

Year 11 into Year 12 transition work

Task 1. The government of Clement Attlee, Labour Prime minister 1945-1951.

Key areas to research;

- What were his policies to improve Britain after the destruction of World War Two? (Political and economic policy)
- What policies were introduced to improve the lives of the people of Britain? (Social policy)
- What was Britain's position in the world? (Foreign policy)

Research needs to be typed up as a report that covers the three bullet points, do not go beyond the dates at the top as this will not be relevant to the task. The information gathered is essential for providing you with the background required to start A level History

Task 2. Reading for meaning; The Conservative government 1951-1964

Read the worksheet on how to make effective notes

Read the extract from the textbook and applying your reading skills to answer points 1-4

Task 2

How to help students make effective notes

The objective is to scaffold students towards greater independence in note taking whilst encouraging greater selectivity of recording and avoiding the copying out of entire sections.

Students read it using the 3F strategy:

Students read the text 3 times ...

FIRST - read the first line of each paragraph and any headings/sub headings. This provides the 'gist' of the chapter and allows the brain to create expectations that make further reading more purposeful.

FAST - speed read the entire chapter. Speed reading is done at a speed that allows the eyes to skim the word without allowing the brain to consciously process every word. Moving a plain sheet of paper down the page to block the text at a speed slightly faster than normal reading speed can be very useful. Research suggests 80% of final understanding can be gained through speed reading. The objective is to gain greater insight and to highlight key areas of interest/difficulty.

FOCUSED - re-read specific sections which the fast read has suggested will be useful, or which weren't thoroughly understood.

Then ask yourself a number of questions.

1. What are the key words/phrases/people/ideas in the chapter?
2. Create a spider diagram to show them or write notes about the sections.
3. Do you understand all the new words?
4. Create a glossary in the back of your book.

Then ask yourself if you could answer a question on the topic based only on your notes.

The affluent society: Britain, 1951–64

1 Conservative governments



Fig. 1 A street party to celebrate the coronation of Queen Elizabeth II in 1953

SOURCE 1

Douglas Jay was a Labour Party MP from 1946 until 1983. He served in the cabinets of Attlee from 1947 to 1950 and of Wilson from 1964 to 1967. He was a follower of John Maynard Keynes' economic theories. He wrote his autobiography which chronicled his political career in 1980:

1951 was the most fiercely fought, passionate, neck-and-neck campaign of all the parliamentary elections I contested. But we had almost everything against us – the Bevanite quarrel, the loss of Ernest Bevin and the swing back of votes due to the revival of the anti-Labour propaganda in the national press. The result was very close – Labour won more votes than ever before – but the 1951 election determined the course of British politics for thirteen years afterwards. The Conservative government that won in 1951 was destined to coast along into the economically easy years of the 1950s. Thanks to the tough policies followed by the Attlee governments, there was the first real rise in living standards since the 1930s and a relaxation in restrictions and controls. If Attlee had not felt compelled to call an election in 1951, the Labour government itself might have coasted through to the easy years.

LEARNING OBJECTIVES

- Conservative governments and reasons for political dominance: Churchill, Eden, Macmillan and Home as political leaders
- domestic policies
- internal Labour divisions
- reasons for the Conservatives' fall from power.

A CLOSER LOOK

The Bevanite quarrel refers to the split in the Labour Party in 1951 when Aneurin Bevan resigned as Minister of Labour over the Labour government's decision to introduce charges for prescriptions.

Conservative governments and reasons for political dominance

KEY TERM

first-past-the-post: a voting system whereby the candidate with the most votes in each constituency wins a seat in Parliament

In 1951 it was not immediately obvious that there would be a long period of Conservative dominance. Some Labour politicians were convinced they would soon return to power. Labour actually won more votes than the Conservative Party but the first-past-the-post electoral system meant that the Conservative Party won the most seats in the general election of that year and Winston Churchill became the new Conservative prime minister.

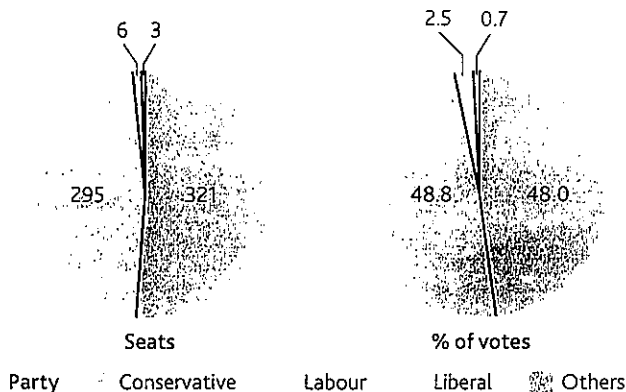


Fig. 2 General election results, 1951

Many Labour politicians regarded Churchill as a tired, old force and believed the Conservatives would struggle with the intense economic difficulties Britain faced. They were wrong. Labour would not return to power for another 13 years.

