

THE EVOLVING RELATIONSHIP BETWEEN GOVERNMENT AND THE ECONOMY

The historical basis for Britain's political economy is **liberalism**, the philosophy that emphasizes political and economic freedoms for the individual and the market. Yet liberalism in Great Britain has been reshaped over the years, particularly in recent decades. The recession that began in late 2007 has deepened the economic issues that preoccupy the government, as unemployment rates have gone up and business earnings have decreased. The state-owned Bank of England, which is the central bank for all of Britain, responded to the economic crisis in September 2008 by cutting interest rates and by buying government bonds and corporate debt.

Since the end of World War II, the British government has redefined its relationship with the economy several times. Until the 1970s, the **collective consensus** philosophy was based on social democratic values that support a great deal of government control of the economy, including the nationalization of many major industries. The approach taken is called **Keynesianism** (after British economist John Maynard Keynes), in which the government took action to secure full employment, expand social services, maintain a steady rate of growth, and keep prices stable. Then, Margaret Thatcher reversed this trend by emphasizing **neo-liberalism**, a revival of the old political and economic philosophy of liberalism that had guided Britain in earlier years. Thatcher's policies moved toward a free market economy and denationalization of industries. Since then, the government has tried to establish a middle way, but the correct balance between state control and the free market is a matter of great dispute.

During the Blair years (1997-2007) the prime minister teamed with Gordon Brown, the chancellor of the exchequer (treasury), to craft the direction of the political economy. By 2001 the Blair-Brown team had succeeded in bringing Britain's "**misery index**" (inflation plus unemployment) down to a new low. While holding income tax rates steady, the government still managed to fund a variety of welfare programs, including those intended to improve living standards and job opportunities for the poor. This balancing act is illustrated by the current debate over what to do with the National Health Service (NHS). Many support it, saying that the British population is much healthier than it used to be, and that the British working class has especially benefited. However, the system is challenged by the aging population, a general trend in most mature democracies today. Others criticize the service for its increasing expense to the government and for its long wait lists for medical treatment. Private medical care is becoming more common, but many Britons want to keep the NHS, especially if it can be reformed.

In late 2008 a cabinet member, James Purnell, issued a white paper that revealed the government's efforts to address welfare reform. One area of concern is unemployment insurance, and the government has looked to

the “welfare to work” principle put into law in the United States in the 1990s. The British version is not as drastic as the American welfare reform, but Mr. Prunell’s white paper did suggest that almost all claimants would have to show that they have made efforts to find or prepare for work. Additionally, anyone receiving disability allowances would have to be medically reassessed by 2013. These efforts to reform the welfare system have been spurred by the economic recession, as the government looks for ways to pay its bills.

TRANSPARENCY IN GOVERNMENT

The British government has long had a solid reputation for its transparency, so that the parliamentary scandal that broke in the spring of 2009 was particularly surprising to many people around the globe. The *Daily Telegraph* reported first on expense reports from Labour ministers, then on Labour backbenchers, and finally on Conservative and Liberal Democrat MPs. The reports revealed huge amounts of personal expenses charged to the government, ranging from small, everyday purchases to thousands of pounds’ worth of home improvements. One particularly controversial type of spending was categorized as the “second-homes allowance” for MPs who maintain homes in both London and their constituencies. Some MPs were getting reimbursements for improvements to both of their homes, and others were spending money on their homes just before they re-classified them as main residences, with both practices against the rules for the second-homes allowance. The depth of the damage to Parliament’s image was reflected by the resignation of Michael Martin, the Commons speaker of the House, who claimed thousands of pounds for a chauffeur-driven car that drove him about his Glasgow constituency, one of Britain’s poorest.

The British public reacted strongly against these exposures, causing Gordon Brown, David Cameron (the Conservative leader), and Nick Clegg (the Liberal Democrat leader) to apologize for the entire Parliament and promise that colleagues would pay back unjustified claims. Brown called for an end to the functioning of Parliament as “a gentlemen’s club” that makes its own rules on members’ benefits. Other reforms demanded wider changes that would make Parliament and the government more accountable to the people. Some suggestions included reducing the number of MPs, parliamentary committees with real powers of oversight and investigation, and primary elections to select parliamentary candidates. This scandal caused British citizens, already beleaguered by recession, to lose trust in their government. Even before the scandal, an April YouGov poll showed very low political efficacy rates among Britons, with a third of the respondents indicating that they trusted no politician to tell the truth. Of course, the fact that the scandals have been exposed indicates that the transparency level is still high, since an independent press may freely criticize the government.

