**Faculty of Letters and Languages – M’sila**

**Department of English**

**Level:** Master 01

**Course:** British Civilization.

**Lecture**: The Economy.

**Lecture number**: 06

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**INTRODUCTION:**

Historically, the British economy has been conditioned by agricultural and industrial revolutions; the growth and later reduction of manufacturing industry; the expansion of service industries; government policies and intervention; and a decline from the late nineteenth century relative to other competitor countries. It experienced both recession and growth throughout the twentieth century, but developed successfully from 1994 with low inflation, unemployment and interest rates. However, there were again signs of weakness in 2001 due to a domestic and global economic downturn. Britain was a largely rural country until the end of the eighteenth century and its economy was based on products generated by agricultural revolutions.

But there had also been industrial and manufacturing developments over the centuries, which were mainly located in the larger towns. Financial and commercial institutions, such as banks, insurance houses and trading companies, were gradually founded in the City of London and throughout the country to finance and service the expanding and increasingly diversified economy. The growth of an overseas colonial empire from the sixteenth century contributed to national wealth as Britain capitalized on its worldwide trading connections. Colonies supplied cheap raw materials, which were converted into manufactured goods in Britain and exported. Overseas markets grew quickly because merchants and traders were protected at home and abroad. They exploited the colonial markets and controlled foreign competition. By the nineteenth century, Britain had become an economic power. Its wealth was based on international trade and the payments that it received for its exported products. Governments believed that a country increased its wealth if exports exceeded imports. This trading system and its financial institutions benefited.

**The Modern Economy: Policies, Structure and Performance**

It is argued that British economic performance and world status declined further in the twentieth century, although some research queries whether decline has been as substantial in relative terms as is popularly assumed. But Britain was affected by economic problems created by two World Wars; international recessions; global competition; structural changes in the economy; a lack of industrial competitiveness; alternating government policies; and a series of ‘boom-and-bust’ cycles in which economic growth fluctuated greatly.

**Economic Policies**

Governments became more involved in economic planning from the 1940s, and the performance of the economy has been tied to their fiscal and monetary policies. All British governments have variously intervened in economic life in attempts to manage the economy and stimulate demand and growth.

**The Conservative Party**, however, has traditionally advocated a minimum interference in the economy and favored the workings of the market. But, in practice, government intervention was necessary as global competition grew and domestic demands became more complex.

**The Labor Party** argued that the economy should be centrally planned and its essential sectors should be owned and managed by the state. This policy in Clause 4 of its constitution was dropped only in 1995. Labor governments from 1945 consequently nationalized (moved to public ownership) railways, road transport, water, gas, electricity, shipbuilding, coal-mining, the iron and steel industries, airlines, the health service, the Post Office and telecommunications. Public industries and services were run by the state through government-appointed boards. They were responsible to Parliament and subsidized by taxation for the benefit of all, rather than for private owners or shareholders. But they were expensive to run and governments were expected to rescue any which had economic problems. Conservative denationalization was later (1979–97) called ‘privatization’.

Ownership of state industries such as British Telecom, British Airways, British Petroleum, British Gas, water and electricity supplies, British Coal and British Rail was transferred from the state to private owners mainly through the sale of shares. These industries are run as profit making concerns and are regulated in the public interest by independent regulators. The aim was to ‘deregulate’ the economy so that restrictions on businesses were removed to allow them to operate freely and competitively. For example, the stock market and public transport were deregulated, resulting in greater diversity in the City of London and local authority bus companies competing with private bus firms.

**Economic Structure**

Government policies have created a mixed economy of public and private sectors. The public sector includes the remaining state-run industries and public services, which now amount to under one-third of the economy. Over two-thirds is in the private sector and will increase with further privatization.

Unlike public-sector concerns which are owned and run by the state, the private sector belongs to people who have a financial stake in a company. It consists of small businesses owned by individuals; companies whose shares are sold to the public through the Stock Exchange; and larger companies whose shares are not offered for sale to the public. Most companies are private and small or medium-size. They are crucial to the economy and generate 50 per cent of new jobs. Some 10 per cent of the economy is controlled by foreign corporations, which employ 10 per cent of the workforce. Britain (even outside the Euro) has been seen as an attractive low-cost country for foreign investment in areas such as electronic equipment and cars, although such investment has recently been reduced.

**Economic Performance**

Since the Second World War Britain’s economic problems (caused by domestic and global factors) have resulted in recession and boom cycles; high unemployment, inflation and interest rates; trade weaknesses; poor growth; a fluctuating pound; and industrial relations problems. There have also been structural changes in the economy, such as a growth in service industries and a decline in industrial and manufacturing trades. The location of British industry, which was dictated by the industrial revolutions, has been a factor in manufacturing and industrial decline. Industries were situated in areas where there was access to natural resources and transport systems and where there was often only one major industry. They could be easily damaged in a changing economic climate, unless they managed to diversify. But even regions which had diversified successfully in the past were affected by further deindustrialization and recession from the 1970s to the 1990s.

In an attempt to boost economic strength, Britain in 1990 joined the European Exchange Rate Mechanism (ERM) which, by linking European moneys, is supposed to stabilize currencies and improve national economies. But, after speculation against the pound in 1992, Britain withdrew from the ERM and allowed the pound to float. The economy recovered outside the ERM. At present (2001), the pound is strong, although this has created problems for British exporters and businesses.

**Social Class**

The spread of education and expansion of wealth to greater numbers of people in the twentieth century allowed more social mobility (moving upwards out of the class into which one was born). The working class was more upwardly mobile, the upper class (owing to a loss of aristocratic privilege) merged more with the middle class and it was felt that the old rigid class system was breaking down. But class structures still exist, although the proportions of people belonging to the various levels have changed substantially.

Some researchers now employ a six-class model based on occupation, income and property ownership, such as:

1 Higher-grade professional, managerial and administrative workers (e.g. doctors and lawyers)

2 Intermediate professional, managerial and administrative workers (e.g. school teachers and sales managers)

3 Non-manual skilled workers (e.g. clerks)

4 Manual skilled workers (e.g. coal-miners)

5 Semi-skilled workers (e.g. postmen)

6 Unskilled workers (e.g. refuse collectors, cleaners and laborers)

**Exercises**

**1-**Explain and examine the following terms

Diversify (economics) - G.D.P- Monopoly- Privatization- Nationalization- Private Sector.

**2-**Write a short paragraph describing what you think is the right balance between the private and public sectors.

**REFERENCES**

Oakland, John. 2002. *British Civilization: an Introduction.* London: London University Publication Office.

Mcdowall, David. 2008. *An Illustrated History of Britain*. New York: The McGraw-Hill Companies, Inc.