

The Global Financial Crisis and the United Kingdom

The worldwide financial crisis has affected all countries without exception, so Great Britain is among them, facing a set of problems of economic and financial character. Economic recession brought about a bunch of negative consequences that influenced social welfare, the level of employment, economic stability, prosperity, etc. Among the greatest problems suffered by the UK population at present, the most complicated are growing unemployment and the problems with bank loans.

It is a common situation in the UK that citizens take a mortgage for property to pay out the prices for accommodation for many years, thus not damaging their family budget and not being deprived of the possibility to have their own home. However, the economic crisis resulted in the crisis at the house market, making the prices fall to a very low level and causing difficulty for citizens who took their loans at a higher interest rate to pay out their debts:

A lack of mortgages meant the market started to stagnate and the properties that did change hands went for less than they would have done a few months previously. Some home owners who have taken out mortgages with a high loan-to-value ratio or borrowed extra money against the value of their houses are facing the prospect of negative equity. (Economy Tracker: House Prices. *BBC News*)

One more issue to be considered thoroughly is the troubling level of unemployment recorded on the territory of the UK. The unemployment rates, as well as the figures showing the number of people looking for a better job, is steadily decreasing, showing a catastrophically negative tendency as compared to 2006, 2007 and 2008. The worst peculiarity of this tendency is that the number of unemployed people of

working age is very high – more than 70%. There is likely to be no positive change in the nearest future, as indicated by statistics (*BBC News*).

While the national average for unemployment is now 7.1%, in some regions it is much higher. Among the worst hit are the West Midlands (9.3%), North East of England (8.3%), London (8.2%) and NW Yorkshire and Humber (8%).

(Economy Tracker: Jobs. *BBC News*)

Because of these conspicuous facts, the government has realized that it is necessary to take over the responsibility for the dramatic situation in the country and has planned a set of important steps for the coming future in order to make effort to stabilize the economic situation within the UK and to improve the well-being of its nation. Budget for 2009 included much information about the steps intended to be taken in the discussed sphere. The motto of Budget 2009 is that the government undertakes the stabilization steps to stabilize the financial system and provide support to the economy, creating a clear plan to ensure that public finances should stay safe from probable crises (HM Treasury 46).

Among a plenty of objectives stipulated in the Budget 2009 for the UK government to pursue there is a number of points relevant for the present discussion. First of all, it is the state decision to maintain macroeconomic stability of the country. The ways to fulfill this task are seen by the government in the Bank of England's cutting the interest rate to a minimum level to create the most comfortable conditions for borrowers and to engage people in further taking credits. Besides, the government assures that the flow of credit has been directed in the hands of reliable partners, hence providing the support for the provision of a stable financial situation in the country. A set of fiscal and monetary policies (e.g. tax cuts, improvement of public services, etc.) have been conjointly directed at stabilization; together with this

the UK government has decided to adopt a counter-cyclical policy which is aimed at easing the financial burden of the UK citizens (HM Treasury 46).

Concerning the objective of aiming at the financial stability in the country, the 2007 credit shock and problems in the financial markets following it are recollected and connected to the current situation. The key importance of financial markets for micro- and macroeconomic stability and welfare is recognized, thus such measures as “to restore the flow of credit and ensure the soundness of systematically important institutions”, “financial interventions”, “targeted support for individuals and businesses,” etc. (HM Treasury 45) are to be undertaken.

Another issue regarded as important in the set of problems inside the country and recognized by the government of the UK is the provision of support for home business. The government plans to conduct this support by providing the businesses with more comfortable credit insurance conditions that would be able to protect their finances, offering them a comfortable scheme of vehicles renewal and introducing a set of financial tools to save the loss-making businesses from bankruptcy and inflation (HM Treasury 46).

Helping people fairly is one more key concern of the UK government, as it has already been mentioned. The state plans to help its nation by supporting financially the unemployed and the vulnerable categories of population that seek separate attention (children, pensioners, disabled people, etc.). This presupposes helping families with aged people; offering a state program assisting the young generation to receive adequate education and providing it with further employment guarantees; introducing a new savings program that would allow people who are coming up to the retirement age; increasing the statutory redundancy pay (HM Treasury 50).

The last relevant point is improving public services – in this section the government announces its plans to support industrial plans that are strategically important and to continue improving the housing supply (HM Treasury 50).

Hence, it becomes clear that a set of policies worked out by the government sounds really optimistic with the reference to the current situation that appears dramatic. It is hopeful that the strategy of stabilization and improvement will be actively pursued, resulting in significant improvement of social well-being and macroeconomic stability in the nearest future.

Works Cited

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