Churchill, Eden, Macmillan and Home as political leaders

KEY CHRONOLOGY

- 1951 Bevanite quarrel
Churchill becomes prime minister for second time
- 1955 Eden becomes prime minister
- 1956 Suez Crisis
- 1957 Eden resigns; Macmillan becomes prime minister
- 1963 Britain's EEC application rejected
Macmillan resigns

KEY PROFILE

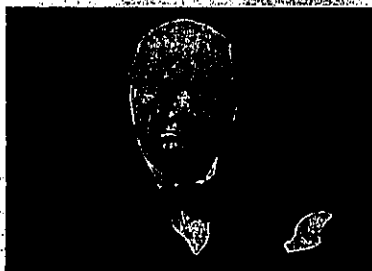


Fig. 3 Churchill led Britain through the Second World War

Winston Churchill (1874–1965) had been a cabinet minister in both Liberal and Conservative governments between 1906 and 1940. He became prime minister in the war crisis of May 1940 and led Britain to victory by 1945. After the war, he continued to play the role of world statesman even though the Conservatives were in opposition. He was prime minister again from 1951 to 1955.

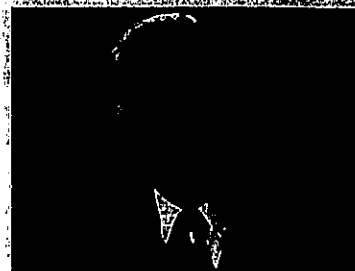


Fig. 4 Conservative politician Eden served three periods as foreign secretary

Anthony Eden (1897–1977) was a talented politician who had always been thought of as a future prime minister. He was a rising political star in the 1930s and played a key role in the Second World War as Winston Churchill's Foreign Secretary. On several occasions between 1951 and 1955 he was the acting prime minister in Churchill's absence. He became prime minister in 1955 but resigned in January 1957 at the Suez crisis, due to ill health.



Fig. 5 Butler was twice passed over for prime minister

R. A. Butler (1902–82) has become famous as ‘the best prime minister the Conservatives never had’. He came to prominence as architect of the 1944 Education Act and played a key role in the reorganisation of the party and its policies in preparation for returning to power in 1951. He was chancellor from 1951 to 1955 and seen as a possible leader of the party both in 1957 after the fall of Eden and again in 1963 when Macmillan resigned.



Fig. 6 Macmillan was known for his pragmatism and wit

Harold Macmillan (1894–1986) was MP for Stockton-on-Tees and was Churchill’s military liaison officer during the Second World War. He was a housing minister in Churchill’s government from 1951 and Foreign Secretary in the Eden government. In 1957, he ‘emerged’ as the new Conservative prime minister after Eden’s resignation. Macmillan’s politics were shaped by two world wars and by the **Great Depression** of the 1930s when he was MP for Stockton-on-Tees in the depressed northeast. Attlee said in 1951 that Macmillan had very nearly joined the Labour Party in the 1930s. He was very much what has been described as a **one-nation Conservative**.

Winston Churchill had gained his reputation for leading wartime Britain to victory but the Churchill of 1951 to 1955 was not really a great post-war prime minister. He was an old man (80 years old when he finally retired in 1955) with many serious ailments. He suffered a serious stroke in 1953 that left him with impaired speech, although this was kept secret at the time.

There were also other reasons for Churchill’s inactivity in domestic politics beyond age and illness. Churchill had always thought of himself as an international statesman, not a domestic politician. He spent more time abroad, meeting world leaders or relaxing at his favourite holiday spots, than in Downing Street. He believed that his key priority was to help ensure that no new conflict would break out, particularly because of the dangers of nuclear war.

Churchill also believed that he was above party politics. He had started off as a Conservative but had joined the Liberals in 1904 and served as a Liberal cabinet minister before the First World War before rejoining the Conservative Party in 1924. As prime minister in the 1950s he attempted to persuade Liberals to join his cabinet. He also used non-Conservative peers to oversee ministries.

His absenteeism meant that day-to-day government was often left with the acting prime minister, Anthony Eden, and key ministers such as Rab Butler, the **Chancellor of the Exchequer**, and Harold Macmillan, minister for housing. Churchill aimed to avoid any controversy with these appointments:

KEY TERM

Great Depression: this started in the United States with the Wall Street Crash when the value of shares on the stock exchange collapsed; economic activity was reduced across the whole world which led to mass unemployment in the 1930s; in Britain unemployment affected 25 per cent of the workforce

one-nation Conservative: believes that all classes in society have obligations to one another and that there is a particular responsibility for those who are better off to ensure the well-being of those who are worse off

KEY TERM

Chancellor of the Exchequer: the government minister responsible for economic and financial policy; the chancellor is often the most powerful person in the government after the prime minister

although Butler was not an economist Churchill believed that he would work well with Parliament and the trade unions and avoid any social and industrial conflict. Conservatives who were more critical of the post-war consensus had more limited roles in his government and suggestions of a radical break from the post-war consensus were rejected.

There were tensions within Churchill's government. Butler, Macmillan and Eden did not get on well; these rivalries lasted throughout the 13 years of Conservative rule. Relations also became strained between Churchill and Eden; as Churchill's heir-apparent, Eden frequently became impatient as he waited for Churchill to step down.

Eden as prime minister

When Eden at last took power in 1955, there were initially high hopes in the Conservative Party, especially when Eden called a general election and increased the Conservative majority from 17 seats to 60. Butler became Chancellor and Macmillan became Foreign Secretary.

