

# The Effects of Inflation: Comparing 2023 with the 1970's

By Phyllis Macfarlane, Better Statistics CIC

## Summary

Inflation is being felt more keenly in 2023 than in the so-called 'Great Inflation' of the 1970's, even though the actual levels of inflation are lower, because in the 1970's annual wage-rises were greater than annual inflation in most years. At the end of the decade, despite cumulative inflation of c300%, real wages were actually 30% higher than in 1970.

Meanwhile the headline effects on people are similar to what they were in the 70's:

- In August 2023, 54% of a representative sample of UK adults say that it is more difficult to make ends meet than a year ago.
- 27% of women and 21% of men say that they have cut down on food 'a lot' because of the cost-of-living crisis.
- The burden of the cost-of-living crisis falls mainly on those with children in poorer households (<£25K income). In these households 73% of women are finding it difficult to make ends meet, 43% have cut back on food 'a lot' and more than 90% have cut back on food 'a lot' or 'a little'.

## Introduction

When 'experts' kept telling us in mid-2022 that Inflation would definitely be beaten by Christmas (back down to 2%, they said) those of us who know our history thought '*surely not?*'. It had taken well over 10 years to beat the 'great inflation' of the 1970's. Harold Wilson's and Jim Callaghan's social contract didn't work and nor did Mrs Thatcher's and Geoffrey Howe's 'Monetarism'. How can these experts imagine that they know how it can be beaten within a few months? After all inflation has strong cultural connotations, and, as we all know: '*Culture eats strategy for breakfast*'. And so it has proved. (Though hopefully it won't take 10 years this time).

It is true that the world was a very different place in the 1970's: and in many ways it doesn't seem useful to compare the experience of inflation in the 1970's with that of inflation today: we were much less affluent; women with children tended not to work; they were 'housewives' and had 'housekeeping budgets'; meals were cooked from scratch and families sat down to them; children played outside, not on video games; men didn't do the shopping; we were a lot thinner and we smoked a lot more.

But a closer look at the consumer and opinion research from the time shows that some of the effects **are** very much the same: in particular the effect of inflation is much greater on the less well off now as it was then, and it is women who still tend to bear the burden of 'doing without' to lessen the effect on their children and families. Though there is some evidence that men share more of the burden now (certainly in poorer families) more than they did in the 1970's.

In order to compare current attitudes and experience more directly with those in the 1970's, Opinium Research kindly ran some questions for us on their Political Omnibus in August 2023. We wanted to see what we could deduce from a comparison and we therefore repeated a set of questions that had been asked by NOP in the 1970's, placing them on the Opinium Political omnibus in August 2023.

We then compared the results with the information from the 1970's, held in the Archive of Market and Social Research.

### **Data for the Effect of Inflation in 2023**

Firstly, looking just at the Opinium 2023 data ([See part 1 of the presentation](#)) we can ask who is affected most by current levels of inflation? It is basically women with children in low-income households, as it was in the 1970's. Overall 54% of the sample are finding it 'difficult to make ends meet' - but that rises to 73% of women with children in low income households.

24% of the nationally representative sample claim to have cut down on food 'a lot' compared with 42% and 43% of women and men (respectively) in low income households with children. Men do appear to be carrying more of the burden compared to 1974/5 – but we do not have exact comparisons.

### **Politics and who is to blame**

As an interesting political comment: those who voted Conservative in 2019 but are not intending to vote Conservative in the next election tend to be those 2019 Cons. voters who now find themselves 'worse off' than they were a year ago. It is worth remembering that Inflation affects governments: the 'Winter of discontent' brought down Labour and put Mrs Thatcher into power in 1979. In times of Inflation people tend to vote for the party that they believe will handle inflation better than the others

In fact criticism of the government, as not handling things well, is quite a bit higher now (in 2023) than in the 70's. In 2023 only 16% say the govt are progressing 'Very/quite well' in keeping prices and wages under control, compared to 25/24% in 1971 and 1980 respectively – this may be reflecting a general disillusionment with government currently – but also that Labour really was recognized/appreciated for trying to maintain/negotiate a 'social contract' with the Trades Unions in the 1970's.

The Trades Unions (56%), Decimalisation (45%), the Price of Oil (71%) and joining the Common Market (41%) were blamed for inflation in 1975, whereas the Govt (61%), War in Ukraine (51%), Brexit (45%) and Covid (44%) are blamed now. An interesting reflection of the times!

### **Comparing 2023 data with the 1970's**

Looking at the responses to the questions for which we have direct comparisons from the 1970's:

- Q2. Is your family income the same as last year, or more, or less?
- Q3. Do you think you and your family are better off, worse off, or about the same as you were a year ago?
- Q4. Regarding your own family circumstances, do you find it easier to make ends meet, more difficult or have things stayed the same compared to a year ago?

([See Part 2 of the presentation](#) for more detail)

The results at first appear rather puzzling, given the relative levels of inflation:

- The perception of the effect of inflation on family income is greater in 2023 than in the 70's, even though Inflation is much lower than it was then. 29% saying that their income is less than a year ago in 2023 compared to 12% and 18% in 1975 and 1977 respectively.
- Asking people do they think they are better or worse off than a year ago, we see that 59% consider themselves worse off now, compared to 35% in 1975 and 54% in 1977 when inflation was a lot higher and had been going on for longer.
- People are not finding it quite as difficult to make ends meet in 2023, (54% saying it is more difficult) as they did in the early 70's: levels are similar to 1975 (49%), but better than in 1973 (67%), 1974 (61%) and 1977 (66%).

