

Conservative Governments 1951-64

Recovery

- Conservative policies were successful by 1953 in that: exports recovered; new industrial plants produced steel, planes and petro-chemicals; The Korean War ended and prices thus fell quickly; import bill fell so more imports were allowed; rationing and licensing ended
- Full employment came as a result of:
- Government policies
- Investment in nationalised industries and building for welfare services
- 1952-55 house building up 50%
- Welfare services and these needed more workers of all sorts
- Exports had doubled by 1951 and continued to grow and increase employment
- Welfare spending by people on pensions and other benefits created demand for goods, services and workers
- The opening of many new factories increased demand for workers
- Housing development expanding – more workers needed
- High consumer demand because more families could afford it
- Women found it easy to get work – gave families at least 2 incomes

Immigration

- To get workers to take the lowest paid jobs they were brought in from India, West Indies etc
- The 'Macmillan Boom' attracted 56,000 immigrants (1960)
- 1961 – 136,000 more
- 1964 a million 'coloured' immigrants in Great Britain
- Also – 'second generation' i.e. the children of immigrants born in Great Britain

Limiting Immigration

- Fear that parts of the country would be 'swamped' and this would cause racial violence
- Led to 1962 Commonwealth Immigration Act to restrict numbers

Industrial Locations after 1945

- Depressed areas continued to have above average unemployment
- Wartime report suggested taking industry to such areas
- Government measures included licensing for new factory buildings and trying to persuade industrialists to build in such areas
- Incentives to attract companies into these areas included: low interest loans; tax breaks; housing for key workers
- Development agencies in depressed areas became development areas to attract industry in NE and NW England, West Scotland and South Wales

Problems

- The above policy is very costly

- Firms close as soon as recession starts

1955 Election

- RA Butler Chancellor since 1951
- Able to lower tax because:
- Less spent on re-armament than Labour had planned
- More tax-payers due to full employment so people had to pay less
- Rationing and licensing ended
- Allowed Macmillan to build 300,000 houses a year
- Government was popular
- Eden replaced Churchill (retired) and wanted a mandate from the public
- Called an election

Result

- Conservatives – 344 seats
- Labour – 277 seats
- Liberals – 6 seats

Inflation after 1955

- Rise in prices by 'cost-push' inflation caused by –
- 1945-53 higher import prices
- Higher wages to meet this cost
- Higher taxes e.g. Purchase Tax
- 'Demand-pull inflation' caused by rise in prices when demand for goods is too high due to home demand and export demand
- Employers tried to attract other employers' workers
- Unions saw the chance to secure higher wages for their workers

Rising Imports

- A result of higher family incomes
- Volume of raw materials rose to make the goods
- More manufactured goods came in to meet home demand too

Balance of Payments

- Deficits caused by Great Britain not earning enough from exports to pay for imports
- The problems of inflation and deficits was tackled by
- Credit squeezes – higher interest rates to make borrowing more expensive and so reduce demand
- Hire Purchase regulations changed to make people repay debt in a shorter time
- Hire Purchase tax to increase prices and reduce demand
- Government appeals to workers

Harold Macmillan

- Replaced Eden after Suez Crisis
- Had to reunite Tories – split into pro-Suez hardliners and anti-Suez faction
- He had to win electoral popularity after Suez
- Deal with threat from Gaitskell (new Labour leader) popular with middle classes
- 1957 allowed Thorneycroft (Chancellor) to resign when he wanted a balanced budget) asking for cuts and/or tax increases
- Heathcote Amory became new Chancellor
- He went on to reduce interest rates, ease Hire Purchase regulations and have a budget deficit allowing government spending to rise without extra tax to pay for it

Result

- 1958-60 economic boom
- More women entered the work force
- This increased family affluence
- Immigration increased

1959 Election

- For first time in 20th century a Party won a third consecutive election
- Result –
- Conservatives – 365 seats
- Labour – 258 seats
- Liberals 6 seats

Problems 1960-3

- Balance of payments deficit continued
- Inflation made Great Britain goods more expensive so that more foreign manufactured goods were imported
- Exporters found things difficult
- Trade Unions claimed right to demand ever higher wages
- National output slowed
- Foreign rivals produced at a higher rate because -
- Investment better planned and larger than Great Britain's
- Their workers produced more goods, more cheaply and for higher wages
- European states hadn't developed same welfare system as Great Britain
- Their system was paid for by payments made by workers and employers who had to devise labour saving methods so they paid less into the welfare fund
- Also kept more of their pay because income tax was lower

The Start of 'Planning' 1961

- Macmillan feared there would be national bankruptcy and a fall in money's value
- He made 3 policy changes –
- Decided to apply for EEC membership

National Economic Development Council (NEDC or Neddy) established

- Ministers, employers and unions met to plan the future of the economy

National Incomes Commission (NIC or 'Nicky') set up to regulate wage increases

Results

- Great Britain not allowed to join EEC
- Neddy produced good discussion papers but little change happened
- Nicky was ignored by Selwyn Lloyd (new Chancellor) who, in July 1961, imposed a credit squeeze and wages pause – government employees not allowed a wage rise
- Private industry was advised to do the same
- Government had to give in to the central Electricity Board workers who threatened to strike if they didn't get a wage rise
- Government and public cut spending after the wage and credit squeeze which caused rise in unemployment
- Tories lost by-elections 1962-3 as a result

Macmillan steps down

- Retired summer of 1963 due to the above problems and because of spy scandals and the Profumo Affair

The Maudling 'Boom' 1963-4

- Chancellor in government of new Prime Minister Sir Alex Douglas-Home
- Tried to restore Tory fortunes by 'buying our way to prosperity'
- His measures included lower interest rates and lower taxes
- He hoped it would encourage industry to invest in new machinery
- Success in that government became more popular but –
- Failed to get industry to improve
- Most of the increased purchasing power from tax cuts went on imports
- Result 1964 balance of payments problem

1964 Election

- Gaitskell had died in 1963; Labour led by Harold Wilson
- People believed his promise to get the country back on track
- Result –
- Labour 317 seats
- Conservatives 304 seats
- Liberals 9 seats