

**People's Democratic Republic of Algeria
Ministry of Higher Education and Scientific Research
Mohamed Khider University of Biskra
Faculty of Arts and Languages
Department of Foreign Languages
Division of English**



The Effects of the Economic Crisis (2007-2008) on the British Society

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Submitted by:

Fatima BOUDRAS

Supervised by:

Mr. Salim KERBOUA

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Dedication

I dedicate this modest research to you, reader, who have taken from your precious time to read it.

ACKNOWLEDGMENT

I am indebted to every single teacher supported me through my studies.

Abstract

This research examines the effects of the (2007-2008) economic crisis on the British society and the solutions adopted by the British government to overcome the effects of this crisis. The global economic crisis (2007-2008) was the worst crisis experienced by the global economy since the Great Depression of 1929. The economic crisis (2007-2008) originated in the United States in 2007, it is a mortgage crisis. The main cause of the economic crises (2007-2008) was the inability of borrowers to fulfill their debts because of the changes on the interest rates, and tripling the benefits if the borrowers were late or did not fulfill their debts. Because of the dominance of US economy on the worldwide economies and its strong connection to them, the crisis developed to cover the whole globe. The first and the most country to be attacked by the crisis was Great Britain as its economy is hugely connected to the American one. This research shows the effects of the economic crisis (2007-2008) on the British society, and the policy responses by the British government to contend with it.

ملخص

يفحص هذا البحث موضوع تأثير الازمة الاقتصادية (2007-2008) على المجتمع البريطاني و الحلول المتبعة من طرف الحكومة البريطانية للتغلب على تأثيرات هذه الازمة . تعتبر الازمة الاقتصادية (2007-2008) من أسوأ الازمات التي مر بها الاقتصاد العالمي منذ الكساد العظيم سنة 1930 م. نشأت الازمة الاقتصادية العالمية في الولايات المتحدة الأمريكية عام 2007, و هي عبارة عن أزمة رهون عقارية. تعود اسباب الازمة الاقتصادية (2007-2008) إلى عجز المقترضين عن سداد ديونهم بسبب تغير اسعار الفائدة على القروض و تضاعف الفوائد ثلاث مرات في حال عدم سداد المقترض للدفعة أو التأخر عن الدفع. ونظرا لسيطرة الاقتصاد الأمريكي على الاقتصاد العالمي و علاقه القوية التي بينهما فإن الازمة لم تنحصر في أمريكا فقط بل تطورت لتشمل جميع العالم. و قد كانت بريطانيا أول وأكبر المتضررين من الازمة بسبب الارتباط الكبير لاقتصادها بالاقتصاد الأمريكي. يبين هذا البحث مدى تأثر المجتمع البريطاني بالازمة الاقتصادية 2007-2008 و السياسة التي انتهجتها الحكومة البريطانية لمواجهتها.

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List of Abbreviations

CEO Citigroupe: The Chief Executive Officer of Citigroupe

ESRC: The Spatial Economic Research Center.

FBI: The Federal Bureau of Investigation.

GDP: Gross Domestic Product.

HBOS: Halifax Bank of Scotland.

IFS: Institution for Financial Statistics.

IMF: The International Monetary Fund.

ISER: Institution for Economic and Social Research.

ONS: Office of National Statistics.

RBS: The Royal Bank of Scotland.

The FED: The Federal Reserve.

Introduction

“Crisis means that certain postulates are exhausted and that certain ways of coping with life are no longer relevant to emerging issues. In my view, the crisis makes man tremble deeper when that obsolescence affects the idea of progress.”(Argandona 4).

A very deep financial and economic crisis hit most of the industrialized countries during 2007-2008. The world was confronted with the most severe financial crisis since the Great Depression of the 1929. A lot of well-known financial institutions collapsed, others nationalized, whereas others saved only with massive state support. The crisis of 2007-2008 affected first the advanced economies of the United States and Western Europe then it powerfully covered the worldwide economies. It started in mid-2007 and affected the whole world by September 2008.

The economic crisis of 2007-2008 had large effects on the worldwide societies. The societies suffered from high rates of unemployment which consequently brought with it many other social problems.

The present research tends to examine the effects of the economic crisis on the British society, and the British government policy responses to cope with the recession. Therefore the current research will try to give an answer to the following questions: what were the effects of the economic crisis (2007-2008) on the British society, and what were the British government’s policy responses to cope with the crisis?

Indeed the hypothesis that is discussed in this dissertation is that the economic crisis (2007-2008) with its severity may have huge effects on the British society.

The current research sheds light on a limited period which is the economic crisis (2007-2008) and the effects that it had on the British society. The research based on information and statistics about the situation of the British society during and after the economic crisis (2007-2008).

Analyzing the effects of the economic crisis (2007-2008) on the British society would mainly help the students understand to what extent the British society was affected by this economic downturn (2007-2008).

Since the research is dealing with events and facts which occurred in a chronological order, the appropriate method that is going to be followed is the descriptive- historical method. And to show up the extent of the economic crisis's effects on the British society it is important to use some statistics. This research is based on primary sources and studies made by scientists, historians and scholars.

