

7SSPN231 – 2025/26 – Seminar 4

Work in pairs. Feel free to look at slides, lecture notes, Wikipedia, etc. if useful.

- 1) Monetary policy remained passive in 1945-51. Explain what this consisted of. Then discuss: what were in your view the benefits and costs of passive monetary policy in that historical moment? Overall, in your assessment and with the full benefit of hindsight, should the government have followed a different monetary policy?
- 2) Why did the Labour governments implement fiscal consolidation between 1947 and 1951? In your assessment, was this choice justified, or would different fiscal policy choices have been more advisable?
- 3) Explain the main provisions of the 1946 Bank of England Act which nationalised the UK Central Bank. What are in your view the main strengths and weaknesses of the new framework introduced by the Act?
- 4) The figure below shows the UK trade deficit as a % of GDP in each year between 1938 and 1951. Discuss the changes in the trade deficit over time: what caused them? How was the trade deficit financed, before, during and after the war? (The figure does not include imports covered by the lend-lease program, but you can and should still discuss the role of lend-lease).

Figure: UK trade deficit (exports – imports) as a % of GDP, 1938-1951