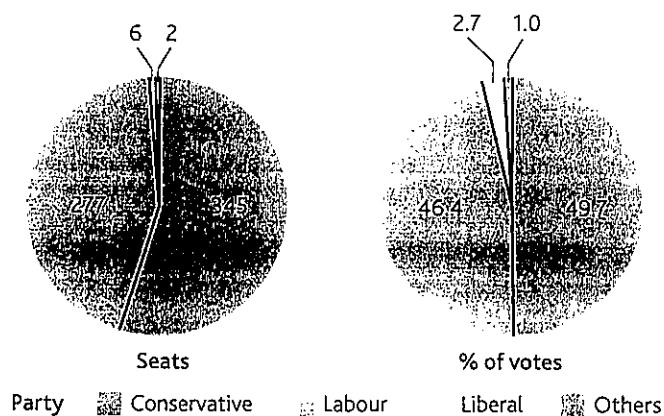


Fig. 7 General election results, 1955

Almost all of Eden's previous political experience had been in foreign policy and within six months some in the Conservative Party were voicing disquiet with his leadership as his lack of experience and interest in domestic affairs became more apparent. He was anxious about making decisions, and was particularly conscious of his lack of knowledge on economic issues. Like Churchill he aimed to prevent industrial conflict, and this led to criticism that he was too conciliatory with the trade unions. His weakness as leader was exemplified by his attempt to move Macmillan from the Foreign Office to the Treasury in October 1955. Macmillan did not want to move and managed to delay it until December.

However, it was Eden's decision to take military action during the Suez Crisis in 1956, ending in disaster, which really soured his reputation as leader. While Suez was first and foremost a diplomatic and military fiasco and a turning point for Britain's illusions of imperial power, it was also a political crisis. Eden came under heavy attack from the Labour Party in Parliament and from sections of the national press, notably the *Manchester Guardian*. He was accused of lying to the House of Commons and his reputation was badly damaged.

Suez also caused problems within the Conservative Party. The colonial minister, Anthony Nutting, resigned from the cabinet. There was a rebellion by nearly 40 Conservative MPs. The Chief Whip, Edward Heath, who was responsible for keeping the party in line was himself strongly opposed to Eden's actions. Worst of all for the government, the pressure from the

A CLOSER LOOK

Eden had told the House of Commons that Britain did not know that Israel planned to invade Egypt in December 1956; in reality the plan for France and Britain to intervene in Egypt after an Israeli invasion had been in place since October.

United States had exposed Britain's financial weakness. Eden never recovered from Suez and he resigned early in 1957, over ill health.

The Conservative Party was not, however, seriously damaged by Suez and although Macmillan had initially supported the intervention into Suez, he succeeded Eden as prime minister.

Macmillan's main rival was R. A. Butler. But Butler was not nearly as popular within the Conservative Party as he was with the country. His reputation had been damaged by introducing tax cuts shortly before the 1955 election which then had to be reversed after the election as the economy overheated. Most of Eden's cabinet preferred Macmillan and so he 'emerged' as the leader. Macmillan was seen as a safe choice and he had few enemies. There were also memories of the past: Macmillan had disagreed with the Conservative government in the 1930s, over both the policy of appeasement and the way to deal with the Great Depression and high unemployment. Butler, however, had been closely linked to the policy of appeasement.

Macmillan as prime minister

Party unity was restored, without lasting splits. Apparent economic prosperity continued to gain approval from the voters. For five years, Macmillan appeared to be in full control of affairs. Butler became Home Secretary. In October 1959, Macmillan called a general election. Macmillan, by now nicknamed 'Supermac', led the Conservatives to a comfortable victory, pushing the Conservative parliamentary majority up to 100 seats.

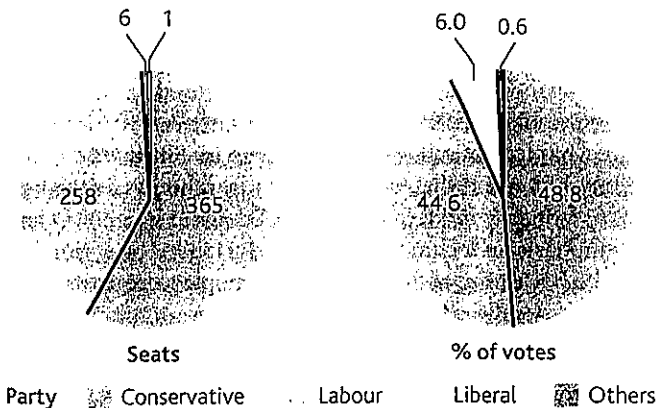


Fig. 8 General election results, 1959

The post-war economic boom was continuing. The Labour Party was in disarray, increasingly preoccupied with its own internal battles. Macmillan seemed to have the media in the palm of his hand, using the new political opportunities provided by television with flair.

Domestic policies

Most Conservatives had accepted many of the reforms of the previous Labour government. Attitudes towards industry, the trade unions and social policy were going to have to be very different from the 1930s because the experiences of the war years had made people far more ready to accept the need for state intervention and planning. The National Health Service (NHS) had already assumed iconic status. Partly by conviction and partly by necessity, the new government accepted the existence of the so-called post-war consensus.

KEY TERM

appeasement: a policy of making concessions in order to avoid conflict; in the 1930s the British government had aimed to prevent a war with Nazi Germany by following this policy, but failed

A CLOSER LOOK**Post-war consensus**

This is an understanding that after the Second World War there was a great deal of agreement between the main political parties on the major issues. There is a great deal of dispute amongst historians regarding what level of consensus there was and, if there was a consensus, when it ended. The elements normally identified as part of this consensus are:

- a belief in a mixed economy: involvement by the State as well as private enterprise
- support for the NHS and the welfare state
- a wish to ensure full employment and to avoid the mass unemployment of the 1930s
- working with both trade unions and employers.

