**APPENDIX 1: POLITICAL FACTORS – Conservatives .v. New Labour 1979 to 2010**

**1979 – 1997 – The Conservatives in Power: Margaret Thatcher to John Major**Since 1979, inequality has been increasing for a number of reasons. It was most stark between 1979 and 1990 when Margaret Thatcher was in power – the Gini-Coefficient for the UK went from 0.24 (a reasonably respectable figure) to 0.35. Using the table below, provide explanations as to why these different factors led to worsening income inequality. They have been split into Economic, Political and Social Factors

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| **Reasons for increased inequality 1979-1997** | **Detail (case study examples)** | **Arguably why was this to blame for the growing inequality?** | **EVALUATION: why was this not to blame for the growing inequality?** |
| **Economic and Political Factors: The Neoliberal Agenda**Thatcher was one of the architect’s arguably of the global revolution of neo-liberal theories in the 1980’s. You have already studied the impact of the SAP’s in Zmabia during the 1980’s and 90’s | **Tax Cuts for the Wealthy**Top earners reduced tax rate from 83% to 40% | **Rich got Richer**Tax rates for what were then the very rich (for anyone who earnt over £40000) were at 83% and Thatcher reduced this to 40% (the figure it is today). Simply top earners in the UK earned more money, leaving the rest of the UK behind and increasing income inequality | **Trickle Down Effect**Top income earners are maybe more likely to spend or invest a greater degree of money, creating profits for business and job opportunities which will increase everyones incomes (trickles down), not just the rich |
| **Privatisation**Privatisation literally means moving state run industries into the private sector. The Government sold off many industries to private companies in the 8o’s and 90’s. Companies such as BT, British Rail, British Gas, British Airways, BP etc. were all sold to private shareholders. | **Higher Pay for Managers**Private sector companies pay their managers more as state run enterprises can have limits on how much managers can earn in relation to their employees. Therefore this would make the rich richer and increase inequality.**Unemployment**Although some state industries were inefficient, others were earning profit. Private companies have a goal to maximize profits and to earn more profit costs have to be reduced. This is usually at the expense of job positions. Therefore a greater degree of unemployment will lead to inequality as those without a job are left behind**Share Opportunities**Shares are issued by private companies to allow individuals to own a small part of a company. “Investing” in shares by individuals is normally the pursuit of the wealthy as they have the excess income to afford to save. Therefore if the wealthy have more opportunities to get richer, this might leave lower income citizens without these opportunities as they are unable to save. Also arguably the shares were sold off to cheaply meaning there was less money for the Government to protect the vulnearable in society arguably exacerbating the existing inequality | **More Efficiency**It might be argued that greater efficiency is created in a private company compared to a state run one due to the profit motive amongst private companies. This greater efficiency could lead to greater job opportunities for all and prevent stagnant inefficient industry from being a drain on the economy. This would mean inequality would not be affected because the greater job opportunities create income and wealth for all**Share Opportunities**The privatization of state owned companies was considered by many to be a “one way bet”. In other words the share price could only increase. If everyone has the opportunity to buy shares then poorer and richer should benefit alike and therefore it should not affect inequality too much |
| **Reduction in Trade Union power**Famously Margaret Thatcher “smashed” the General Coal Miners Union in the mid 80’s with running pitched battles and strikes which lasted many months. She introduced legislation to restrict the powers of the trade unions such as making certain striking action illegal | **Loss of Jobs**The trade unions represented the working man in a lot of the manufacutring industries which were leaving the shores of the UK. Thatcher famously smashed the general mining union in the mid 80’s and implemented legislation to restrict Trade Union strikes and therefore much of their power. Resulting unemployment means already low wage workers were prevented from earning as the rest of the UK had an income; leading to growing income inequality**Demultiplier Effects**It was not just individuals in Northern areas or England who suffered from a reduction in trade union power. Local communities who relied on these industries for jobs also suffered even though people may not have been directly employed by the local industry. If a mine is closed down or workers receive less money through their wages, they will spend less. Consequently other industries in the area (cinemas, restaurants etc) start to lose business and they may have to cut jobs too. It all leads to some areas of the country declining whereas others improve thus making inequalities worse especially between deinsudtrialised areas and the rest. | **More Efficiency**Arguably trade unions create inefficiencies in the market and create wages higher than the market rate, causing unemployment. Therefore there removal would mean lower wages but possibly greater employment which might reduce the scale of growing inequality? |
| **Restructuring of the UK Economy:** Secondary to TertiaryA movement to the tertiary level of an economy occurred in the 80’s and 90’s | **De-industrialisation** The North-West (textiles), the North (steel), The Midlands (pottery, automobiles, aircraft), the North-East (ship-building, coal), Glasgow (shipbuilding), Cornwall (tin), Wales (coal, steel) all lost their industries during the 1980’s and 90’s as emerging economies such as China, India and others benefitted from decreasing transport costs and much cheaper labour. The Northern areas of the UK subsequently suffered as communities were descimated by the extraction of these industries. In some ways this was due to the Government not helping these areas to re-establish themselves with new industries. However maybe this transition for the UK economy was inevitable and out of the control of the Government but rather due to global forces? It meant however that traditional manufacturing areas of the country did not benefit from the growth in the economy and excarbated the economic inequality between the North and South | **Cheaper Import Prices**Some areas were revitalized in these years and cheaper imported prices for manufactured goods might have meant that standards of living did not disappear for those on low incomes. Therefore was this to blame for the growing inequality? |
| **“The Big Bang”**Part of the transformation of the UK economy came through the Government’s deregulation of the financial markets. This meant that the rules and watchdogs of the financial markets (i.e. shares, insurance, currency) were removed. The result was much easier credit. People could suddenly take out lots more loans and the opportunity to make money in “the City” took off. This meant that with bonuses etc. people in these areas became the new super rich of the UK leaving behind the stricken manufacturing areas of the country | **“The Big Bang”: London is the Financial Centre of the World**By 1997, London had arguably become the hub of the global financial world creating jobs for all with more widely available credit for businesses to invest and create jobs. This would lead to incomes for all and arguably is not to blame for the growing inequality. |
| **Social Factors: A Changing Society** Thatcher famously once said “There is no such thing as society” | **Consumerism**A more individualistic outlook was generated for all. Their were opportunities to be had and people grabbed them! | **Greater Debt Pressure**A desire to increase one’s status through the purchase of goods became common place in the 1980’s and 90’s. Thatcher’s freedom to choose and easy credit led to many increasing their private debt. This would mean that people on lower incomes might not be able to afford the debt they were taking on (and at higher interest rates) making it more expensive to take out credit and reducing disposable income. | **Fuel an Economy** Consumerism led to a growing economy in the late 1980’s and from the mid 1990’s onwards started to enjoy one of the most successful economies in Europe. This would mean that the economic “pie” would increase for everyone and not necessarily increase inequality. |

