

# Uk economy as a mixed economy

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Discuss, in the light of the economic changes that have occurred within the UK in recent years, whether it is still correct to describe the UK economy as a mixed economy. In the real world it is fairly easy to assess how 'mixed' an economy is. Economists simply look at the percentage of a country's Gross Domestic Product (GDP) that is devoted to government spending and also by looking at how much tax is devoted to the nationalised industries. Currently, the UK devotes about 40% of its GDP to government spending.

That extra 10% means that the health service is more comprehensive, as is the welfare state, although it can be argued that both are in decline. The first because the demand for health care grows much faster than the average growth rate of the economy, partly due to the need to introduce new technologies as it is invented. The second because of the huge increase in claimants (the unemployed, for example) plus the increase in the number of pensioners relative to those in work. Though, previously during the 1970's and early 1980's, the GDP, which was devoted to government spending, was much higher.

This was until Privatisation occurred, when the Conservative governments under Maggie Thatcher developed the policy of Privatisation. Privatisation means the transfer of economic activity from the public sector to the private sector. The Financial secretary of the government Mr Nicholas Ridley, expressed the commitment of Privatisation when he said, " It must be right to press ahead with the transfer of ownership from state to private ownership of as many public sector businesses as possible... The introduction of competition must be linked to a transfer of ownership to private citizens and away from the State.

Real public ownership - that is ownership by people - must be and is our ultimate goal (Treasury 1982). On this view the transfer of economic activity from the public to the private sector was made a desirable objective. This idea was also supported by supporters of the supply-side policy. Privatisation would expose industries to market forces which would increase competition and choice as well as lower prices. Due to this many companies were sold off to the private sector these included BP, British Gas, BT and British Rail. The conservative Party also emphasised wider share ownership.

The more people that have shares the more likely a free market economy it is going to be. By the year 1996, share ownership had spread to 22% of the adult population, having been only 7% in 1981. This increase in share ownership is largely due to privatisation. The conservative government dropped down the share prices one or two pence lower than they were supposed to be sold for. This let people buy a share of a company and have a claim in how the economy is run. There was almost 90% of the employees in privatised companies becoming shareholder in their own company.

Privatisation has also been a method of reducing the PSBR (Public spending borrowing requirement). The finance of external borrowing by the nationalised industries is regarded as public expenditure. This then ceases when these firms have industries have become privately owned. Sale of these assets increases government revenue. Over the years 1979/80-1995/96, the Treasury gained £64.5 bn. from asset sales. Privatisation enabled budget surpluses of the late 80's and curbed the size of budget deficits in the early 1990's .

Privatisation proceeds have reduced PSBR as proportion of GDP by more than 1.5% during the late 1980's and by a smaller percentage in other years. Also, in 1979 the nationalised industries cost the taxpayer i?? 50 million per week but in 1992/93 those companies paid almost i?? 60 million per week to the exchequer. After looking at the affects, which Privatisation has had on the economy in recent years, there has been much greater ownership of factors of production in the economy, this includes more individual control of firms in the economy after the sale of nationalised industries, this is one reason why the U. K.'s economy has swayed from being a more mixed economy to a more free market economy.

Another reason why the U. K. 's economy is no longer exactly a mixed economy is because there has also been less GDP devoted to government spending and after Privatisation occurred there was less tax allocated to nationalised industries. The UK currently devotes only 40% of its GDP to government spending, Privatisation has cut back the amount of GDP devoted to government spending from 50% - 40%. This is another reason to explain the reason how the UK has changed from being a mixed economy to being a more free market in recent years.