The current research intends to summarize the root causes of the economic crisis and its beginnings in the United States, its development in Europe generally, then in Britain specifically. It tends also to draw attention to the effects of the crisis on the British society. Then it goes over the policy responses of the British government to cope with the crisis.

This research aims at summing up the effects of the economic crisis (2007-2008) on the British society, and the British government policy responses to solve the problems of this crisis. Thus it is important to have some information about the nature of the economic crisis (2007-200) its beginnings, causes, developments, and consequences. Then we may talk about its effects on the British society. After that we state the British government policy responses. Thus all this is going to be integrated in three chapters.

The first chapter provides general overview about the economic crisis (2007-2008). It starts with the definition of the subprime mortgage crisis and its connection to the economic crisis (2007-2008). Then the chapter carries on the beginnings of the crisis in America, and directly stating its major and some minor causes. This chapter also provides an idea about the development of the economic crisis (2007-2008) in Europe generally and in Britain specifically since it is the main element that is going to be discussed in this dissertation. This chapter ends with the consequences of the economic crisis (2007-2008) on some intended countries around the world.

The second chapter is devoted to the effects of the economic crisis (2007-2008) on the British society. The effects on jobs is the first discussed element in this chapter, and it underlines the effects of the crisis on the middle class workers and state who were the most affected whether the youth or the old workers. Then we do have the effect of the crisis on poverty and low income for the British people and the bad consequences which would poverty have on the British family life. Adding up, the effects of the crisis on health and we do concentrate on the heart attack and mental illnesses. Finally the chapter will state the effects of the crisis on alcohol and drugs consumption and on the high rates of suicide and crimes.

The third chapter discusses the policy responses of the British government to cope with the recession (2007-2008). The chapter starts by the British government initial recovery plan, then with the plan for growth. It also states the followed policies for the British government to reduce unemployment. As well as the British government reformations in the tourism and space sectors. The Scottish government recovery plan is added in this chapter as an example to corresponding plans.

Chapter One:

The Beginnings of the Economic Crisis (2007-2008)

1.1. Introduction

The traditional explanation of the economic or financial crises is that they are caused by excesses-usually monetary excesses-that led to a boom then an inevitable bust. The economic crisis (2007-2008) had started in the United States in 2007. It was the sub-prime mortgage markets that initiated it, and it directly affected the worldwide financial institutions.

The economic crisis (2007-2008) is considered as the deepest recession since the 1930s. It was the most severe crisis in which some of the best-known financial institutions collapsed. Many of them were subsequently nationalized, and others survived only with a massive state support.

The present chapter looks into the beginnings of the economic crisis (2007-2008) in the United State, and what caused it. It also looks at the development of this crisis in Europe and in the United Kingdom. The chapter ends with the consequences of the crisis on the worldwide.

1.2. The Beginnings and Causes of the Crisis in the United States

The mid-2007 marked the first signs of the global economic crisis. It started in the United States, in the subprime mortgage markets. The crisis quickly affected all sectors in the United States and many economic institutions around the world. Investors in North America, Europe, Australia, and Asia were affected and several problems were brought to the worldwide markets and banks; some banks faced

liquidity problems, others failed and others were nationalized. So what is the subprime mortgage crisis?

1.2.1. The Subprime Mortgage Crisis

The term “subprime” refers to a type of loans to subprime borrowers. These borrowers typically have a weaker credit history that includes payment delinquencies, court judgments or bankruptcies. The loans usually carry higher interest rates and pre-payment penalties.

Subprime mortgage crisis was a series of events and conditions that led to the economic crisis (2007-2008). Mortgagees initially provided loans with low interest rates that normally showed no change. Total subprime loans formed 25 per cent of the housing mortgage market. These loans were useful as long as the housing market continued to boom and interest rates did not rise. In 2006 and 2007 as housing prices fell and defaults on subprime mortgages rose (e.g. change the interest rates), it became increasingly clear that institutions that had made subprime loans would suffer large losses and warning signs of the coming of an economic disaster showed up in the summer of 2007 (“Financial Crises” 537).

In June 2007 two subprime mortgage funds managed by the bank of Bear Stearns collapsed. It was quickly followed by the suspension of three other funds (Olofsson 7). The downfall of Bear Stearns was an unpleasant surprise, because Bear Stearns held a large quantity of subprime mortgages. In March 2008, rumors spread that Bear Stearns may suffer bankruptcy. This fears led to a liquidity crisis. When Bear Stearns failed in its attempts to be saved, its lawyers prepared to file for bankruptcy (“Financial Crises” 550).

After the Bear Stearns downfall the financial system entered a period of stability over six months; no major shocks were expected. Over the summer of 2008, fears about economic disaster were reduced, and policymakers became hopeful that the effect of Bear Stearns bankruptcy will not spread to the other financial institutions. In June, Fed chair Ben Bernanke said, “the risk that the economy has entered a substantial downturn appears to have diminished over [June] or so” (“Financial Crises” 550).

In September 2008 the state of the economy troubled again, and optimism disappeared. Bad news arrived as the economic crisis exploded. Fannie and Freddie Banks faced bankruptcy because of the large losses in the subprime mortgage markets. On September 7 the government took Fannie and Freddie and the treasury promised to cover this losses. At that time mortgage lending disrupted because many banks made loans with the expectation of selling them to Fannie or Freddie (“Financial Crises” 551).