The post-war consensus is sometimes called Butskellism, after the Conservative politician R. A. Butler and the Labour leader Hugh Gaitskell. But within both the Labour and Conservative parties there were different opinions about all of these areas of policy.

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- **Housing:** In 1951 the Conservative manifesto promised to build 300,000 houses a year. This would rebuild the housing stock destroyed during the war and replace many of the slums that people had lived in before the war. Macmillan, as housing minister, oversaw the success of this.
 - **Education:** The Conservatives also continued the tripartite system in education which had developed after the Butler Act of 1944. Three kinds of school emerged: the grammar school for the intellectually gifted; the technical school which would concentrate on practical and vocational skills; and the secondary modern which would give a basic education to the majority. Children would take an 11+ test in their last year of primary school to determine what type of school they would go to. Financial restraints under Churchill meant that, in practice, most schools were either grammar schools or secondary moderns, although Eden did start to try to promote a greater emphasis on technical education during his brief time as prime minister. By the beginning of the 1960s some people were starting to question whether this system was fair.
 - **Social reforms:** There were a number of social reforms during Macmillan's premiership. The Clean Air Act of 1956 aimed to prevent the smog of the 1950s and the Housing and Factory Acts aimed to improve living and working conditions. Butler as Home Secretary (1957–62), was more liberal than most other Conservatives and action started to be taken on some more controversial social issues such as homosexuality and the death penalty. The Homicide Act of 1957 restricted when the death penalty would be imposed and in 1957 the Wolfenden Commission recommended that homosexual behaviour should no longer be a criminal act. These issues would return in the 1960s.

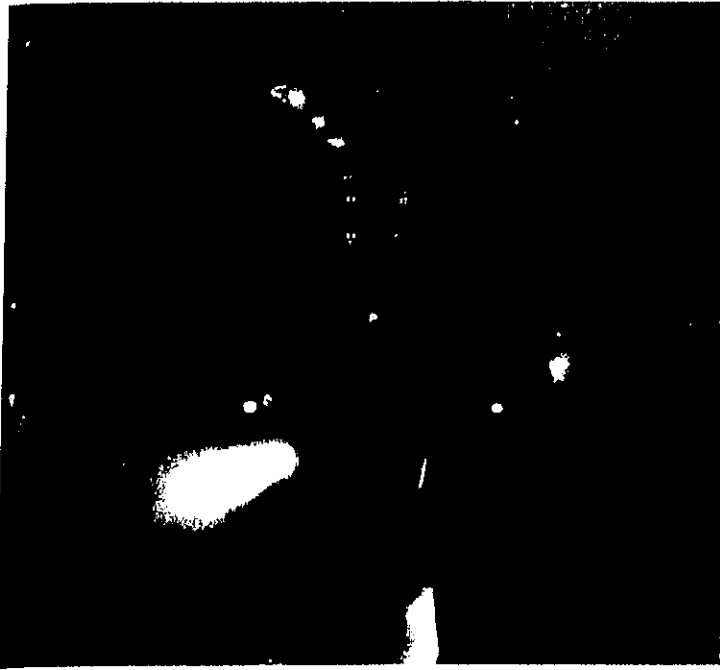


Fig. 9 Smog in London in the 1950s

Internal Labour divisions

The Labour Party had only narrowly lost the 1951 election. The total Labour vote, 14 million, was actually larger than in any of Labour's previous election victories. Many Labour activists believed they might soon return to power. In fact, the Labour Party was suffering from deep internal problems and these problems intensified during the 1950s. Attlee continued as leader until 1955 but the great wartime generation of Labour leaders was ageing and often in poor health. Party unity had been well maintained while in government but there was a growing split in the party, both in ideology and in personalities.

The key figures in this split were **Aneurin ('Nye') Bevan** and **Hugh Gaitskell** and the split seriously harmed the effectiveness of Labour's opposition to the Conservative government in the 1950s.

KEYPROFILE

Aneurin ('Nye') Bevan (1897–1960) had been minister of health in the Attlee government and was the architect of the NHS. He was a hero to the Labour Left. When Bevan resigned from the government in 1951 to protest against the introduction of prescription charges, he gained the support of many Labour MPs and trade unionists.

Hugh Gaitskell (1906–63) was the Chancellor of the Exchequer from 1950 to 1951 who introduced prescription charges. He was on the Right of the Labour Party and became the leader in 1955, defeating Bevan in the election. He attempted to reform the Labour Party but was unsuccessful.

The splits in the Labour movement widened during the later 1950s. Both Gaitskell and Bevan stood for the Labour Party leadership in 1955 when Attlee stepped down. Gaitskell, who was seen as being on the right of the Labour Party, defeated Bevan, who was seen as the leader of the left-wingers in the party.

unilateral nuclear disarmament: the policy of renouncing the use and possession of nuclear weapons without waiting for any international consultation or agreement

The left-wingers wanted the Labour Party to be more socialist. In addition there was growing opposition to the party leadership from the trade unions and simmering divisions over Britain's nuclear weapons. Initially Bevan opposed Britain developing nuclear weapons but in 1957 he announced opposition to **unilateral nuclear disarmament**, arguing that 'it would see British Foreign Secretary naked into the conference-chamber'. However, Labour left-wingers joined the Campaign for Nuclear Disarmament (CND) and the links between CND and the Labour Left may well have turned some voters away from Labour.

