

# Impact of the third way police on the uk economy



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**What Tony Blair left behind, after ten years in Downing Street Nr. 10**

When Tony Blair resigned as Prime Minister, after ten years in government, the term of his so called "Third Way Policy" was already out of common mind. But his successor, the former Chancellor of Exchequer Gordon Brown still has to deal with its consequences, which became obvious during the current financial crisis. In my essay I want to refer to the question; how Tony Blair's Third Way Policy has had an impact on Britain's economy and why it can be seen as one of the major causes for the credit crunch in Great Britain.

First, the modernization of the Labour Party to New Labour brought some advantages. Tony Blair distanced the Party from its traditional socialist ideas to a more liberal, economical orientated policy. Achievements of Blair's government were for instance the social charter of the European Union or the introduction of a minimum-wage law.

Secondly, London became the world financial centre during Blair's time at Downing Street Nr. 10. This can be seen as one success, since he supported the idea of globalization and liberalized the economy and the constitutional reforms led to self-government for London. At this point one should also mention, the Bank of England got total independency from the government in 1997, which made London to one of the most attractive market places in the world. Offering good conditions to third sector businesses, the City of London brought Britain impressive years of an economic boom. Actually, London became more attractive for investors as New York, since the New Labour government removed all state regulations from the financial sector.

In contrast, Britain's Third Way Policy in the mid 1990s led to some major fails. To gain people's trust Prime Minister Tony Blair and his Chancellor Gordon Brown promised to save money even stricter than the Conservative Party did before, but finally the New Labour government dropped Britain in incredibly high debts.

The Third Way Policy was mainly about welfare reforms, like introducing a basic pension or child benefit. This seems to be rather good at the first view, but the welfare spending increased highly and the Blair administration had not real concept of how to finance it.

For instance the reform for the National Health Service cost Britain a lot, but did not improve the NHS. Peter Carter, the general secretary of the Royal College of Nursing said: " I have never seen so much money come into the NHS. But in many areas I have never seen so much money wasted. It is a tragedy for the public, for the NHS, and for this government." (" Blair: the NHS ' is much better now' (2007, 1 May), London Evening Standard.

Retrieved November 19, 2009 from <http://www.thisislondon.co.uk/news/article-23394523-blair-the-nhs-is-much-better-now>. do)

So, obviously concentrated the government too much on the wealth of the public sector during the economic boom years and forgot to improve the economy's efficiency, to gain a higher state income.

The probably biggest mistake of the Third Way Policy was the liberalization of the financial market. The independency of the Bank of England was on one hand an important step to join the Euro, but the referendum for the Euro

took never place, because Tony Blair feared to lose it. So one could say the independency of the Bank was part of an unfinished reform.

The liberalization of the financial market is also one reason for Britain's current trouble in the financial crisis, since in the last ten years the financial market got so confused for both, the banks and the government. This means, with removing the state regulations from the Bank of England the government was not able to step in the bank's business anymore.

Britain's current high debts are a result of New Labour's policy in the first decade of twenty first century, because Banks were able to give loans to almost everyone. The government had no attitude to private borrowings, quite the contrary the government allowed Banks to borrow money even to people with low income, since borrowers spent their money, which brought a well running economy. This policy caused a raise in private mortgages debts by almost 100 per cent in a rather short period of just six years, from 2000 to the end of 2005.

But when house prices increased to unrealistic high prices, people stopped spending money on products and the economic growth stagnated, further the unemployment rate increased and credit users could not pay back their credits.

However, the Blair government self did not act better, because the whole Third Way Policy was based on debts, as the state could not finance its reforms through tax incomes.

Moreover, the finance policy of Chancellor Brown became hardly comprehensible and understandable, because he changed the economic cycle several times. To borrow more money he enlarged the economic cycle, so it was not obvious how huge the amount of Britain's debts actually were. In 2008 the foreign debts of Great Britain reached 400 per cent of Britain's GDP.

Finally, Great Britain came into the financial crisis, shortly after Tony Blair resigned in 2007. Now the new Prime Minister Gordon Brown has to deal with the consequences of New Labour's Third Way Policy, but as he was the Chancellor before, he is one of the main responsible for the British financial market policy, which led to the credit crunch.

Currently, New Labour's actions to come out of the crisis seem to be doubtful, in particular the bailout package, which was financed by new printed money. But, the government is also planning to put new regulations on the sub-prime sector to protect families in trouble from unfair charges and repossessions. Whether this regulation will be realised and by whom it will be realised is yet an open question.

Fact is; to come out of the crisis and to avoid another one it is necessary to introduce new regulations in the financial market through the government. But in spite of it all, Britain will need many years to come out of its debts and the process won't be easy, because if the government increases taxes businesses will probably drive out of the country and economic growth decreases. As other European countries, lately, announced already an

economic growth for the next year, it seems as if Britain is going to be “ Europe’s sick man” for the next years.

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