On September 15 came what many now consider the key disaster of the financial system when the bank of investment Lehman Brothers declared his bankruptcy. The firm had been a pillar of the U.S. financial system since 1850. Lehman Brothers had large losses that brought it to bankruptcy, and as it dealt with Fannie and Freddie, the federal reserve arranged to a takeover by the British bank Barclay’s , however the deal failed because of some objections from the British bank regulators. Lehman’s failure shocked financial markets and fears arose that many institutions could suffer solvency, because the failure of such a modest institution suggested that any institution could fail. Consequently, the Federal Reserve and the treasury acted severely to save other institutions from Lehman’s fate (“Financial Crises” 551-552).

The next institution to fail after the Lehman Brothers was the American International Group (AIG), the giant insurance conglomerate. Here the Fed made an emergency loan of \$85 billion.

These were the main events that run through the beginning of the crisis in the United State of America. The economist then rushed toward investigating in the factors and causes that dragged the economy to this crisis in order to find solutions to the trouble, drawing from the medical analogy that we may not treat the patient unless we diagnose the reason of the disease (Agrawal Sec.1 par. 3-5).

1.2.2. The Causes of the Financial Crisis (2007-2008)

Financial markets and credit institutions play a very fundamental role in a modern economy. The financial crisis (2007-2008) occurred in a time of high and stable growth but also with global imbalances, low interest rates and a tremendous liquidity. However, a well governed and flexible financial sector must perhaps be able to function in such situation without allowing such crisis to happen. Thus it can be argued that the crisis in many ways was a result of weaknesses in the financial markets (Gokay par.9).

The leading cause of the crisis in the financial markets was the subprime mortgage lending. A large number of people typically having a weaker credit history that includes payment delinquencies, court judgment or bankruptcy, were offered mortgages on their houses because the prices of the houses were high and they seemed to be increase more, thus people felt that they were getting richer. The mortgages usually carry higher interest rates but at that time it did not because of that people headed for what seemed at the first glance a good profit. Things were working in a good way but when the lenders saw the demand on the mortgages was increasing day

by day they raised the value of the interest rates, and they multiplied the payment penalties. People faced foreclosure; where the lenders put a hand on the houses thinking that they could sell them with good prices. And other people abandoned their houses because the prices of their houses were less than the mortgages that they got (Gokay par.1-7).

The offer of houses increased in the markets and this led to lower the house's prices. This caused great losses for many financial firms and investors. Another mistake that worsened the matter is that the banks and lenders who lent money they did not lent it from their own pockets, indeed they went to other banks to borrow from them and those banks in turn they were borrowing from other banks. The majority of big banks in the United States and Europe were doing this, and as a result banks became afraid to lend each other and they were cautious in their dealings. Many banks have stopped lending to one another, thus lending stopped everywhere and a crisis of a credit crunch started which means an unexpected reduction in the availability of liquidity in the financial markets, in this case banks hugely lessen their lending to each other because they are afraid whether they could have their money back or not (Gokay par. 8-9).

Another cause of the financial crisis was the low interest rates or the easy monetary policy. The US Federal Reserve was blamed by the American economists for maintaining low open markets interest rates (Dullien et al 24) .John Taylor of Stanford University was the first proponent of the theory of monetary policy, and he blamed the crisis on loose monetary policies by the Federal Reserve. In his famous "Taylor Rule" he shows the great impact of the interest rates on the financial system and how it can draw it to a downturn. Taylor believed that in 1980s and 1990s ,when the policy rates were closer to his"Taylor Rule", the economy worked suitably with a moderate

inflation, and in 1970s there was the opposite. This was a disproof of the validity of Taylor Rule which soon was taken as a standard tool for monetary economists. Taylor set that policy rates normally should be higher than what they were. For example, the Fed funds rate should have been 4 per cent in 2004 but it was just 1 per cent. To defend the role of the Fed in the crisis, the Fed Chief Ben Bernanke asserted that even if the interest rates were higher it would have not kept people away from the housing sector, so the housing bubble would have happened anyway. Furthermore, many researches by the International Monetary Fund illustrated that the monetary policy has no impact on the economy. The researches gave an example of 11 of the 20 countries in the sample had tighter monetary policies according to Taylor Rule but they were among the countries that did not escape the crisis (Agrawal Sec.1 par.6).

Another factor that was cited by many economists as one of the central reasons responsible for the economic crisis was global imbalances. “Global imbalances are normally understood as the confluence of high and increasing current-account surpluses in some countries and the huge current-account deficit of the United States” (Priewe et al 30). The global imbalances reached the peak in 2006 when the United States absorbed 60 per cent of all surpluses while China, Japan, and many oil exported countries generated 75 per cent of all surpluses before the crisis (Dullien et al 30). Again the Federal Reserve chief Bernanke denied the global imbalances to be a reason for the crisis, while John Taylor criticized it as the main reason for this crisis. Other economists like Axel Weber (president of bunds bank) say that global imbalances are nothing but a manifestation of problems in domestic economies. By denying the global imbalances of being a cause of the crisis, policymakers might want to absolve all blames on factors and causes beyond their control and they cited other reasons for the crisis (Agrawal Sec.2 par.1-5).

