**Who is to blame for the UK economic crisis?**

**Who is to blame for the UK economic crisis, Margaret Thatcher, greedy bankers, Tony Blair, Gordon Brown .**

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Just over 25 years ago - October 27, 1986, to be exact - the so-called ‘Big Bang’ occurred in the City of London.

It described the sudden deregulation of financial markets when ownership of member firms by an outside corporation became allowed, broker/dealers were able to operate in a dual capacity, minimum scales of commission were abolished and trading moved from being conducted face-to-face on a market floor to being performed via computer and telephone from separate dealing rooms.

Dr Martin Farr, political expert at Newcastle University, said: “Things changed almost overnight from a relatively gentlemanly capitalism to international corporate capitalism.”

What happened next is, to many, the root cause of the economic crisis this country now faces.

The deregulation of the UK’s financial markets paved the way for a new era of global banking in the City of London. With the removal of many rules the country’s biggest financial firms were consumed by American and European rivals, and the US investment banks gained international dominance.

It became one of the cornerstones of the Margaret Thatcher’s Tory government’s reform programme. Prior to these reforms, the once-dominant financial institutions of the City of London were failing to compete with foreign banking. While London was still a global centre of finance, it had been surpassed by New York (which had its own ‘Big Bang’ in1975 when fixed commission charges were abolished), and was in danger of falling still further behind.

The effects of Big Bang were dramatic, with London’s place as a financial capital decisively strengthened, to the point where it is arguably the world’s most important financial centre even to the present day.

An economic boom created a new class of nouveau riche that has persisted for two decades, and the boom expanded beyond the City into new developments in the Isle of Dogs area, particularly that of Canary Wharf. Deregulation stimulated financial innovation and enabled new entrants to provide services.

In 1986, banking, finance, business services and leasing accounted for 15.5% of UK GDP. By 2008, the figure for business services and finance had almost doubled to 29.2%, according to the Office for National Statistics.

While Thatcher started the ball rolling, Labour was all too keen to carry on the work. And the attempts to curry favour with the UK’s financial sector pre-dated Tony Blair.

Dr Farr said: “It actually began with the so-called ‘Prawn Cocktail Offensive’ by Shadow Chancellor John Smith in the 1990s during a series of lunches he had with leading financial figures. There was a particular reluctance of Labour to upset the business community. Historically, every Labour administration has had to deal with a financial crisis which, with the help of the City, they wanted to avoid.”

When it got into office in 1997, ‘New’ Labour’s first major act was Chancellor Gordon Brown’s decision to give authority over the setting of interest rates to Bank of England. “A confidence raising measure,” said Dr Farr.

In 1998, one year into office, then Business Secretary Peter Mandelson famously - or infamously - said: “We are intensely relaxed about people getting filthy rich - as long as they pay their taxes.”

With such explosive growth and the creation of a network of financial products that locked global markets together, it meant that if one area failed it brought everyone else crashing down with them.

There were other factors including the housing bubble, kick started by Thatcher’s ‘right to buy’ scheme which saw council houses sold and the full stock not replaced forcing prices up as demand rose.

Without powerful unions to protect them, the wages of ordinary workers were held in check. As it became increasingly difficult for first-time buyers to get on the property ladder, the newly deregulated banking sector began offering ever more ‘attractive’ loans which culminated in the Northern Rock fiasco.

While Labour introduced the minimum wage, it did little to prosecute those who flouted it. Meanwhile draconian anti-union laws introduced by the Tories were left mainly in tact by Labour.

The party managed to avoid its much feared financial crisis until 2007 and 2008 but when the crash came for some it was no surprise as they saw it as chickens coming home to roost.

Now, the debt-driven model of economic growth deployed in the 25 years from the financial deregulation of the 1980s to the bank run at Northern Rock no longer delivers.