Until the late 1950s, the unions had been happy with full employment and their leaders were essentially moderates. In 1956, however, a left-winger **Frank Cousins**, became leader of one of the most powerful unions, the TGWU (Transport and General Workers Union). Cousins then led fierce union opposition to Gaitskell over Britain's nuclear weapons.

KEY PROFILE

Frank Cousins (1927–92) became leader of the TGWU in 1956. In 1958, he led an unsuccessful bus strike against the Macmillan government. In the Labour Party conference in October 1960, Cousins bitterly opposed Gaitskell's leadership of the Labour movement, specifically over nuclear weapons. Cousins had led the unions into taking left-wing positions hostile to the party leadership. These divisions carried on into the 1970s and 1980s.

Despite this, Labour entered the 1959 election campaign with some optimism. Gaitskell was a confident and effective campaigner, promoting moderate policies that Labour thought would be popular with voters. The extent of the defeat for Labour was a genuine surprise as well as a disappointment.

After this defeat the divisions became even more apparent and battles over the future direction of the Labour Party were fought out at the annual party conferences at Blackpool in 1959 and at Scarborough in 1960. At the 1959 conference, held just before the general election, Gaitskell put forward the idea of abolishing **Clause IV** of the party constitution, the clause that committed the party to **nationalisation**. It soon became clear, however, that opposition from the left wing and from some union leaders would be fierce; Gaitskell backed down without putting it to the vote. The Scarborough conference of 1960 became a legend in Labour's history because of Hugh Gaitskell's emotional speech when trying to convince the conference to reject unilateral nuclear disarmament. Although he lost the vote in 1960, he succeeded in overturning that result a year later.

nationalisation: State ownership of key industries; the demand for the State to control 'the commanding heights of the economy' had been a central principle of the Labour Party from its beginning

SOURCE 2

In the debate over nuclear disarmament at the Labour Party conference in Scarborough in 1960, the leader Hugh Gaitskell tried to convince the party not to support unilateral nuclear disarmament:

We may lose the vote today, and the result may deal this party a grave blow. It may not be possible to prevent this, but there are some of us, I think many of us, who will not accept that this blow need be mortal: who will not

believe that such an end is inevitable. There are some of us, Mr Chairman, who will fight, and fight, and fight again, to save the party we love. We will fight, and fight, and fight again, to bring back sanity and honesty and dignity, so that our party – with its great past – may retain its glory and its greatness.

Labour's political position slowly improved after 1960. It appeared more united. Cultural shifts in the country made the public more critical of the Conservative government by the beginning of the 1960s. And, in 1963, the death of Hugh Gaitskell had opened the way for Labour to elect **Harold Wilson** as leader.

Reasons for the Conservatives' fall from power

Harold Macmillan's nickname, 'Supermac', reflected his sure touch in politics and his flair for presentation. From 1962, however, this began to slip. Macmillan's own classic explanation of the causes of political ups and downs had always been: 'Events, dear boy, events'. In 1961 to 1963, numerous events came together to weaken his grip on government, leading finally to his resignation as prime minister in October 1963.

By the early 1960s there were growing concerns over the economy. Britain made an application to join the EEC in 1961; this application was rejected in 1963.

SOURCE 3

Macmillan recorded his thoughts in his diary after Britain's application to join the EEC was rejected in 1963:

All our policies, at home and abroad are in ruins. Our defence plans have been radically changed, from air to sea. European unity is no more; French domination of Europe is the new and alarming feature; the popularity of our government is declining. We have lost everything except our courage and determination.

Macmillan himself seemed to have lost his political touch. In response to the problems his government was facing, Macmillan radically reshuffled his cabinet in July 1962, sacking a third of it. This became known as the 'Night of the Long Knives'. It was intended to rejuvenate the government but it actually weakened it. Macmillan was made to seem clumsy. He also appeared increasingly out of touch. His image as an Edwardian gentleman and his marriage into the aristocracy made him appear out of date. The economic situation also continued to cause concern.

Worse still, in the early 1960s came a series of spy scandals: George Blake was convicted of being a Soviet double agent in 1961; and in 1962 John Vassall, a civil servant, was discovered to have been blackmailed, on the basis of his homosexuality, to pass information onto the Soviet Union. But the most infamous scandal, combining sex, spying and high politics was the Profumo

A CLOSER LOOK

The Profumo affair

John Profumo, the Defence Secretary, had a brief relationship with Christine Keeler. She was also sleeping with a Soviet spy called Ivanov, which raised questions about possible leaks of Cold War secrets. Profumo was forced to resign in disgrace.

KEY PROFILE

Sir Alec Douglas-Home (Lord Home) (1903-95) served as Foreign Secretary under both Macmillan and under Edward Heath (1970-74). When he was chosen to be the Conservative Party leader in 1963 he gave up his peerage so that he could sit in the House of Commons rather than the House of Lords. He also introduced elections for the Conservative leadership, as a formal system hadn't existed before 1965.

affair in 1963. The politician at the centre was Macmillan's Secretary of War, John Profumo. In his statements to Parliament, and in his personal assurances to the prime minister, Profumo lied about his actions. A public inquiry, headed by a high court judge, kept the affair in the headlines for weeks on end. The political impact of the **Profumo affair** was actually limited but the image of Macmillan and the Conservative government as out of touch was reinforced.

