

Question: based on your knowledge of assets and drawbacks of deregulation in the UK, explain the following statements from an article published in The Guardian. You should provide all the relevant facts and figures required to understand the issues at stake, as well as clarify the **historical contexts**.

As the European Union has agreed to extend Brexit deadline until 31 January 2020, with the main parties gearing up today, the 12 of December, for the general election under the provisions of the Early Parliamentary General Election Act 2019, it might be questioned *how* Brexit will go down into history. With fears over the manufacturing supply chain and future foreign direct investment (FDI), as being world's 8th largest manufacturer and The City of London as world's financial capital, questions have raised about whether the city can keep its position at the heart of international monetary system. Will the transition period be another pivotal moment for the sectors of the UK, and which role do deregulation and privatisation play in the Britain withdrawal from EU? As Brexiters' believe *that a higher dose of deregulation and privatisation will make England great again*, opponent of Boris Johnson, as Jeremy Corbyn, promises nationalisation of key services, higher public spending and tax rises for businesses and individuals. The destiny of the political landscape of the UK, is being put into question.

It was British writer and journalist George Orwell who diagnosed his country as "rich man's paradise" in his essay *The Lion and the Unicorn: Socialism and the English Genius* (1941). He believed in nationalisation of basic industries, abolition of hereditary privilege, and educational equality. An economy driven by capitalism, only benefiting the rich and aiming to make as much profit as possible, would jeopardize the British society and their citizens, according to him. He said: "England, is governed by an "unteachable" ruling class, failing to see "that an economic system in which land, factories, mines and transport are owned privately and operated solely for profit ... does not work." This statement still resonates in today's political landscape of the UK, but also in its deep history of deregulation and privatisation. Under the Conservative government led by Margaret Thatcher, who served three terms as Prime Minister of the United Kingdom (1979-1990), the process of privatisation and later deregulation began. She fully embedded Hayekian economic ideas by opening the public sector to profit, raising cash at a time of economic recession and thus make the so called "sick man of Europe" more productive, effective and attractive towards its economical competitors. Privatisation only refers to turning ownership of a previously "state owned" organization to a private individual or corporation, while deregulation removes regulatory laws, taxes or rules to increase competition. All in all, privatisation brought over 30 billion pounds in the UK between 1979-1993, after a fall of productivity capacity in 1980 by 25%, a loss of 2 million jobs and a negative balance of trade. Her program of deregulation and privatisation started with the **Transport Act** in 1980, by reducing subsidies for bus companies, an opportunity for the state to keep more money to itself. Followed by the

privatisation of British Petroleum in 1979 by federal military government of Nigeria and in 1985 British Telecom, a successful example in which the mobile market was able to develop itself. In 1986 it was British Gas that was privatised, the biggest state-owned company ever, and British Airways, British Steel, Electricity and Coal, respectively. **The Railway Act in 1993 by John Major** organised the privatisation of British Rail, which had been completed in 1997. Not to forget the 17th of October 1986, the day on which Margaret Thatcher deregulated the London Stock Exchange, also known as the **Big Bang**. Along with the substantial reduction in government regulation of financial services, she modernised the sector by introducing an electronic trading system, which opened up the stock exchange to foreign currencies by making computerized transactions possible, and therefore allowing external corporations to enter the LSE. However, some have blamed that this deregulation, the removal of rules in the financial sector, affected the financial crisis of 2007-2012. As greater competition, efficiency and larger profit had been beneficial at that time for the UK, the market entry standards had been lower than ever and therefore could have jeopardised the financial market as a whole.