The role of financial firms and financial regulation was the most cited reason by the policymakers. In the United Kingdom policymakers were very serious on the role of financial firms in the crisis. Adair Turner at fourteenth C.D.Deshukh memorial lecture said that 2007 crisis happened because of US and European financial system, which means that the financial institutions firms did not work perfectly. The former FED Chief Alan Greenspan who used to believe in free markets and allowing financial firms to regulate themselves, in a testimony in 2009, Greenspan said that he was shocked to see how his principles have been tested and he needs to review his previous beliefs (Agrawal Sec.3 par.5-9).

Other causes that might be added under the financial firms and financial regulation are the banker's greed and mistakes. Leverage, which means borrowing to finance investments; when a financial institution or an individual invests only its own money it can, in the very worst case, lose its own money but when it borrows in order to invest more, it can earn more, but it can also lose more. In November 2007, the former CEO Citigroup Charles Prince declared that: "as long as the music is playing, you have got to get up and dance". HE summarized and described how financial institutions took advantage of easy credit conditions, by borrowing and investing large sums of money which means the action of leverage lending ("Causes Of The 2007-2012 Global Financial Crisis" sec. 2 par.6).

Fraud in mortgage financing has also been cited as a main cause of the crisis. Fraud served a lot in the collapse of many institutions. Many companies have attracted depositors with misleading claims about their investments strategies, or have pilfered the resulting income. A lot of bad traders who have caused large losses at financial institution have been accused of acting fraudulently in order to hide their trades. The United States government officials stated on September, 23, 2008 that the FBI was

looking into possible fraud by mortgage financing companies such as Fannie Mae and Freddie Mac, Lehman Brothers, and Insurer American International Group (“Global Business Crisis” sec.5 par. 2).

These were the main causes that headed the financial crisis of 2007-2008 in the United States. The crisis that started in the United States did not stop there rather, it went further to shrink the worldwide economic systems, and the beginning was in Europe.

1.3. The Development of the Crisis in Europe

A lot of economists believed that Europe would not be severely affected by the (2007-2008) financial crisis and the downturn in the United States. It was also largely believed that the European economy was protected from the financial turmoil (Buti 8).

In the spring of 2008, the European Union Commission forecast growth of 1, 5per cent in 2009. This perception noticeably changed soon. The economic development in Europe entered a period of a moderate recession mostly in the European Union, especially the new members such as Estonia, Latvia, Lithuania, Hungary, Poland, Slovenia, Romania, and Bulgaria. Then things went further; growth declined in the second quarter of 2008 when most parts of the economy contracted to some extent. Associated with the rescue of Fannie Mae and Freddie Mac and the bankruptcy of Lehman Brothers, European financial sector drowned in the crisis. Panic broke in the stock markets. Institutions started to hold back fixed investments and households reduced their consumption plans. Investors rushed for the few safe havens that were seen to be left. Confidence of both consumers and businesses fell to exceptional lows, and a complete meltdown of the financial system became a real threat (Norgren 15).

In mid-September 2008 Europe was harshly struck by the financial crisis. Access to capital was limited. Many banks were supposed to go bankrupt at any time and small businesses and markets conceded. The real economy severely affected. Trade financing expired and export volumes fell by almost 15 per cent. And that was an unexpected downturn in the region (Buti 20).

According to Norgren the financial crisis developed differently among the European countries. There were two main factors behind this difference. The first was the extent of the financial linkages. The second was the macroeconomic policies followed by the European governments before the crisis. The United Kingdom suffered from its large contact with the worldwide financial markets; especially the American ones. Countries that built up large imbalances during the boom suffered as the markets started to correct. The Baltic States, Ireland, Iceland and Ukraine were the most obvious examples. Highly export dependent economies also suffered set-backs. Furthermore, countries that experienced a residential construction boom -because of the quick rise in house prices-recorded huge setback in construction when new demand for housing more or less vanished.

In the euro zone many other countries monetary policies became very helpful. Interest rates were lowered to just above zero. And central banks provided massive liquidity support to cope with the crisis and support the financial sector. In the most countries fiscal policies were eased often quite considerably. Then as the financial stress vanished and unrestrained economic policies flirted through, activity slowly responded in the second part of 2009. And the viewpoint of 2010 was a modest expansion of 1, 5 per cent in the Euro Zone (Norgren 15).

1.4. The Development of the Crisis in the United Kingdom

At the end of 2007 investors of the United State held foreign stocks of about \$ 5 trillion. About a half of its total foreign stocks actively invested in the European stocks. The European country in which the United States had its largest investments was the United Kingdom, accounting for 18per cent of the capitalization of the United Kingdom stock markets. Furthermore, the United States investors were the major external investors in the United Kingdom, about 43 per cent of the value of total UK stocks held by American investors. The cause that led the American investors to invest in the United Kingdom was that London had one of the most attractive stock markets. As well, the “principle-based regulation” applied in the United Kingdom is regarded as less rigid than the “rule-based regulation” applied in the United States (Shirai 6). The mentioned circumstances made the United Kingdom hugely exposed to the financial turbulence that took place in the United States more than any other country.