Macmillan's position was finally undermined by a serious illness. He had a major abdominal operation that kept him in hospital for weeks in the autumn of 1963 and he resigned in October. Macmillan had not prepared the way for anyone to succeed him, and the Conservative Party faced a divisive power struggle. There was strong opposition to the two most obvious candidates, Rab Butler and Lord Hailsham, and, in the end, a compromise candidate, **Lord Home**, a peer, emerged as the leader. The whole business made the Conservative Party seem trapped in a bygone age.



"THANK GOODNESS, WE EVOLVE OUR LEADER IN OUR OWN WAY AND DON'T ELECT HIM DEMOCRATICALLY LIKE THOSE SOCIALISTS!"

Fig. 10 The emergence of a new Conservative leader after the 'customary process of consultation'; cartoon by Vicky in the Evening Standard, October 1963 (left to right: unknown, Rab Butler, Quintin Hogg, Sir Alec Douglas-Home, McLeod, Reginald Maudling, Edward Heath)

2

Economic developments

LEARNING OBJECTIVES

- the post-war boom
- balance of payments issues and 'stop-go' policies.

A CLOSER LOOK

Inflation and deflation

Inflation is the increase in the price of goods and services which occurs when people have more money to spend than there are goods available. Some inflation can help an economy because it encourages manufacturers to expand their businesses and employ more people but too much can lead to the economy overheating as workers demand higher wages because of higher prices.

Deflation is a fall in the price of goods and services; inflation controls that curb spending such as 'freezing' wage rises, increasing taxation or making borrowing harder so that goods cannot be bought on credit bring down prices. Deflation can lead to unemployment as people have less money to spend so less goods and services need to be produced.

SOURCE 1

Harold Macmillan, addressing a large audience of Conservative supporters at Bedford football ground, July 1957. This was at a rally to celebrate 25 years of service by the local Conservative MP:

Let's be frank about it; most of our people have never had it so good. Go around the country, go to individual towns, go to the farms, and you will see a state of prosperity such as we have never had in my lifetime – nor indeed ever in the history of this country. What is beginning to worry some of us, 'Is it too good to be true?', or perhaps I should say, 'Is it too good to last?' For amidst all this prosperity there is one problem that has troubled us ever since the war. It is the problem of rising prices. Our concern today is, 'Can prices be steadied while at the same time we maintain full employment in an expanding economy?' For if inflation prices us out of world markets we shall be back in the old nightmare of unemployment. The older ones among you will know what this meant. I hope the younger ones never have to learn it.



Fig. 1 An advertisement for the Austin Metropolitan 1500 from 1957

The Britain of 1951 had been shaped by three episodes of its recent history. The first episode was the Great Depression of the 1930s, seen in 1951 as a awful time of misery, mass unemployment and a failure by government to solve or alleviate problems. The second episode was the Second World War where all parts of the nation had worked together to defeat the forces of e-

y a heroic national effort and shared sacrifice. The third episode was the rebuilding of post-war Britain under Attlee's Labour governments between 1945 and 1951, above all the establishment of the welfare state. Public and political opinion in Britain believed that never again should there be anything like the 'Hungry Thirties' or the terrible war that followed. Victory in the war and the sacrifice that enabled this should lead to a better, fairer Britain in the future. This was the basis of the so-called 'post-war consensus'.

Post-war boom

In some ways the Conservative government was lucky in its timing, coming to power just as the beginnings of the post-Second World War economic recovery were beginning to show through. The general pattern of the 1950s was one of continued economic improvement. Food rationing finally came to an end in July 1954. The austerity of wartime was over and the British people were set to enjoy a higher standard of living than ever before.

There was a swift acceleration in the birth rate at the end of the Second World War leading to a fast-growing population. By 1961 there were 51 million people in Great Britain, which was 5 per cent (2 million) more than in 1951.

The global economy was booming as countries rebuilt after the war. This led to a sustained increase in overseas trade which brought high levels of earnings from exports and investments. This, together with the rising demand at home, ensured plentiful employment. By 1955 it was estimated that full employment had been achieved, with only 200,000 unemployed, less than 1 per cent of the workforce. Although the numbers employed in traditional occupations, such as agriculture, fishing, coal mining and shipbuilding, fell during this period, there was a huge expansion in electrical and engineering work, and more jobs in industries relating to cars, steel and other metals.

In addition, service industries that ranged from financial and professional services to transport and sales were growing. By 1960 nearly 5 million people were employed in service industries – this was 1 in 5 of the population and roughly the same number as in all heavy industry.

Economic growth and low unemployment brought rising wages and most people enjoyed a spectacular rise in income. In the run-up to the 1955 election, Rab Butler, the Chancellor, was able to boost Conservative election prospects with a 'give-away' budget that provided the middle classes with £134 million in tax cuts. People felt more affluent and there was a growth in consumerism.

The improvement in the terms of world trade in the later 1950s enabled Britain to import about 29 per cent more goods than it had in 1951 for the same number of exports.

Britain enjoyed a higher income per head than any other major country, except for the United States. However, this does not mean that the UK's growth rates exceeded those of elsewhere.

