

## Lecture 9 – The Economy:

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Background:

Today – Britain is a **medium-sized industrial power** that has stemmed its decline during the last 20–30 years.

There is hardly any mechanisms + legal framework for governing the **labour market** in Britain – from the beginning there has been government neutrality + informality + a relative absence of legislation characterising **industrial relations**.

Before, it was a manufacturing giant.

Today – ca 1/5 of the **28 million workforce** are employed in manufacturing, ca ¾ work in the service sector.

**NB:** the workforce is predominantly **non-manual** – 25% work part-time, 45% of the workforce are women.

Up until 1940s Britain has practised a **liberal capitalist free trade economy**

From 1945 – 1979 Britain has had a **mixed economy**

From 1979 – today Britain has had a **monetaristic neo-liberal economy**

1945 – 1979:

A state-planned, state-managed economy was introduced alongside the capitalist private-enterprise economy (see table p. 93):

- 1) the Welfare system
- 2) nationalisation of major industries (= publically-owned companies)

In 1970s there was a boom in **trade union membership** (58% of all workers in 1979)

1979 – today:

During the 18 years of Conservative governments almost every market trend ran against the trade unions (see pp.115 + 116)

**NB:** The most significant change was the introduction of the **one-man-one-vote secret ballot ('OMOV')**.

The three main concerns were:

- 1) Privatisation (denationalising industry, e.g. British Rail)
- 2) Free market forces based on monetarism (an active flow of money with public borrowing / investment interest rates + a taxation system aimed at attracting business and private investment / spending. Direct taxes, e.g. income tax + corporation tax, were the lowest in Europe.
- 3) De-regulation – encouraging growth through fewer direct state controls / minimal government intervention

Throughout the 1980s "New Conservatism"/ "Thatcherism" privatised the public sector – "rolling back" the public sector in favour of private enterprise:

- 1) an attack on trade unions / an industrial relations battle
- 2) tax incentives for new entrepreneurial enterprise ("popular capitalism")
- 3) "Americanization" – increased specialisation + flexibility of both production and consumption + wage flexibility and increased labour mobility

**NB:** This "less state – more market" ("laissez-faire" capitalism) policy has politically failed – resulting in large unemployment + a marked divide between rich and poor (e.g. "working poor")

Since "New Labour" came to power (1997) there has been no significant change in economic policy – only a bolstering in the form of tax reliefs for those poorest off.

Taxation:

Public finance = taxation + expenditure

The British tax system is special in that taxes are paid directly to central government that then gives **block grants** to local government (50%).

Local government then gets the remaining 50% through Citizen's Tax.

New Labour is trying to keep the fine balance between **social investment** and **traditional taxing + spending** – aiming to create opportunity rather than "equality"