The beginning of the crisis in the United Kingdom was by the unexpected downfall of the Northern Rock Bank, a major mortgage lender, in September 2007. On 14 September 2007 the bank of England tried to extend emergency liquidity to the Northern Rock, but on 23 February 2007 the Northern Rock nationalized. The main cause behind the Northern Rock failure was cited as a risky business model as well as failing in regulatory oversight. As a result to the Northern Rock failure, the British government dragged the mortgage products from the markets; 20 per cent of mortgage products had been withdrawn by the early of April 2008 (Molyneux 13-14).

On 21st April 2008 the Bank of England announced details of a special liquidity scheme. The plan allowed other banks to exchange their mortgages of a high quality with the United Kingdom treasury bills. The plan also tended to provide funding of

around £50 billion in order to enable the banks to recover from their financial problems (Molyneux 14).

The crisis deepened, raising a strong debate in September and October 2008. The markets were in turmoil and the UK financial system as many other worldwide systems were in the way of a collapse. In September 2008, the Lloyds and HBOSB bank agreed to unite with the support of the prime minister. The government agreed to modify competition law to enable the unification between banks for the national interest. On 28 September 2008, Bradford and Bingley banks nationalized (Black 9).

By the early of October the situation got worse. After several negotiations, there were a series of government crackdowns on founding solutions to the problem. On 8 October 2008, the government announced a major bank recapitalization plan. This action described by the Bank of England as “the largest UK government intervention in the financial markets since the outbreak of the first World War”. The plan followed by many European countries and it had three elements: recapitalization of banks, the credit guarantee scheme, and the extension of a special liquidity scheme. The government insisted that all major banks should join the scheme. Even if the bank was not in need for help, in order to guarantee confidence between banks, and do not neglect any bank (Black 14).

On the same day (8 October 2008) national reports stated that several Icelandic banks were about to fail. The UK government passed a rigid legislation and imposed a freezing order on the assets of the Icelandic bank Landsbanki. The UK government did that because it had significant sums that were at risk in the landsbanki. Another national reports stated that the subsidiaries of two other Icelandic banks were about to fail. The United Kingdom government therefore transferred most of its deposits to another banks (Black 14).

Through October onwards, the bank of England provided an emergency loans to RBS, Lloyds, and HBOS of up to £60 billion. It lent from its own balance sheet and obtained £100 billion for these loans. Then, it asked for an indemnity from the treasury as it could not lend at such level without a return. The treasury responded to the request of the bank of England and the indemnity was about £ 18 billion (Black 14). The bank of England also started a new strategy of “quantitative easing”. Through the strategy of quantitative easing, the bank increased the amount of money on its balance sheet only by changing the number which means creating money literally. Then it used this money to buy government gilts from the banks. These gilts were a type of investment offered by the British government which paid a fixed interest rate and was considered low- risk. The idea of quantitative easing used to stimulate the economic growth and lessen the recession. As a result of the quantitative easing the bank created £ 200 billion and owned a significant share of the gilts market, making it perhaps the government’s largest single lender (Black 15).

On October 13th the government put its hand on the major banks in the United Kingdom such as the RBS, the Lloyds, and the HBOS. Some said that it was the British biggest ever nationalization. Then on the 3rd November the government set up a new company – UK Financial Investment Limited- this company sought to manage the nationalized banks and to manage the state holdings in Northern Rock, Bradford, and Bingley. By the end of 2008 a large amount of the UK banking system was under government control (Molyneux 16).

1.5. The Consequences of Financial Crisis (2007-2008) Worldwide

Economists guess the cost of each crisis using three measures. First, the direct fiscal cost which include the financial sector fiscal outlays from the beginning until the end of the crisis. The second is the output losses that are computed as deviations of

actual GDP from its trend. In addition to the increase in public debt that is measured over the four years before the crisis with the year of the crisis. The output losses and the increase in public debt may capture the real cost of the crisis perfectly. The crisis of 2007-2008 are generally more cost in terms of output losses and increase in debt rather than in terms of direct fiscal outlays. But, within the high-income countries- noting that it was the most affected-the crisis was more cost in terms of fiscal outlays (Leaven and Valencia 22).

In general, the effects of the crisis reached proportions never seen before in previous crisis in the modern history. The real economy severely affected; the collapse of world trade. The rise in unemployment and the falling of the stock market were more severe than any other crisis since the Second World War. Demand fell across all sectors, but the decline was larger for goods rather than services. Retail sales collapsed and the automotive industry saw a sharp fall in demand. All this led to considerable job losses (Lin and Treichel 10, 14, 16).

Unemployment rose nationwide, and its level was uneven across all sectors and fields. Employment levels declined in the goods- production sector of the economy. Job losses in the American economy were more than 7 million jobs approximately 7 per cent of total US employment. Unemployment increased more for workers without qualification, as they were dominating sectors hit largely by the crisis such as the sector of transportation. The Construction sector employed, during the crisis, nearly 30 per cent fewer people than at the beginning of the crisis. The recession was even more rigid in states that experienced a hard housing boom, or in places where manufacturing was important. The levels of unemployment increased heavily. And the share of long-term unemployment reached an exceptional level (Lin and Treichel 17-18).

