Have Labour or the Conservatives run the UK economy better in the past 50 years? New research

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With the UK counting down to the general election on July 4, a question many voters may be asking is whether the economic policies of Labour and Conservative governments tend to deliver different economic outcomes.

The two ideologically divided dominant parties have always promoted alternative approaches to managing the nation's economy, each promising a better economic outcome. But have their social, ideological and policy differences actually led to divergent effects on key indicators such as GDP, unemployment and inflation?

One of us (Amr) has recently completed research analysing more than 50 years of economic data to try to answer this question about modern governments. The findings are unexpected and surprising.

Firstly, evidence suggests no meaningful differences in economic growth between the periods of the left-leaning and the right-leaning governments. The same was true for levels of unemployment, indicating remarkably small differences between how the two major parties' governments performed on those two key issues over the past five decades.

This result goes against the conventional partisan narrative that rightwing policies of the past 50 years have caused high unemployment while leftwing welfare state policies have hindered economic growth.

However, there was a difference on inflation control, where a meaningful divergence appeared.

Despite the performance of the recent Conservative inflation policies, where the UK has done worse than all G7 economies on inflation management over the last two years, long-term data analysis shows that rightwing governments achieved a significant inflation reduction of around 0.2% a year on average, compared to the leftwing ones.

This is a result suggesting greater willingness of Conservative governments to control rising prices and promote price stability. This is in line with the party's traditional claims to financial prudence and tighter monetary policies.

The period of 2010-2015 when the Conservative-Liberal Democrat coalition government led by David Cameron took power was an exception. It produced weaker GDP growth on average, suggesting that unified governments with a clear majority and policy mandate may correlate with stronger economic performance.

What this means for voters

At first glance, it could be argued that UK voters who prioritise economic growth and job creation may have little reason to strongly favour one major party over the other.
On the other hand, inflation management is an area where tangible differences in economic performance between the two parties may be observed, and this is where voters may form a clearer preference.

But looking at the bigger picture, the research points to an intriguing conundrum.
Labour and the Conservatives define themselves through vastly different social and cultural values and every modern British election is portrayed by some as an existential battle between "socialist" and "capitalist" philosophies. Yet differences between the modern parties when they have been in power appear to play an insignificant role when it comes to economic performance and decision making.

Despite their polarised campaign rhetoric on various economic issues, once in power, each party's governments tend to gravitate towards relatively centrist economic policies that lead to highly converging economic impacts over time.

A possible explanation for this, is that reality may favour pragmatism over ideology once a party comes to power. The left-leaning Labour and right-learning Conservatives campaign talk may promise swift revolutionary changes that can lead to economic success.

However, when it comes to the real economy, and by assuming that neither party wants to risk compromising social cohesion by hastily implementing radical economic policies, changes usually need to happen gradually over time via a more balanced and pragmatic approach. This leads more often than not to a centrist economic policy mix, regardless of which political party is in power.

In fact, this argument is in line with the Downsian model of elections, devised by economist Anthony Downs, which suggests this "meeting in the middle" on economic policies is a natural outcome in a democratic system like the UK's, dominated by two parties.

However not all governments play it safe in the middle. The Thatcher government of the 1980s is a prime example. Thatcherism went all-in on right wing economic ideas. Its approach was to sell off state-owned enterprises, cut back on regulations and take on the unions. But even after this sharp turn to the right, later governments – including Conservative ones – drifted back towards the centre.

External shocks

Of course, we need to bear in mind that these findings merely reflect recent historical trends that cannot necessarily predict the future, and things like external shocks, policy disruptions, or deteriorating economic conditions, could quickly upend past patterns.

In fact, the UK's current situation of rising prices, shaky growth, high public debt, and lingering post-pandemic and Brexit impacts presents a uniquely challenging environment for the upcoming government. And it's possible that in such an environment, even small divergences in the governing party's chosen policy mixes could result in significantly different economic outcomes.

As Britain goes to the polls, the discussion here serves as a reminder that beyond the heated rhetorical clashes between parties, the ultimate economic legacies of our governments often end up being more nuanced, pragmatic, and converging than either side might publicly acknowledge.

In this context, it may be wiser for UK voters to carefully examine the specific, evidence-based policy capabilities and philosophies of the candidates in order to better predict their potential economic performance, rather than being overly influenced by ideological dogmas. The result of the election will surely be important, but if history is any guide, its precise economic impacts may be more complex and less clear-cut than the party slogans might suggest.