Table 1 A comparison of the industrial production 1952–59, using 1950 = 100 as a baseline

| | 1952 | 1955 | 1957 | 1959 |
|--------------|------|------|------|------|
| West Germany | 126 | 179 | 204 | 225 |
| France | 110 | 131 | 156 | 170 |
| Italy | 117 | 153 | 177 | 202 |
| Netherlands | 103 | 134 | 143 | 158 |
| USA | 111 | 124 | 127 | 133 |
| UK | 101 | 121 | 123 | 129 |

A CLOSER LOOK

During the Second World War there was a shortage of many foods including meat, butter and sugar.

Rationing was introduced to prevent the price of food rising so much that only rich people would be able to afford to buy it. The rationed allowance was based on people's nutritional needs and although it was unpopular, it meant that many people's diets were healthier than before the war.

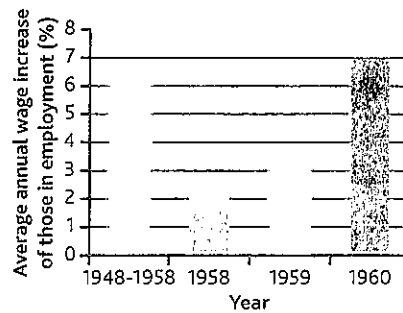


Fig. 2 Wage increases of those in employment

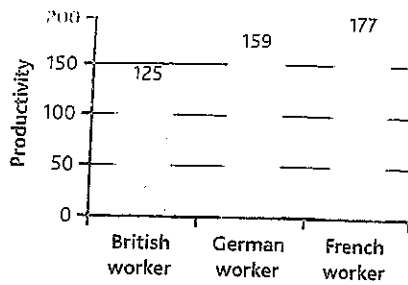


Fig. 3 Worker productivity by 1960, using 1950 = 100 as a baseline

KEY TERM

productivity: efficiency, i.e. getting more produced per worker, per shift, per hourly wage; in this way, costs are reduced, profits are increased and workers are freed up for other uses

A CLOSER LOOK

Trade unions had emerged in the nineteenth century to protect and fight for workers' interests in pay and working conditions. They used industrial action, such as strikes, to put pressure on employers and/or the government.

KEY TERM

'stop-go' economics: the economics of 'stop-go' derived its name from the tensions between an expanding economy, with low interest rates and rising consumer spending ('go') and the results of the economy overheating, with wages and imports exceeding productivity and exports, necessitating a deliberate slowing down, or deflating of the economy ('stop') through higher interest rates and spending cuts

| | 1950 | 1951 | 1959 | 1962 |
|--------------|------|------|------|------|
| UK | 25 | 22 | 17 | 15 |
| USA | 27 | 26 | 21 | 20 |
| West Germany | 7 | 10 | 19 | 20 |
| Japan | 3 | 4 | 7 | 7 |

Table 2 A comparison of shares in world trade in percentages, 1950-62

So the late 1950s were years of optimism. The British enjoyed more job more money, more goods, better housing and the provisions of the new welfare state. The adults, who had been used to wartime deprivation, found themselves with money to spend on cars, new appliances, luxury entertainment, while the younger generation, growing up amid plenty oblivious to past shortages and fears, sought to enjoy life to the full.

Balance of payments issues and 'stop-go' policies

However, the economic picture was not as positive as the growth in affluence might have suggested. The growth in wages was outstripping the rate of increase in production and this brought inflation.

The Conservative government was constantly faced with the task of maintain growth and employment at the same time as keeping prices stable. Macmillan's answer was partly in an appeal to industry and the public: 'we need is restraint and common sense - restraint in the demands we make and common sense in how we spend our income.'

But it was difficult to persuade the **trade unions** that their members should not have high wage increases, particularly in some industries such as coal where miners felt that they were not gaining as much as other workers. Government controls had to be used to curb excessive inflation and tax rates remained high, both to control excessive spending that would lead to an unwanted increase in imports and to pay for the rising costs of public services.

This pattern, where the government attempted to control growth when the economy was in danger of overheating, is known as **'stop-go' economics**.



Fig. 4 The 'stop-go' economic cycle

Although higher salaries had created a large internal consumer demand, it did not encourage manufacturers to increase their export trade which wo

have helped bolster the export industries. This led to a trade deficit which helped to cause problems with the **balance of payments**.

| | Balance of visible trade | Balance of invisible trade | Overall trade balance |
|---------|--------------------------|----------------------------|-----------------------|
| 1946–50 | –160 | +104 | –56 |
| 1951–55 | –345 | +326 | –19 |
| 1956–60 | –94 | +226 | +132 |

Table 3 The UK **balance of trade**, 1946–60, in £m

The pressure from the United States over the Suez crisis exposed Britain's financial weakness and started a **run on the pound**. Macmillan's Chancellor, **Peter Thorneycroft**, believed in what a later generation would have called **monetarism**: he wanted to limit wage increases and to cut the money supply. Other cabinet ministers, such as Iain McLeod, who were one-nation conservatives, were strongly opposed to such a policy because it would lead to increased unemployment and cutbacks in housing.

KEYPROFILE

Peter Thorneycroft (1909–94) was a Conservative MP from 1938. Although he resigned as Chancellor of the Exchequer in 1958, he returned to the cabinet in 1960. He was later a great supporter of Margaret Thatcher and served as chairman of the Conservative Party from 1975 to 1981.