BRITISH RELATIONSHIPS WITH THE EUROPEAN UNION

British insularity has always meant that the country tends to keep its allies at arm’s length. The British government did not enter the Common Market (a precursor to the European Union) when it was established in 1957. When Britain finally decided to enter in the early 1960s, its membership was vetoed twice by French President Charles De Gaulle. Finally, in 1978, Britain joined the Common Market, but the Thatcher government was opposed to rapid integration of European markets, and she was adamantly opposed to the adoption of the euro in place of the pound. Under Prime Minister John Major, Britain signed the Maastricht Treaty that created the European Union, and under Labour’s Tony Blair, the government was still more favorable. When the Labour government first took power, it openly advocated adoption of the euro and further integration with the EU. However, once in power, Labour backed away from its initial commitment, although during the 2005 campaign Blair promised future **referenda** on the new EU constitution and the euro. The referenda did not take place during the remainder of Blair’s time in office, and the Conservative Party is openly split over EU matters. Recent polls indicate that the percentage of the British public who wants to hold on to the British pound has slipped below 50%, so it appears as if Britain will continue to play its age-old cat and

mouse game with the European continent. However, Gordon Brown has been much less vocal in his support for strong ties with the EU than Tony Blair was, and David Cameron has been caught between the conflicting wings of the Conservative Party, which cannot agree on Britain's role in the EU. Meanwhile, many British citizens expressed their disapproval of the EU in the 2009 European elections by voting for more anti-EU representatives from the UK Independence Party and the nationalistic British National Party.

DIRECTION OF POST-BLAIR POLICY

As Tony Blair stepped down from office in June 2007, most British citizens were relieved to end the last years of controversy over his policies, particularly his highly unpopular support for the Iraq War. However, it is too soon to judge his accomplishments, which supporters say are considerable. For example, his admirers point out that the British economy has stabilized, globalization has made London one of the most dynamic cities in the world, schools and hospitals have improved, devolution is well underway, and British citizens are paying more attention to climate change and worldwide poverty. The future will reveal how much of this is true, especially in terms of the direction that Gordon Brown takes as he heads the Labour government.

Gordon Brown has been a Labour leader for many years, rising at the same time that Tony Blair climbed the ranks of party power. He was first elected to Parliament in 1983, and became shadow chancellor of the exchequer (treasury) in the years before Labour's victory in 1997. During Blair's years in office, Brown served as the chancellor, largely crafting overall economic strategy, and apparently gaining a great deal of power in other policy areas as well, including foreign aid and management of health and education. Once Blair's unpopularity made it apparent that he would have to step down, it became clear that Gordon Brown was the heir-apparent. Brown's personality is more low-key than Blair's, and how that affects Britain's place in international politics has been a source of much speculation. Critics had accused Tony Blair of being George Bush's "poodle" in his Iraq policy, and Brown has had some trouble in distancing himself from that accusation.

TERRORISM AND COHESION

Tony Blair aptly described changes in the nature of terrorism in Britain in an essay published in *The Economist* at the end of his tenure:

“Over ten years I have watched this [terrorism] grow. (If you had told me a decade ago that I would be tackling terrorism, I would have readily understood, but thought you meant Irish Republican terrorism.)”

The meaning of terrorism certainly changed after four British Muslim suicide bombers attacked the London transit system in July 2005, killing 52 people. Two other major terrorist plots were uncovered in 2006, and in 2007 several car bombs exploded – one parked outside a London nightclub, one near Trafalgar Square in London, and one in the Glasgow airport. Within four days of the car bombs, the main players had been arrested. The government is now earmarking extra money for security, a mosque watchdog is in operation, and the M15 (British security service) is keeping track of many suspected terrorists.

In his first press conference as prime minister, Gordon Brown reacted to the 2007 attacks by affirming his government's commitment to nonviolence, and expressed his distaste for the “extreme message of those who practice violence and would maim and murder citizens on British soil.” Shortly afterward, the government began a pilot curriculum to be taught in some Muslim religious classes that emphasizes nonviolence among British Muslims. The program has been criticized for singling out young Muslims for civics lessons, and the British government is still struggling with how to isolate the extremist Muslim minority from the moder-

ate majority. One of the thorniest issues of all is maintaining a cohesive society, despite the demographic changes of recent years.

Torn between the task of narrowing the social, economic and cultural gap between Muslims – especially in poor urban areas of northern Britain – and the rest of society – and simply fighting terrorism, the government believes that it must at least do the latter. Probing and pre-empting attacks by Muslim extremists occupies about 75% of the energy of the British security services, with a fair amount of success in uncovering terrorist plots before the last minute, according to a report in *The Economist* in February 2009.

