

Text

Listen to the following text about Britain and globalisation.

(from The Economist – Special Report on Britain, February 3, 2007)

Britannia Redux

To be fair, Gordon Brown, the former Chancellor and Mr. Blair's successor as Prime Minister, has had his eye on global competitiveness all along – as his various initiatives attest. Macro-economic stability, coupled with microeconomic measures such as tax incentives and a stronger competition regime, put to rest the familiar British complaints of low productivity, low business investment in research and development (R&D) and inconsistent innovation. He largely achieved his macroeconomic goals and did well enough with his micro-economic policies as far as they went.

Mr. Brown was lucky to inherit an economy in which much of the heavy lifting had already been done. The financial markets were flourishing. Margaret Thatcher's union-bashing in the 1980's had resulted in a more flexible labour market. Foreigners had responded to Britain's improved prospects by investing piles of money, which often lifted standards of management and productivity (such as Japan's Nissan and Honda did in car-making). And though the conservatives failed to avoid two recessions and a humiliating eviction from Europe's exchange-rate mechanism in 1992, they learned from their mistakes. When Labour came to power, it took over a growing economy with a current account that was moving towards balance, a budget heading towards surplus, and a Treasury that had been using an explicit inflation target to steer monetary policy for five years.

Mr. Brown built on that success. His boldest move was to give the Bank of England the freedom to set interest rates to meet the government's consumer-price inflation target, currently set at 2%. He also managed to keep Britain out of the Euro.

Average annual economic growth since 1997 has been above its post-war trend rate of 2.5%, despite slowdowns in 2002 and 2005. Some 2.5 million extra jobs have been created, pushing the proportion of the workforce in employment to its highest level since the 1970's (although the number of job-seekers has also increased with immigration and higher labour participation among older workers). Under the Bank of England's guidance, price increases were kept close to the Treasury's target, at least until more expensive fuel helped push consumer price inflation to 3% in December. In his pre-budget report in December 2007, Mr. Brown forecast that growth in the coming fiscal year would be around 3% and that inflation would move back towards the target. But the economy has been helped by three special factors that cannot be expected to continue. The first is that the government has been spending well above the rate of economic growth. The second boost to growth has been a debt-propelled consumer boom sustained by house prices that have almost tripled in the last decade. The third factor has been an enormous influx of immigrant workers from new members of the European Union.

Name, Date, and Registration Number

Questions: Answer 4 of the following 6 questions – your 4 best answers add up to 30 points, assigned according to accuracy of the answer and ability to respond in correct English.
SIMPLE AND CORRECT IS BETTER THAN COMPLICATED AND WRONG. USE SHORT PHRASES AND SENTENCES.

This exam requires interpretation and analysis. It is designed to test your ability to apply what you hear to possible discussion areas.

1. How has Gordon Brown promoted British global competitiveness?
2. What does the speaker mean by the expression “Gordon Brown was lucky enough to inherit an economy in which much of the heavy lifting had already been done?”
3. What effects did foreign investment in Britain have on the British economy?
4. What were Mr. Brown’s “boldest” policy decisions?
5. How have immigration and increased labour participation of older people affected British employment levels since the 1970’s?
6. What three factors have helped the British economy – and may not continue?

Answer Sheet

1. How has Gordon Brown promoted British global competitiveness?

Macro-economic stability, coupled with microeconomic measures such as tax incentives and a stronger competition regime, put to rest the familiar British complaints of low productivity, low business investment in research and development (R&D) and inconsistent innovation. He largely achieved his macroeconomic goals and did well enough with his micro-economic policies as far as they went.

2. What does the speaker mean by the expression “Gordon Brown was lucky enough to inherit an economy in which much of the heavy lifting had already been done?”

Margaret Thatcher’s union-bashing in the 1980’s had resulted in a more flexible labour market. Foreigners had responded to Britain’s improved prospects by investing piles of money, which often lifted standards of management and productivity (such as Japan’s Nissan and Honda did in car-making). And though the conservatives failed to avoid two recessions and a humiliating eviction from Europe’s exchange-rate mechanism in 1992, they learned from their mistakes. When Labour came to power, it took over a growing economy with a current account that was moving towards balance, a budget heading towards surplus, and a Treasury that had been using an explicit inflation target to steer monetary policy for five years.

3. What effects did foreign investment in Britain have on the British economy?

Foreigners had responded to Britain’s improved prospects by investing piles of money, which often lifted standards of management and productivity (such as Japan’s Nissan and Honda did in car-making).

4. What were Mr. Brown’s “boldest” policy decisions?

His boldest move was to give the Bank of England the freedom to set interest rates to meet the government’s consumer-price inflation target, currently set at 2%. He also managed to keep Britain out of the Euro.

5. How have immigration and increased labour participation of older people affected British employment levels since the 1970’s?

Some 2.5 million extra jobs have been created, pushing the proportion of the workforce in employment to its highest level since the 1970’s (although the number of job-seekers has also increased with immigration and higher labour participation among older workers). SO THE NET EFFECT IS TO CONTRIBUTE TO PRODUCTION, NOT DRIVE UP UNEMPLOYMENT.

6. What three factors have helped the British economy – and may not continue?

The first is that the government has been spending well above the rate of economic growth. The second boost to growth has been a debt-propelled consumer boom sustained by house prices

that have almost tripled in the last decade. The third factor has been an enormous influx of immigrant workers from new members of the European Union.