The economy was not the unique sector that was affected by the financial crisis 2007-2008. Politics, society and security were also other sectors that were extremely affected by the financial turmoil. These were secondary effects that showed the position of the United States on the world stage, its leadership position, political, and social impact on the worldwide were affected by the crisis. On February 12, 2009, the US director of national intelligence, Dennis Blair, told the congress that the instability in countries around the world caused by the global economic crisis (“Global Business Crisis” sec.6 par.1).

The economic crisis affected the political leadership and regimes within countries through two main aspects. The first aspect was the discontent from citizens who lost their jobs; their businesses faced bankruptcy, lost their wealth, and faced falling prices for their products. This discontent often led to public opposition to the existing establishments and ruling regimes. In some cases this opposition created extremist movements, especially in poorer countries where a huge number of unemployed young people became amenable to religious radicalism that demonizes the western industrialized society and encouraged terrorist activities (“Global Business Crisis” sec.6 par. 2).

The massive drop in the oil prices had important impact for countries, such as Russia, Mexico, Venezuela, Yemen and other petroleum exporters that were depending on oil revenues to fund activities considered to be essential to their interests. While moderating oil prices may be positive for the US consumer and its balance of trade. It also affected the political stability of certain exporting countries. The drops of goods prices such as rubber, copper ore, iron ore, beef, rice, coffee and tea also carried terrible consequences for exporter countries in Africa, Latin America, and Asia (“Global Business Crisis” sec.6 par. 2).

The second aspect in which the crisis affected politics and ruling regimes was through the actions of the government. It tried both; to stay in power and to deal with the bad cost of the financial crisis. The government here faced problems with the new external forces that tended to construct its own central government. Thus; in its way to preserve its position and to deal with financial and economic challenges the government took even more dictatorial actions (“Global Business Crisis” sec.6 par.4).

The consequences of the crisis on the worldwide security were apparent in Pakistan. The IMF has devoted \$7, 6 billion for Pakistan, but the country faced serious economic problems at time when it was dealing with the supporters of Al Qaida and Taliban. The supporters refused the US missile strikes on suspected terrorist targets in Pakistan. Thus, the government faced a budget shortfall that limited its ability to carry on its counter terror operations (“Global Business Crisis” sec.6 par.3).

The countries that have been mentioned here were not the only ones that were affected by the economic crisis of 2007-2008. For example India and china faced a number of issues in international trade because of the economic crisis of 2007-2008. The two countries showed a great deal in international trade and they involved successfully into the economy of the world. But the cost of their involvement in the economy of the world was bad (“Global Business Crisis” sec.6 par.5).

1.6. Conclusion

The (2007-2008) economic crisis arose in the United States housing market. It started exactly in February 2007 and it reached high levels in September 2008. A number of well-known US financial institutions, including Lehman Brother, Fannie and Freddie, collapsed. The crisis affected all sectors in the United States and spread to damage the worldwide economies. Almost no country avoided the experience and some countries had multiple banking crises. The economists and policymakers

disagreed about the causes of the crisis. Each group set different causes that would not let him bear the responsibility of the crisis, considering the US housing market as the root cause of the crisis. The consequences of the crisis were harsh and it differed from one country to another, consistent with the severity of the crisis in each country.

The outcome of the crisis was very severe on the worldwide societies. The British society was amongst many societies that hit harshly by the crisis. A large number of British people lost their jobs, which consequently led to various social problems.

Chapter two:

The Effects of the Economic Crisis (2007-2008) On the British Society

2.1. Introduction

The United Kingdom economy faced hard times as a consequence to the financial crisis (2007-2008) that started in America. The United Kingdom harshly hit more than other countries, because of the great connection of its economy to the American one. The financial turmoil shaped both the current UK commercial and business scene and it had huge effects on the people's lives.

People's lives within the United Kingdom were affected by the crisis. Job losses and a rising rate in unemployment were perhaps the most prominent features of the downturn. Than the other social problems that came as a result of job losing.

The current chapter tends to provide an idea about the effects of the financial crisis (2007-2008) on the British society. The effect of the crisis on people lives, on jobs, and poverty. In addition to the effects of these crisis on family life, on health, on happiness, and the wider influence of the crisis on the whole sectors of the British people daily life.

2.2. The Effects on Employment

Unemployment is often described as a 'lagging indicator' of recession. Because the effects of the recession on job losses can't be seen untill several quarters after the recession. Also, because the economists and policymakers ignore the role of people in uncovering the facts even if they are in difficult times. The negative effects may last

for several years. It took approximately five years after the beginning of recession for unemployment to return to its pre-recession rates (vaitilingam 16).

