Pearson Edexcel Level 3 GCE

Time 2 hours 15 minutes

Paper reference **9HI0/1H**

History

Advanced

PAPER 1: Breadth study with interpretations

Option 1H: Britain transformed, 1918–97

Extracts Booklet

Do not return this Booklet with the question paper.

Turn over ▶

P69331RA

©2022 Pearson Education Ltd.

Q:1/1/1/1/1/1/

P 6 9 3 3 1 R A

Pearson

Extracts for use with Section C.

Extract 1: From Patrick Minford, *Inflation, Unemployment and the Pound*, published 2005.

In 1979 Britain was in the grip of an interlocking set of policies that produced high inflation, persistent large budget deficits, and high unemployment. By significantly reducing budget deficits at a time of recession in 1981, the Thatcher government signalled it would not continue with previous government policies. This signalled that deficits, which had been the central force in causing inflation, were no more.

Previous misguided attempts to prop up the economy, such as subsidies to large manufacturing industries which had hidden poor competitiveness, were removed. Unemployment benefits had been at a generous level which acted as a disincentive to look for work. When these benefits were reformed from 1986, unemployment literally melted away as many thousands were stimulated to look seriously again for work.

And so, by the second half of the 1980s, the British economy had well and truly begun to escape from its disease of high inflation and high unemployment. The groundwork for success post-1992 was laid by the reforms of the 1980s. Inflation stayed down. Average growth was amongst the highest of the major countries. Unemployment fell steadily. The key to this lies in sound monetary policy, and in a flexible labour market environment – clearly a major achievement of the Thatcher government.

Extract 2: From Sidney Pollard, *The Development of the British Economy 1914–1990* (fourth edition), published 1992.

The Thatcher experiment ended in almost unmitigated failure. It had large-scale bankruptcies of firms in all sectors of the economy; periods of falling output and declining national income; and the largest balance of payments deficit in history. The financial free-for-all, which followed the removal of all restrictions, led not only to financial scandals, but also, together with the tax concessions, stimulated the credit and property boom. This in turn caused the 'stop' in 1989, with all its ruinous consequences. The drastic action of the government did help the inflation rate come down, prior to Lawson's* inflationary boom. However, the costs were enormous in terms of manufacturing industry permanently destroyed, jobs lost, and of economic growth thwarted.

Government plans to undertake fundamental revision of social services to reduce expenditure on them were rather more difficult to implement than the government had hoped. Whilst unemployment was reduced from the 1983 peak of 3.1 million, to 1.6 million by 1990, some critics maintain that the real figures were up to one million higher than the official ones in the recession of the mid-80s. There was also a significant transfer of income from the poor to the rich.

*Lawson – Nigel Lawson, the Chancellor of the Exchequer, 1983–89

BLANK PAGE

BLANK PAGE

Acknowledgements

Extract 1 from: Inflation, Unemployment and the Pound by Patrick Minford in Margaret Thatcher's Revolution: How it Happened and What it Meant by John Clarke and Subroto Roy © Continuum International Publishing Group, 2005

Extract 2 from: The Development of the British Economy 1914–1990 by Sidney Pollard © Edward Arnold – Hodder Education, 1992