre-1973 economy with the post-1979 era. We will deal with the 1945-51 period in the next topic; and the stagflation period will be assessed where relevant while we go along.

However, you might want to consider something explicitly dealt with in earlier sections: the return to neo-classical economics from the 1970s. Again, the idea to ‘return’ to a body of economic thought which was originally developed, mainly in Britain (1890-1920) might seem a little odd. Although the terms ‘monetarism’, ‘free market economics’, ‘deregulation’ and ‘privatisation’ all became current in the late-1970s and the 1980s, they actually hark back to the economics of the 1920s, which failed to deal with the legacy of the First World War, now employed to tackle successfully the problems of the Great Depression. In fact, it can be argued that the failure of neo-classical economics in the 1920s and the 1930s spurred Keynes to formalise the body of thought associated with his name, and its adoption – to one degree or another - in the west from 1940 to 1973. Similarly, when disenchantment set in on the effectiveness of Keynesianism, there was a flip-back to neo-classical ideas as the central tenant of policy making. Economic ideas, somewhat like fashion, have their time and to a degree their adoption is
cyclical, with change usually occurring around the time of major crises, as the limitations of the previous approach are exposed.

**A clear break**

However, there was one respect in which the post-1979 period represented a clear break with the past. Having suffered structural downturns after the First World War, the Great Depression and the stagflation era, manufacturing as a dominant or mass employer was never to regain its position in the British economy again after 1979.

Table 1.2 gives information about aggregate employment figures for manufacturing and the economy as a whole 1951-1999.

**IMAGE ONLY AVAILABLE TO ENROLLED STUDENTS**

Table 1.2: Persons engaged in manufacturing and the whole economy, United Kingdom, 1951-1999 (thousands)  

Take the aggregate figures at the bottom first. Manufacturing employment increased slightly during the years 1951-73, before losing 550,000 posts in aggregate during the stagnation period. Twenty years later, there were 2.8m fewer posts in manufacturing in Britain, over a period where a million additional people were in work. Between 1979 and 1999, 550,000 workers left the metals trades, and over 1.1m engineering. Those employed in textiles and clothing more than halved over these score years. All manufacturing employment in these broad sectors declined.

This was not simply a reaction to Britain’s manufacturing position after 1979, but was the culmination of the long drawn out process dating from 1919 and the end of the First World War. There is a general sectorial shift in employment from agriculture to manufacturing and then from manufacturing to services as an industrial economy matures. However, Britain had completed the first shift almost entirely by beginning of the twentieth century. But by the beginning of the twenty-first, services had clearly become the largest employment sector. This shift in manufacturing employment after 1979 – which in the 1960s might have been described as ‘deindustrialisation’ – is a controversial part of the Conservative administration 1979-97, and particularly 1979-90. We will deal with this debate in a number of topics to follow through the year.
9 Reflective Task 1.4
Is there any irony in the fact that the first industrial nation shed manufacturing employment so rapidly in the last quarter of the twentieth century?

10 Summary and Conclusions
In giving this overview of the course material, we are asking you to think about the best way to deal with the sub-period of our course in an analytical framework. We are suggesting that

1. The 1945-51 period might be best dealt with as a discrete period, although some developments coming out of this reconstruction era had long-term implications, such as the welfare state and nationalisation;

2. The ‘golden age’ 1950-73 might be considered as a unitary period, based on the prosperity achieved, but also because the economic agendas of the two main political parties (Labour and the Conservatives) were very similar after 1951 – a point we will return to;

3. The 1970s, or specifically 1973-79, should be considered separately, as a period of economic crisis and policy indecisiveness, which saw the rejection of the main economic policy formation process from the ‘golden age’, followed by an uneasy transition to a revival of neo-classical economics as a guiding principle; and

4. The post-1979 period, dominated exclusively by one party, saw a ‘new consensus’ in policy making in government, even though it was an era of political confrontation between the Conservatives in government, the Labour party in opposition, and the representatives of labour in the workplace, the trade unions.

Much of our analysis will therefore rest on a comparison on how policy was made, and the population fared between these two period of ‘consensus’, 1951-73 and 1979-97.

11 Reflective Task 1.5
Go back over the figures and tables we have considered in this topic. Reassess them in the light of the four points above. Do you agree with the analysis as discussed of these economic statistics?