British unemployment reached its highest level in 2008, since the country's last recession (seventeen years ago). Few months after the beginning of the recession 2008, unemployment started to rise sharply. When the financial turmoil hit, the unemployment level was over 5 per cent or 1.6 million. After that it rose by 164,000 from July to August 2008, and stood at 1.79 million by the end of the year. David Blanchflower, a labor market expert and member of the Bank of England's monetary policy committee, declared "these numbers are truly horrendous and much worse than I had feared". David Blanchflower also said to the guardian journal that unemployment would rise to 2 million by the end of 2008. Later on David wrote that his predictions looked conservative which means that the number of unemployment could be higher. The number of Britons out of work and claiming jobless benefits rose by 31.800 in September 2008 to 939,000 in April 2009. In August 2009 the rise revised to 35,000. The rise took the claimant count jobless to 2.9 per cent in October 2008, rate up its highest level since January 2007(Kollewe and Seager par.1-6).

The ONS data showed that unemployment levels differed across regions inside the United Kingdom. When the unemployment rates were very low, the rate ranged between 6.6 per cent in London to 3.7 per cent in the south west. By the end of 2008, the unemployment rate raised across all regions, however, there were considerable differences in the level of its increase. The North West had the largest increase of 2.6 per cent to 8.4 per cent, whereas Scotland had the lowest increase of 0.3 percent to 5.1 per cent. Difference in unemployment within the local areas was also more marked. The lowest level of unemployment in Britain noticed in both the Orkney Islands and Aberdeen shire at 2.3 per cent. Within London, the highest unemployment level

noticed in Tower Hamlet at 11.3 per cent, which also was the highest rate across the whole country. And the lowest rate was in Richmond-upon-Thames by 3.7 per cent. The highest rate outside London was by 10.4 per cent in Leicester. In the light of these differences some commentators argued that this would lead to a geographical and economic gap between the North and the South (Vaitilingam 16).

Henry Overman director of the ESRC comments: "A higher proportion of those directly affected may indeed live in the south. But these kinds of changes still won't be enough to eliminate the gap in income levels. You would then need the working of the economy to reinforce these initial changes. But theories of economic geography tell us that it can take very large shocks to alter existing geographical differences" (Vaitilingam 16).

By the end of 2009, the United Kingdom recovered from its severest recession. The rate of unemployment was 8 per cent, approximately a million higher at 2.5 million ("Economy Tracker: Unemployment" sec.3 par.2-4). The employment minister, Tony McNulty, asserted that the jobs data painted a "bad picture" of the United Kingdom economy: "But the job is to look forward and see how we can deal with any dip in employment rather than talking about the causes." (Kollewe and Seager par 8).

2.2.1. Middle Class Recession

From the very beginning of the recession, commentators suggested that it might be "Middle-class" or "white-collar" recession. It was also argued that university-educated workers would suffer more than the semi-skilled and manufacturing counterparts (Vaitilingam 17). IFS research indicated that these predictions did not

stand on data. Low-skilled 'elementary' occupation, for example cleaners, shelf-fillers and process, plant and machine operatives were the most hit by the crisis. And the rates of unemployment among these categories peaked at 5 per cent. Skilled traders such as plumbers and motor mechanics, and sales occupations like shop assistant also harshly hit by the crisis. And their rate of unemployment reached approximately 4 per cent (Vaitilingam 17).

Nigel Meager, the director of the Institute for Employment Studies, asserted "No part of the country is spared. Much attention has focused on high-end jobs in the City" (Bell and Blanchflower 17). In an economic downturn, however, the vulnerable most class to be hit is the lower-skilled workers who find it harder to change their jobs. The rate of unemployment raised just by 1 per cent among managers and senior officials. 'White Collar' unemployment was not high, it reached 0.7per cent. Generally, low skilled-workers and low-educated suffered most as the recession worsened. ISER research suggested that the increase in the rates of unemployment hit most ethnic minority groups, young adults and people with poor educational qualifications. For high and mid-skilled individuals, there was a small fall in unemployment levels. The crisis encouraged these individuals to stay out of work to take more qualifications, so they may have the chance to be employed after the end of the crisis. This explained the huge demand on sixth-form colleges and universities as young people rushed to acquire more qualifications and refused to get in the field of work at the time of the crisis (Bell and Blanchflower 17).

2.2.2. Old and Youth Workers

Unemployment among old workers increased quickly rather than among the youth. Although employment among old workers may be sensitive to the economic cycle, but during the crisis the situation was different. Institutions had not enough surpluses in their pension funds to offer generous early retirement benefits. Some commentators suggested that younger workers were apt to be hard hit by the crisis. Because they were not well experienced and did not have the chance to keep with their new jobs. And they had a problem with temporary contracts which the firms usually start by it when they want to reduce the number of workers. The IFS research confirmed that the suggestion of the commentators were true; unemployment spread most among 18-24 year old workers. Their unemployment level grew rapidly over 2008; the level reached 2.5 percentage points higher than 2007. Unemployment among youth of 25 years peaked at 15 per cent in July 2008. The old workers unemployment rate was around 1 percentage point higher in October 2008 than in October 2009 (Vaitilingam 18).

To conclude, thousands of jobs were lost in Britain during the financial recession (2007-2008). The ONS figures showed that by the end of 2009 the United Kingdom came out from its severest recession with 2.5 million (8 per cent) people out of work. Job losses spread across the whole sectors in Britain. Liberal democrat and pension spokesman, Jenny Willot, urged the British government to pay its attention to unemployment, and claimed that "it will be harder and harder to get people back into work. Because it will not simply be a case of retraining the unemployed if there are no jobs for them to return to," ("Economy Tracker: Unemployment" sec.3 par.5).

