Has Mrs. Thatcher Changed the British Economy?

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Introduction

Few economic episodes in the post-war period have excited as much interest as Britain's experience under Mrs. Thatcher in the 1980s. The coming to power of a government committed to, and implementing, a radical overhaul of the existing consensus on economic policy has been a source of inspiration to some (Walters [37]; Ball [2]), but the subject of fierce criticism by others (Kaldor [21]). What is certain is that the succession of a severe recession followed by an exceptionally long lasting recovery, combined with sharp swings in the exchange rate, very high levels of unemployment, the return to budget surpluses, the near disappearance of private savings, as well as the persistence of two traditional British ills (high wage pressures and low competitiveness), provides a rich story for the economic commentator.

Graph 1 and Tables 1 to 3 attempt to put some order into this picture by comparing Britain's experience over a full cycle (1979-88) both with two previous cycles (1965-73 and 1973-79) and with the record of other major OECD economies or areas. The graph shows the development of output and unemployment through time and clearly indicates both the severity and early nature of the 1979-81 recessions.

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Advisors: the numbers in square brackets refer to the Bibliography in the appendix.
GDP AND UNEMPLOYMENT, 1979-1988

A) GDP (1979 = 100)

- OECD Europe (a)
- United Kingdom

B) Unemployment (b)

(%) of labour force

(a) Excluding United Kingdom
(b) National definitions
Source: OECD, Economic Outlook, December 1988