International business

Introduction Neoliberalism is a term which is often cited as the basic theoretical philosophy behind the free market economy and lesser and lesser role of government in regulating the market. Based on this philosophy, major developed countries of the world started to de-regulate the economy in order to give free market forces a chance to achieve the economic objectives. It was because of this reason that there was a significant shift in the macroeconomic policies of the Government of United Kingdom which required less government intervention in the market. Why this shift in the policy happened is the question to be discussed in this essay as it will analyze as to why the government withdrawn from intervening in the market and what may have changed over the period of time.

Economic Policies & Market intervention in UK

In UK, the architects of the free market policies were Margret Thatcher who was largely considered as the Prime Minister with the mandate to reverse the economic decline of UK. The major influence on Margret Thatcher was from Milton Friedman- a Noble Prize winning economist whom she described as the reviver of economics of liberty.(Cornwell, 2006). It started with the privatization process initiated basically in order to make institutions more competitive because of the long term chronic problems of the UK economy. The process of privatization was slow and done in phases where the government gradually sold their stakes in the public enterprises to make them function under the private management in order to make them more efficient. (Cook, 2009). The long term failure of fiscal economics as UK was facing strong inflationary pressures. The policy response from Thatcher government was to gradually decrease the State intervention into the affairs of the free market by leaving them on their own to float and regulate the market. Further, the initial steps also included banning unionism within the organizations to increase their efficiency and at the same time providing rights to the workers in order to balance the power within the organizations. Another very important measure taken while making a stride towards free markets was the fact the monetary policy was made largely independent. However, it was largely directed at controlling and managing inflationary pressures on the economy. Interest and tax rates were cut besides reducing expenditure on the social security nets in a bid to lessen the influence and intervention of government from the market. As a result of this, UK witnessed a gradual decrease in its inflation and could achieve growth rates which were above the growth rates experienced by other countries in Europe.(Henisz et. al, 2005).

Conclusion

The shift towards the free market policies in UK resulted into significant economic performance and so far yielded good results in terms of achieving the economic growth in the country.(Haskel& Szymanski, 1993). However, the increasing degree of de-regulation as well as more reliance on the free market as the only source of economic welfare proved detrimental to the overall economic health of the country as it is currently experiencing one of the worst economic crisis of history.

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