**1997 – 2010 - “New” Labour in Power: The Blair and Brown Partnership**

Under New Labour, the Government targeted issues to do with inequality most notably, child poverty. The persistent rise in inequality, although still rising, slowed significantly and in some cases started to fall. Using the table below, provide explanations as to whether these different factors solved the problem of growing inequality or not.

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| **POINTS** | **SUPPORTING ARGUMENT to your POINT** | **EVALUATIVE ARGUMENT to your POINT:**  |
| **ECONOMIC FACTORS:** | ***1990’s – 2000’s:******Blair and Brown’s fight against Child Poverty meant that the growing inequality was at least slowed down under Blair and Brown but still did increase*** | **Reform of the Welfare State*** Increase in benefits…through the Working Tax Credits (research these areas…..)
* Introduction of a minimum wage (research these areas…..)
* Increased spending on healthcare and education – huge amounts of spending by New Labour

Helped people on lowest incomes by raising their incomes and life chances reduced inequality (or at least slowed the growth down)**The Goldilocks Economy*** From the fairy tale of Goldilocks and the Three Bear. The “Goldilocks” Economy – in other words, the economy is ‘not too hot and not too cold but just right’?
* New Labour under the direction of Gordon Brown maintained strong GDP growth and looked to be developing very well economically especially when compared to Europe. A strong and robust economy from 1997
* Policies like the ‘New Deal’ helped to get the long term unemployed back to work

Created jobs for the unemployed and raised incomes of the very poor | **How successful were these reforms?*** The minimum wage arguably was set too low and had minimal impact.
* There were lots of administrative problems with the Working Tax Credit

Did these policies really have an effect? Did they just create a ‘Dependency Culture’?**Other policies?*** Tuition fees for University?
* Further cuts in JSA (Job Seekers Allowance) for those without a job

These measures would not have helped people on the lowest income to improve their standard of living or life chances**Tony Blair’s continuation of Thatcher’s policies?*** Tony Blair was also seen to be embracing big business and holding off the Unions by not restoring their power, which Thatcher had taken from them. This was a big change in direction for the Labour party who originally were set up by the workers for the workers!

So although the poor were becoming marginally richer, the very rich were becoming enormously rich. Rise of the ‘super rich’ in the UK? **The Goldilocks Economy???*** It was an unstable economy that in 2008 had a meltdown – the Conservatives today blame New Labour for borrowing too much and being irresponsible with the Nations finances)
* Arguments to say that the ‘New Deal’ was an expensive waste of time and had minimal impact

Could the arguably poor management of the economy before 2010 be to blame for growing inequality today? |