However, it is obviously not only the level of inflation which matters – but also the level of wage rises. And here we see the effect of the Social contract

At the end of the decade, in 1979, prices were, on average, triple what they had been in 1970. Beer had increased from 11p to 37p a pint. The average Electricity Bill had gone from £11 to £40, Food from £6.68 per week to £25. A tank of petrol from £1.73 to £6.32, and new mortgage payments from £19.90 to £118.95. (It all sounds depressingly familiar!). The only good news was that colour TVs which cost £260 each in 1970, were still only £260 in 1979.

However, according to a report by Retrowow, the average weekly wage in the UK in 1970 was £18.37, while in 1979 it was £68.92. In 1970 money, the 1979 wage was worth £23.79, which is a **real increase of 30%**.

Whereas in August 2023 we have headlines that *'pay has outstripped inflation for the first time in 2 years'*, and the background to inflation is of long-term stagnation in real wages and a **real decline of c 1% in the year up to June-August 2023**.

The data is thus explained. Inflation was higher in the 1970's but annual pay-rises were on average greater than annual inflation, except in 1976/7 (which explains why the 1977 % for 'difficult to make ends meet' is higher). It is no wonder that people are feeling the effects more now in 2023.

The result that people are finding it slightly less 'difficult to make ends meet' in 2023, compared to the 70's, probably reflects the relative affluence of current times. People do have more discretionary income now. And the question is perhaps a little dated – which 'ends' exactly are to meet? Still, 54% of people are saying that they are finding it difficult to make ends meet in 2023, is a figure to make one pause. And hopefully politicians think!

Looking back it seems fairly clear that the Social contract probably did sustain and contribute to the high levels of inflation over the 1970's and into the 1980's, but nevertheless 30% real growth in wages was achieved during the 70's, which made it not seem so bad as now, when growth is negative.

### **'Doing without' then and now**

Having understood and explained the comparative quantitative data of the 1970's and 2023, we also wanted to explore the qualitative evidence of women giving things up in the 1970's in order that their husbands and children should not do without. We wanted to compare with 2023, given the extensive media evidence that it was still happening. In the 2023 study we asked the following

- Q5. Thinking about food, have you cut down or given anything up because of the crisis?

- Q6. And have you given up anything else because of the crisis? (treats, holidays, clothes, etc)
- Q7a. if yes at Q5 or Q6: What have you yourself given up or done without?
- Q7b. if yes at Q5/6, and Children in family: And what have your children had to give up or go without?

27% of women and 19% of men say they have cut down on Food 'a lot' – the figures being much higher for those with children and on low incomes. And 29% of women and 21% of men have cut back/given up other things 'a lot'. It still seems that it is women who bear the main burden, though it appears that men in poorer households with children share the burden more equally than in the past.

Can we discern differences between the 1970's and 2023? We only have quotes from (housewife) focus groups in the 1970's compared to open-ended questions (asked of the whole sample) in 2023, but there are definitely similarities. Here are three quotes from the 1970's focus groups:

*"If I buy five chops, I give two to my husband, give the three kids one each, and buy myself a hamburger - they're only 5p each."*

*"My little girl goes tap dancing. She could go 3 times a week, but she goes once. She says: "why can't I go 3 times? ". I can't afford to send her - it's four bob a time."*

*"You try and let it not affect your children too much - you try and give them a sweet when they come out of school same as they've always had ... but you know you really can't afford it."*

And three from the 2023 open ended question on what children are doing without:

*'Less heating, less eating out, less family days out, no more pets and she really wants guinea pigs or mice'.*

*'Days out, cinema nights, treats, new clothes, Xbox subscriptions, I've also stopped pocket money as I can't afford it anymore'.*

*'Nothing, I have given up what I have needed to ensure my children are not affected as drastically as other children'.*

It's clear from the 2023 verbatims that people do have more that they are able to give up. The research reports from the 70's show that times were harder: cupboards were barer, people cut back even on fresh fruit, and, anyway, not all men passed on their pay-rises. (In Sept 1975 a Times headline announced|):

**'Poorest wives are getting poorer':** *Husbands pass on less than half their pay rises to their wives for housekeeping, according to an NOP survey of 4,000 readers of Woman's Own. One mother in five had no increase in a year of 25 per cent inflation, the survey shows. One in three of the poorest wives on £10 a week or less had no increase in her housekeeping allowance. Two wives in five find it difficult to keep up with food prices.)*

It is tough to 'do without', and women do seem to bear the brunt of it. But there is still humour. One of my favourite paragraphs from 1974 always brings a wry smile: *Despite the general economies, many respondents considered it important to maintain a personal luxury, almost as a symbol of less austere times:*

*"But I still smoke - I'm skint - it's hard to manage, but I still smoke".*

*"I still have chocolate digestives with my coffee - I hide them."*

What people have given up because of inflation reflects that we are relatively much better off in 2023 – but the poor are still poor, and the sacrifices, particularly of women, deep. And children are affected.

It would seem that more could be done to protect low-income households. The inflation figure used for calculating Benefits (CPIH) does not reflect low-income household's actual experience of inflation correctly, contributing to greater inequality over time.

**The Household Cost Indices, as proposed by Jill Leyland and John Astin, provide more accurate measures of inflation across various types of household, particularly, poorer households. Presently the ONS have halted development of these indices but, hopefully, they will enable better policy decisions in future.**