The crisis and the divisions in the cabinet carried on throughout the summer of 1957. It was a row that symbolised the problems of 'stop-go' economics.

In the end Macmillan sided with those who wanted to keep up an expansionist economic policy. When Thorneycroft proposed drastic spending cuts in 1958, Macmillan overruled him. Thorneycroft resigned, together with his junior ministers, **Enoch Powell** and **Nigel Birch**. The post-war consensus had remained in place.

KEYPROFILE

Enoch Powell (1912–98) was a Conservative MP from 1950 to 1970. He held a number of ministerial posts but was a critic of the post-war consensus. He became notorious for a speech he made about immigration in 1968 after which he was sacked from the shadow cabinet (see pages 47–48). In February 1974 he left the Conservative Party, instead urging people to vote for the Labour Party in the March election, because he was opposed to entry into the EEC. In the October 1974 election he was elected as an MP for the Ulster Unionist Party.

KEYDEFINITION

balance of trade: the difference between the goods that a country imports and what it exports; if a country imports more than it exports it is said to have a trade deficit; if it exports more than it imports it has a trade surplus

balance of payment: this includes invisible imports and exports i.e. services such as shipping, banking and insurance; the balance of trade is part of the balance of payments

KEYDEFINITION

run on the pound: a term describing a rapid fall in the value of the pound in international currency markets, especially in relation to the US dollar

SOURCES

In January 1958, Peter Thorneycroft said the following in a speech in Parliament, shortly after he resigned as Chancellor of the Exchequer:

We have slithered from one crisis to another. Sometimes it has been the balance of payments crisis and sometimes it has been an exchange crisis a picture of a nation in full retreat from its responsibilities. It is the road to I do not believe that the problem is technical at all. I do not believe in an answer to the question whether we should use bank rate or physical controls. The truth, neither of them works very well. The simple truth is that we have been spending more money than we should.

KEY TERM

sterling: a term used by economists for the British currency, the pound sterling

This financial crisis did not do lasting harm to the popularity of the Conservative Party, which improved dramatically by 1959. Typically, Macmillan shrugged off the resignations of Thorneycroft and Powell 'a little local difficulty'. Sterling regained its value against the dollar. The economy expanded so much that the budget of April 1959 provided a surplus of £370 million - even more than the Butler 'election give-away' budget of 1955. The general air of consumer affluence reflected in the budget was generally accepted as the key factor in Macmillan's comfortable re-election in October 1959.



Fig. 5 A Conservative poster from the 1959 General Election

The British economy continued to grow and was at its peak between 1959 and 1964. However, the government became further trapped in a cycle of 'stop-go' policies in an attempt to maintain economic stability.

In 1961, worries about the economy overheating forced the government to introduce a 'pay pause' to hold down wage inflation, and to ask for a loan from the IMF (International Monetary Fund). The economic difficulties facing the Conservatives by 1962 were familiar ones: the balance of payments problem and the economics of 'stop-go'.

It was also becoming clear that economic growth in Europe, especially in West Germany, was leaving Britain behind and that trade with the Empire and Commonwealth was not sufficient to keep up. Therefore, Macmillan reversed his party's previous policy and decided it was essential for Britain's economy to be joined with Europe's. The 1961 application was a symbol of the sense of failure in bringing about economic modernisation.

To address this Selwyn Lloyd, Macmillan's third Chancellor of the Exchequer, set up the National Economic Development Council (NEDC, known as Neddy). This consisted of government representatives, academics, employers and the trade unionists, and it was made responsible for long-term planning. A National Incomes Commission (known as Nicky), to keep an eye on wages and prices, was added in 1962.

STURGEON

In April 1962 the left-leaning newspaper, *The Guardian*, reported:

BRITAIN BOTTOM OF THE CLASS

Britain economically came bottom of the class in the annual report published here tonight by the Secretariat of the United Nations Economic Commission for Europe. Britain has the 'sorry distinction of being the only Western country whose volume of national output was practically unchanged from the previous year' and is, 'the one country where the employment situation has seriously deteriorated'.

The rejection of Britain's application to join the EEC in January 1963 was a serious setback for Macmillan's economic policies. In his memoirs, Edward Heath claimed that he never saw Macmillan as bitterly depressed as he was after de Gaulle's veto.

In the autumn of 1963, the Beeching Report was published as part of a review into cutting public expenditure. It recommended massive cuts in Britain's rail network, including the closure of more than 30 per cent of the rail network, provoking public outrage. Hundreds of branch lines and thousands of stations were axed, causing fundamental social change, and leaving many rural areas more isolated. The government was no longer surfing on a wave of prosperity and economic success.

Reginald Maudling, who had replaced Lloyd as Chancellor of the Exchequer, pushed the economy into a 'go' phase by lowering the bank rate to encourage consumer spending. Britain's growth rate rose from 4 per cent in 1963 to nearly 6 per cent in 1964. Nevertheless, while exports rose just over 10 per cent between 1961 and 1964, imports remained nearly 20 per cent higher.

Summary

Although the British economy was still growing and living standards were still going up, the cycle of 'stop-go' economics had not been broken. Economic growth would still lead to the overheating of the economy through excessive, expensive imports and rising wage demands. Britain continued to slip behind foreign competitors such as West Germany, the United States and Japan. The economic problems apparent in the 1950s had not been solved.