

Managing the UK economy: Fiscal and monetary policy since 1945

7SSPN231

Department of Political Economy

King's College London

Autumn 2024



Instructor:

Daniele Girardi (daniele.girardi@kcl.ac.uk)

Administrative support:

DPE Postgraduate Taught Programmes (dpe-pgt@kcl.ac.uk)

Please read every section of this Syllabus fully and carefully before the module starts!

I. Module Outline

This module discusses monetary and fiscal policies implemented by the British government and the Bank of England since 1945. Based on analysis of multiple primary and secondary sources, we will discuss what fiscal and monetary policy was trying to achieve, how it tried to achieve it, and with what results. We will analyze the motivation and content of fiscal and monetary policy actions, and their relation to domestic and international macroeconomic challenges. The different viewpoints that exist among scholars, policymakers and commentators, as found in the existing secondary literature, will be reviewed and analyzed. We will situate current challenges faced by UK fiscal and monetary policy makers in historical context.

II. Educational Aims & Learning Outcomes

The aim of this module is to

- introduce students to fiscal and monetary policy making in the United Kingdom;
- situate current challenges faced by the Treasury and the Bank of England in recent historical context;
- equip students with the language and conceptual tools to understand and debate fiscal and monetary policy in the UK;
- foster and sharpen critical thinking skills on the topic of fiscal and monetary policy: students will learn to critically analyse fiscal and monetary policy and the debates around it.

At the end of the module students will be able to

- discuss monetary and fiscal policy, and form opinions on them, in an organized and informed way;
- explain the motivation and contents of policy actions by monetary and fiscal policymakers in the UK in the post-war period;
- situate current challenges faced by UK economic policymakers in historical context.

III. Course Organization, Materials and Resources

A. Lectures and seminars

The course consists of 10 weekly one-hour lectures and 10 weekly one-hour seminars. Please consult [your timetable](#) for the time & place of lectures and seminars.

a. Laptop ban in lectures

The use of laptops, tablets, smartphones and any other similar device is banned during this module's lectures.

There is a lot of convincing research (see for example [here](#), [here](#), [here](#) or [here](#)) showing that college students learn less and earn worse grades when they use computers, tablets

or smartphones during lectures, and that a student's use of a laptop harms also the learning of students around them. My personal experience confirms that. These negative effects are present even when laptops are exclusively used for taking notes (which they rarely are). If you have a valid reason for using your laptop or tablet in class (for example learning disabilities), we can discuss an exception.

Unlike lectures, the use of laptops (but not smartphones!) is allowed in seminars, because you might need them to answer practice/revision questions.

B. Study materials

Study materials will be made available on Keats.

C. Keats

Keats will be used to upload materials, make announcements, and administer assignments and quizzes.

D. Weekly readings

Reading regularly is key to success in this course. Every week, you will be assigned a reading, *to be done before the lecture*.

E. Communications

I will often send you emails and post new materials on Keats. *To succeed in this module, you will need to stay updated by checking your KCL email and the Keats page of the course regularly.*

F. Contacting the instructor

The best way to get in touch with me is to send an email.

Office hours are on Monday 11.00 - 12.00 and Tuesday 10.30-11.30, usually online on Microsoft Teams – book by emailing me.

If you have feedback or concerns, feel free to bring them up with me – I will do my best to address them.

G. Policy about extensions requests for coursework

Please note that, per King's policy, the instructor *cannot* grant extensions for coursework. King's has a process called 'mitigating circumstances', where students can request deadline extensions on coursework if they are facing difficult circumstances. You can find information online, for example here:

<https://www.kclsu.org/help/advice/academicsupport/mc/>

IV. Module sections and topics

1. Fiscal policy and its impact on the economy (an introduction)
2. The financial system and monetary policy (an introduction)
3. The UK economy and the machinery of economic policy since 1945: an overview
4. 1945-51: Fiscal and monetary policy during the post-war Labour governments.
5. 1951-67: Fiscal activism and macroeconomic 'fine-tuning'.
6. 1967-79: Inflation and the crisis of the post-war model.
7. 1979-96: Monetarism and turn toward markets
8. 1997-07: The independent Central Bank, the New Labour governments, and the 'Great Moderation'; the role of economic regulators.
9. 2008-19: Great Recession, unconventional monetary policy, and austerity
10. 2020s: Coping with the Covid shock, Brexit, and the return of inflation.

