

Supply side policies, the early days

The aim of this exercise is to look at some non-fiscal supply side policies, where the impact can clearly be seen – hence looking further back in time so that it is possible to get a retrospective on the impact. The two sections are linked to an extent (privatisation being a tool which formed part of the attempts to reduce the power of public sector trade unions), but it can help to broaden students' understanding of SSPs.

This FT article gives a short look back on privatisation as the hallmark of Thatcher's period in office:

<http://www.ft.com/cms/s/0/51ccaa1c-20c2-11e1-816d-00144feabdc0.html#axzz3iVeGnRuD>

This article from the TUC gives a brief summary of some of the anti-union legislation passed in the 80s and 90s:

http://www.unionhistory.info/timeline/1960_2000_Narr_Display.php?Where=NarTitle+contains+'Anti-Union+Legislation%3A+1980-2000'

Instructions:

In each case get the students into pairs or small groups and get them to discuss what they think is going on, what changed and why.

Supply side policies retrospective:

Student resource

1) Privatisation

Look at the data in the two tables below for selected sectors in the UK economy over the 80s and 90s.

Table 5.5: Employment - former state-owned industries, 1979-99 (000s):

	Mining	Steel	Electricity	Water
Dec 1979	301	361	190	63
Dec 1989	96	189	143	54
Dec1999	13	120	100	35

Table 5.7: Output index of privatised industries, 1979-99:

Dec 1979 = 100	Mining	Steel	Electricity	Water
Dec 1989	92.5	93.2	144.0	96.9
Dec1999	24.0	79.9	178.9	92.7

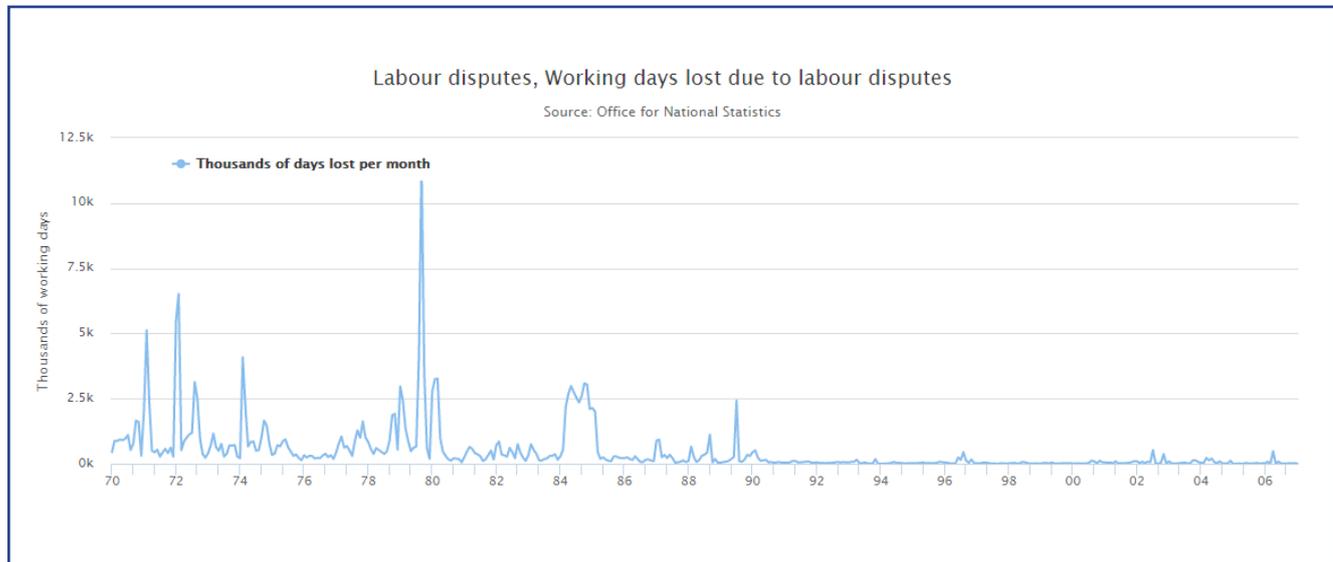
Data: John Kay, Privatisation in the UK

Most of these industries were privatised in the 80s and 90s. Privatisation means that organisations in these sectors were transferred to private owners instead of being owned by the government and were generally opened up to competition at the same time.

- What appears to have been the impact on the efficiency of these sectors – calculate productivity (output/worker) in each sector for 1979, 1989 and 1999.
- Why might the privatisation of these sectors have helped bring about these changes?
- What are the implications for the economy as a whole? To what extent would this series of privatisations have helped the government to achieve its macroeconomic policy objectives? Why might privatisation not always be desirable?

1) Labour market issues

Labour disputes, Working days lost due to labour disputes:



- 1) **What does it mean to say that in late 1979 nearly 12 million working days were lost in a month?**
- 2) **What has happened to the number of working days lost over the period – describe the data.**
- 3) **Much of this reduction has been put down to a reduction in the power of trades unions. How might the power of trades unions be reduced?**
- 4) **Why might such policies either not work or be undesirable in terms of side effects?**
- 5) **What might the impact of the data above be on the UK economy?**