

The Washington Times

www.washingtontimes.com

New Battle for Britain

By Richard W. Rahn

Published March 9, 2009

Warning to tourists - it is now illegal to take a photo of a London bobby (policeman). The time-honored tradition of tourists having their pictures taken with London cops is being dealt a silly death blow by those who control the British nanny-state. The British are not only losing their economic prosperity, but their civil liberties as well.

Will Britain again become the "sick man of Europe"? A quarter-century ago, Margaret Thatcher led Britain out of an economic wilderness and enabled it to have the fastest-growing economy among the four big countries in the European Union. Today, however, under Gordon Brown's Labor government, Britain is rapidly rushing backward with pre-Thatcherite economic policies.

Taxes are being raised, government spending is soaring, and deficits, as in the United States and most other countries, are projected to reach record levels. Despite the Thatcher reforms, government spending was only reduced to about 40 percent of gross domestic product (GDP) while the United States was able to keep government spending at about one-third of GDP for the last quarter-century.

The British public sector is almost certain to grow to about 48 percent of GDP, while the U.S. government spending will grow to the old British level of 40 percent of GDP. The large countries within the EU that had government sectors approaching 50 percent of GDP (i.e., France, Germany and Italy) grew at about half the rate of the United States over the last 25 years, with Britain falling in between. Thus it is reasonable to expect British growth to fall to the anemic levels of the other big EU countries and the United States. to drop to the old British levels.

Britain had the first big bank to fail - Northern Rock - as a result of the global financial crisis. The government nationalized not only Northern Rock, but now has also effectively done so with its recent takeover of the Royal Bank of Scotland (RBS). The London property price bubble has burst, and, as in the United States, many people are no longer making their mortgage payments.

As the government attempts to prop up the banks and other affected industries, while expanding the social safety net, deficits will soar. The British will add more than \$1 trillion in new debt in the next few years, while its economy is less than one-sixth that of the United States.

As a result, public sector debt will rise from the current relatively prudent 40 percent of GDP to well more than 100 percent in the next couple of years. Britain has relied on foreigners to buy much of its debt, but this is unlikely to continue as many countries increase their own debt issuance severalfold.

As a result, interest rates will rise, greatly increasing debt service costs. This, in turn, will put further pressure on the pound, making foreign investment in Britain even less attractive. The U.K. economic establishment is all worried about deflation while it should be worried about the potential for a high rate of inflation from all the new deficit spending.

Civil libertarians on both the left and right are increasingly concerned that Britain is drifting toward becoming a police state. The government has been trying to obtain the right to detain anyone up to 42 days without bringing charges, which would severely undermine the centuries' old right of habeas corpus. Police monitoring cameras in London are more pervasive than in any other city in the world. Public demonstrations near Parliament and other government buildings are restricted more and more. British libel laws are much more restrictive than those in the United States and have effectively make it increasingly difficult to charge public officials with wrongdoing.

The British are also feeling increasingly oppressed by the surge in growth of regulations by both their own government and that of the EU. The cost of regulation has soared by 74 percent in just the last three years. Worse yet, the number of laws and rules the British are now subject to has grown by two and a half times in the last 10 years.

For good reason, the British are increasingly feeling less free, as the politicians in Brussels and Westminster raid their pocketbooks and strip them of their independence. As in the 1940 Battle of Britain, the current struggle to keep Britain both free from control by Europe and from its own bureaucratic class depends on the courage of the young men and women of those fair isles to stand and fight for liberty.

Richard W. Rahn is a senior fellow at the Cato Institute and chairman of the Institute for Global Economic Growth.

<http://www.washingtontimes.com/news/2009/mar/09/new-battle-for-britain/>