So on, Thatcher and her successor created a revolutionary move by initiating privatisation of sectors which had been nationalised in the late 1940s. It was Labour Prime Minister **Clement Attlee** that nationalized 20% of British Industry by then: in 1946 for example, the Bank of England was not owned by private shareholders, but by the Government itself. The energy sector (coal, electricity and gas), transportation and the communications industry were part of his nationalisation campaign as well. The expansion of the **Welfare State** under the Attlee government made Attlee "*The Man who made Britain Modern*", as he tried to achieve real social change and equality, by the creation of **NHS by National Health Service Act in 1946**, providing free universal healthcare for all. But nowadays, there's a chance that UK will further deregulate and privatise this service when moving closer to the US after Brexit. On the 24 July 2019, the premiership of Boris Johnson began, a journalist which has been highly in favor of privatization and deregulation. The risk that the NHS will be privatised, is heavily present, and threatens the access to NHS. The creation of **The Health and Social Care Bill in 2012** obliged the NHS for instance to hand over contracts to private providers, accountable for 8.8 billion pounds of the health service budget. This was the biggest shake-up of the NHS in history, outsourcing services as psychological therapy, wheelchair services and non-medical services. Some may suggest that these changes endanger the NHS funding principles, other say the bill was necessary in order to maintain the nature of a free market economy. Nevertheless, complaints that standards are getting lower, prices higher and that the safety at stake if a system is not nationalized and subsidised, continue to exist. The **Grenfell Tower fire** for example, killed 72 people in London on June 2017, because of shortcoming in fire safety, insufficient attention and funding of government. This is only one example of a lack of investment in public propriety, and one of the dangers of nationalisation. Furthermore, it was under the New Labour government of Tony Blair that the PPP was initiated. **Public Private Partnership in 2000** transformed the contracts of public

companies, allowing external corporations to build and operate public services and infrastructure but letting the financial risk remain at the public body. So on, private firms operate for public projects, extracting wealth from the public sector without having any financial responsibility. This was an other initiative enabling to increase the power of the private sectors, paving the way towards full privatisation. Nevertheless, Tony Blair failed the modernisation of the London Tube through complete privatisation by Metronet collapsing with a depth of 2£ billion and perceived as a financial and practical disaster. Also, pharmaceutical companies as Pfizer, Merck and Novartis are making contingency plans, planning closures, starting stockpiling, as they fear the consequences of Brexit. Even the head office of the European Medicine Agency moved from London to Amsterdam in January 2019. As David Cameron, preceded by Tony Blair and also in favor of privatization wrote in an article in the Telegraph in 2011: “The grip of state control will be released and power will be placed in people's hands.” Even the BBC announced in 2016 privatisation of 60% of its radio content, and the government have introduced a **Strike Price** in 2010, subsidising nuclear and renewables investors. Seemingly, the question of privatisation still remains at its core of today’s political scene, but do not only influence the medical sector of the United Kingdom.

As mentioned in the introduction, the Brexit uncertainty and the question of privatisation also takes place in the financial sector of London, the city known as the financial hub of the world. The sector attracts more FDI than any other sector in the UK, and is the leading international market for foreign currencies. But with the mounting risk to an economical collapse, with already 800 billion pounds of financial capital leaving the City of London and 332 companies relocating from the city, the question of deregulation has popped up again. A possible Brexit without deal can cause long term economic disruption that may diminish investment in the Square Mile, as well as global economic slowdown, as 53% of the exchanges made in the City are made with Europe. This could lead to another financial crisis, as well as a new attempt to deregulation following the example of US under Donald Trump. As UK is leaving the European Union, they will have no interest anymore to follow European legitimacy, and therefore primarily set up their own rules. In the long term, 1 trillion pounds in assets could be moved after a definitive vote on Brexit, and there has been already a drop of investment of 1,5% already. All in all, deregulation becomes an attractive and effective solution in order to raise profit, to increase domestic productivity and the reduce slowdown in investment.

On the other hand, the fact that trade unions are emerging again is no coincidence: as George Orwell mentioned, the trust in the power of politics is low, slipping too *frequently* into “*stupidity*”, making rules and regulations which are not in favor of the working class. The consequences of a no deal Brexit on the manufacturing supply chain will be extremely damaging, and also jeopardizing employers working in this sector (accounted for 8.2% of the workforce).

Drawbacks of government intervention can deeply damage the influence of the people, who actually should form the democracy of the UK. After all, Trade Union Congress (TUC) still remains the biggest union movement after 150 years, with a total of 5.6 million members, a voice that should not be neglected in political reforms. **The Trade Union Act of 2016** attacks the rights of trade unions members by imposing a levy for the costs of being regulated, and is an other assets in order to restrict and damage the power of the public sectors. This law based “liberty” which benefits predominantly private individuals and corporations, underlines again the political landscape of UK today : the rise of privatisation and deregulation and the fall of socialism.

All in all, the United Kingdom is facing another turning point in its history, by challenging the discussion and ambiguity of deregulation and privatisation. As the process of privatisation and deregulation is escalating, as well are the concerns of trade union members. After all, the fundamental propositions of Thatcherism remains at the core of British politics, but the question is who really will benefit from it : the new wave of world’s greatest bankers or of trade unions leaders. This process of privatisation and deregulation is not yet finished.