V. The Plan

Following is a *tentative* schedule for the course. Take it as a broad indication: it is subject to change based on how fast or slow we will go as a group. Any change will be announced in advance as much as possible. Please refer to Keats for an updated schedule and for all module deadlines.

Week	Lecture Day & Topic	Seminar Topic
6	<i>Sep 23</i> Fiscal policy and its impact on the economy	Review & discussion: fiscal policy
7	<i>Sep 30</i> The financial system and monetary policy	Review & discussion: monetary policy
8	<i>Oct 7</i> The machinery of economic policy in the UK (Prof. Andrew Blick)	The UK economy and economic policy since 1945—an overview.
9	<i>Oct 14</i> 1945–51: Fiscal & monetary policy during the post-war Labour governments.	Review & discussion: 1945-51
10	<i>Oct 21</i> 1951-67: Fiscal activism and macroeconomic ‘fine-tuning’.	Review & discussion: 1951-67
11	Reading week (Oct 28 th to Nov 1 st) No lectures or seminars.	
12	<i>Nov 4</i> 1967-79: Inflation and the crisis of the post-war model.	Review & discussion: 1967-79
13	<i>Nov 11</i> 1979-96: Monetarism and turn toward markets.	Review & discussion: 1979-96
14	<i>Nov 18</i> The role of economic regulators in UK economic policy (Prof. Christel Koop)	1997-07: Independent Central Bank, New Labour governments, and ‘Great Moderation’.
15	<i>Nov 25</i> 2008-19: Great Recession, unconventional monetary policy, and austerity	Review & discussion: 2008-19
16	<i>Dec 2</i> 2020s: Coping with the Covid shock, Brexit, and the return of inflation.	Review & discussion: the 2020s

VI. Assessment Methods

Assessment is based on a coursework assignment, which will consist in a 4,500 words essay. It will be due on January 10, 2024 at 3pm (but please plan to submit well in advance of the deadline, to avoid the risk of any technical or other problem turning yours into a late submission).

The topic of the essay must be a specific period, event, or conceptual problem related to fiscal and monetary policy in the 1945-2024 period.

The topic of your essay needs to be agreed with the instructor beforehand. Please contact the instructor before starting work on your essay (ideally before the end of the module, but the earlier the better), to propose a topic. Your essay can (and should) summarize materials discussed during the module, but must also incorporate additional (high-quality and reliable) materials that you will have researched.

Some examples of possible topics (non exhaustive, just to give an idea):

- The use of quantitative easing by the Bank of England since 2009
- The 2010-2019 UK austerity program
- The June 1979 UK budget: a stark change of direction
- Thatcher's Monetarist Experiment, 1979–85
- The Bank of England Act 1998: motivations for and consequences of Central Bank independence in the UK
- The rise and fall of Keynesian demand management in the UK
- The use of fiscal rules in the UK since 1997
-

(you are not expected to choose one of the topics listed above – although you can if you want – the list is just to give an idea of what an essay topic can look like)

VII. Accommodations for disability

King's is committed to disability equality and inclusion so that all disabled people and those with long term conditions are included and feel valued, and that barriers are understood and overcome.

For more information:

<https://www.kcl.ac.uk/disability>

VIII. Academic honesty & integrity

Please make sure you are familiar with King's policy on academic honesty and integrity, and with the guidelines on avoiding plagiarism.

<https://www.kcl.ac.uk/campuslife/acservices/conduct/201920-documents/student-guidance-on-academic-honesty-integrity.pdf>