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Conclusions

Evaluating the nature of business cycles in the UK over the past three and a half centuries remains a challenge. Many theories still compete as viable explanations for the existence of cycles and a huge range of statistical techniques exist to dissect and interpret those cycles. This volume has attempted to summarise the state of play on many of the issues although there are various issues we have not been able to cover.

It is clear that a wide variety of different metrics can be constructed to date and evaluate UK business cycles with the range methods available. In each case however a substantial amount of judgement is involved in establishing turning points precisely and a narrative history to go alongside such business cycle dating is essential. The narrative supplied in this volume makes a start but more can be done especially at a higher frequency than has been attempted here. But the unavoidable idiosyncratic nature of any one narrative is not a substitute for the collective wisdom and expert knowledge of many economists and economic historians. For this reason we would support the formation of a UK business cycle dating committee that has a similar role to that performed by the NBER business cycle dating committee for the United States.

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It is also clear from the narrative that financial cycles and business cycles in the UK are related. The evidence suggests financial cycles are longer than standard business cycles but turning points in those cycles, such as those that reflect major banking and financial crises, do appear to have played a role in episodes of output contraction. As Eichengreen and Mitchener (2003) suggest many recessions may reflect credit booms that simply went wrong. The summary of the univariate approach to business cycles adopted here is not sufficient to shed light on that statistically. In part that is due to the fact that data on quantities of bank money and credit in the UK are only readily available from the late C19th onwards, although an increasing body of work is pointing the way to pushing the estimates back to the C18th. That work will ultimately make it possible to evaluate the linkages between business and financial cycles more precisely using the range of multivariate methods available. We intend to explore this further in a future volume.

The new GDP data by Broadberry et al. (2015) has also helped to sharpen the historical narrative for the C18th and C19th especially by outlining the respective roles for agriculture, industry and services. For example, it has shed light on the nature of growth in the 1780s showing that what was seen as an expansionary period in between the War of Independence and the start of the French wars was more muted when agricultural output is taken into account.

More should also be done to integrate both World Wars into the UK business cycle narrative. The contractions that occurred towards the end of both conflicts and in their immediate aftermath were among the largest on record and it took many years to recover the peak level of GDP attained during the war. Even after accounting for the effects of lower government spending and demobilisation the 1920–1921 recession stands out as the largest contraction in UK economic history. And the decline in output between 1943 and 1947 is rarely mentioned. These may be the natural result of demobilisation and post-war reduction of effort and labour participation but more needs to be done to evaluate them in terms of the traditional UK business cycle narrative.

Overall the three and a half-century history of business cycles in the UK represents the longest continuous record of economic fluctuations.

It should remain at the heart of research into the causes and nature of business cycles and the policy responses that may be necessary to offset the inefficiencies—if any—that arise from them.

References

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Eichengreen, B., & Mitchener, K. (2003). *The Great Depression as a Credit Boom Gone Wrong* (BIS Working Paper 137).