LABOUR'S BALANCING ACT BETWEEN THE U.S. AND THE EU

When Tony Blair became prime minister of the United Kingdom in 1997, he took on a very ambitious agenda. Domestically, he wanted to sustain economic prosperity and increase social equality, as well as reinforce traditional British national identity and political institutions. Internationally, he sought to develop a new relationship with Europe in which the United Kingdom would play a central and self-confident role, and yet maintain a special relationship with the United States that had been in place since World War II.

Blair's efforts seemed to succeed until the Iraq crisis drove Washington in the opposite direction from Paris and Berlin. France and Germany were outspoken in their criticism of the U.S. invasion of Iraq and of Britain's support for the war under Blair's watch. The crisis challenged the cornerstone of Tony Blair's vision that the United Kingdom could act as a bridge across the Atlantic. It damaged Britain's relationship with France and raised questions about the wisdom of its special relationship with the United States. It caused dissent within the Labour leadership, and seriously undermined Blair's popular support, a situation that resulted in the party losing many seats in the House of Commons in the election of 2005, and eventually led to Blair's resignation in 2007. With the election of a new American president, Barack Obama, in November 2008, the direction of U.S./British relations is positive, and the global economic crisis has required Obama and Brown to work together to address the problems.

DEVOLUTION AND CONSTITUTIONAL REFORM

The British government is still a **unitary** one, with the most authority emanating from London. However, continuing desire by Scots and the Welsh for their independence and the problems with Northern Ireland have led to the development and implementation of the policy of **devolution**. Even before Margaret Thatcher delayed the process when she took office in 1979, the Labour party supported **devolution**, or the turning over of some political powers to regional governments. However, a 1977 referendum to create Scottish and Welsh assemblies failed. In 1999, though, referenda in both regions passed, and each now has its own regional assembly, which has powers in taxation, education, and economic planning.

In the 1998 Good Friday Agreement, a parliament was set up for Northern Ireland as well, although London shut down its activities after violence broke out in 2002. The Northern Ireland Assembly remained suspended for almost five years, not reopening until May 2007. A new challenge was presented to the Assembly in early 2009, when two British soldiers and a police constable were killed and dissident republican terrorists claimed responsibility for both killings. These first murders of members of the security forces since 1998 brought thousands out in peaceful protest rallies across Northern Ireland. Some observers found hope in the response by political leaders of Sinn Fein, the Democratic Union Party, and the English boss of the Northern Ireland police, who appeared and were photographed standing shoulder-to-shoulder outside the Northern Ireland Assembly.

Just how much these new parliaments will affect London's authority is yet to be seen. Devolution has also included the creation of the office of mayor and a general assembly for London, giving the city more independence from the central government over its affairs.

Some critics have argued that devolution should be only one step toward modernizing the political system. Other reforms under consideration include a written Bill of Rights for individual citizens, a written constitution, freedom of information, and a new electoral system. Whatever reforms are made, Britain still retains a strong attachment to its many traditions, and the government's long lists of accomplishments are not all in the past. As the nation redefines both external and internal political relationships, Britain still serves as a role model for the development of democratic traditions in the modern world.

IMPORTANT TERMS AND CONCEPTS

backbenchers
 Beveridge Report
 Blair, Tony
 British Broadcasting Corporation
 British National Party
 Brown, Gordon
 Cameron, David
 caucuses
 "civic culture"
 Clause 4
 Clegg, Nick
 collective consensus
 collective responsibility
 Confederation of Business Industries
 Conservative Party
 "Constitution of the Crown"
 cultural heterogeneity
 Democratic Unionist Party
 devolution
 English Bill of Rights
 Euroskeptics
 "first-past-the-post" voting system
 the Glorious Revolution
 the "government"
 gradualism
 hereditary peers
 home rule
 insularity
 Irish Republican Army
 "Iron Lady"
 Keynesianism
 Labour Party
 law lords
 Liberal Democratic Alliance
 liberalism

life peers
 limited government
 “loyal opposition”
 Magna Carta
 “misery index”
 mixed economy
 multi-nationalism
 neo-corporatism
 neo-liberalism
noblesse oblige
 OPEC
 Oxbridge
 parliamentary system
 Plaid Cymru
 plurality voting system
 politics of protest
 proportional representation
 quangos
 Question Time
 rational-legal legitimacy
 referendum
 safe districts
 Scottish National Party
 “shadow cabinet”
 Sinn Fein
 solidarity
 Speaker of the House
 Thatcherism
 the third way
 Tories
 Trade Union Congress
 traditional leadership
 UK Independence Party
 unitary government
 “vote of confidence”
 welfare state
 Whigs