There were several reasons that obliged sociologists and economists to urge the government to turn its attention to unemployment. The loss of job hurt in the first stage the person who lost his job. During a long period of unemployment, workers may lose their skills, causing a loss of their capital. Unemployment also is a stressful life event that makes people discontent. It increases crimes, poverty, illness, mental stress, and loss of self esteem, leading to despair. The increase of unemployment rates associated with the increase of the suicide rate. And it lowers the happiness of every one not just the unemployed (Bell and Blanchflower 13-17).

2.3. Poverty and Low Income

The IFS studies examined how the financial crisis can affect living standards and poverty, and their effects on different groups within the society. It also showed the great falls in household's incomes during and after the recession as unemployment continued to rise, stressing that the incomes of the less educated fell the most. The rates of poverty in England and Wales were higher than in Scotland. The reason of this was that Scotland entered recession with a lower rate of unemployment than England and Wales (Parekh et al 7-9). Generally, poverty increased in all areas within Britain, and it estimated that 50-60 per cent disabled people lived in poverty, and they were apt to cuts in public sector services. There were even more concentrations on child poverty rates at a local level. The rate rose in the United Kingdom during the first year of the recession. Between 50-70 per cent of children grew up in poverty as a consequence to the crisis ("Child Poverty Facts and Figures" sec.1 par.1-4). Thus, the elderly, the disabled, the babies, children and adolescents were more susceptible to the effects of poverty.

Joseph Rowntree Foundation carried out a research about the daily life of the British people during the crisis and how did they cope with shortage in food. The research showed that the rising cost of living created a significant stressful burden, by having to economize on food, heating and travel, and spending more time and effort on shopping and cooking, while having less nutritious food. The more affected by such problems were people with disabilities, ethnic minorities, the poor, some women and single mothers and their children, young unemployed and older people (Winters et al 29).

Cuts in public spending during the recession have affected services that promoted long-term health and well-being. The reduction or closure of adult social care institutions, libraries, and community centers threatened the health of the vulnerable and the elderly. There was also extensive evidence that poverty was both a cause and an outcome of mental health problems. And we may say that Poverty threaten the community, the family within the community, and the individuals within the family. None can escape the bad consequences of such a social and a global problem (Seeleib-Kaiser 12).

2.4. Family Life

What effect might a recession have on divorce and separation? In 8 December 2011, Martin Beckford, social affairs editor, published an article in the Daily Telegraph journal titled “Divorce Rise for First Time Since 2003”. Beckford wrote that the number of couples divorcing rose for the first time in almost a decade, with some experts suggesting that the recent recession could be to blame. Beckford added that more couples may be divorced as a result of money problems during the recession of 2008. The ONS suggested in its statistical bulletin that “The small rise in the divorce

rate and the number of divorces in 2010 could be associated with the economic climate following the 2008 recession". John Loughton, Head of Public Policy at Relate, the marriage guidance charity, argued that "It's no surprise that the divorce rate is raising given the pressures that couples and families are under". Others suggested that arguments between couples over money and job that rose during the recession 2008, led to separation and eventual divorce.

The money problems that pushed the couples to divorce rose through the rise of unemployment. Because becoming workless is a stressful situation, hence there might be a casual connection between unemployment and another deeply stressful experience such as divorce for married couples or separation for cohabiting couples. A research carried out by Morten Blekesaune of ISER reviewed the evidence on the links between unemployment and partnership separations. He found that in contrast to other countries like Scandinavia, people who lost their jobs in Britain whether they were man or women were apt to lose their partner (Vaitilingam 24).

The effect of unemployment on males and females was the same with a slight difference. A woman losing her job was progressively more apt to lose her partner if the partnership lasted for a long time. For man being workless was the same regardless of how long the couple lived together ("The Cost of Unemployment" 6-8).

Another ISER study about the impact of falling house prices on families showed that the downturn can damage the family stability. The researchers comment: "For a majority of married couples, the most important asset of the marriage is the family home. So it follows that what happens to the value of this asset should be one of the main concerns of couples considering whether to remain, married or divorce". The young families in relatively poor and indebted households were mostly the more

affected by the downturn. The way the downturn can affect young families was through fertility, and from both sides. On the one hand, reduced incomes discouraged couples from having children. On the other hand, unemployment, particularly for woman was an appropriate period to have children before returning to work. The rate of birth in Britain rose steadily since 2001. And it reached 1.9 births per woman in 2008, the highest level since 1974 (Vaitilingam 25).

2.5. Health

There are three main intervening mechanisms that cause health effect during and after an economic downturn. The mechanisms are Stress, frustration–aggression, and budgeting effects. Declining economies increase the incidence of job stressful (the fears of unemployment) and the expectation of financial problems such as low income and financial difficulties. The much tested experiences of frustration-aggression predict that the financial crisis may have positive and negative effects. The fear of losing the job may push the workers to be well-connected with other workers in the work place to avoid disqualification. However, in much times the fears turn to absolute violence and substance abuse (Winters et al 10).

The financial crisis (2007-2008) reduced the amount of money available for the households. Thus they became obliged to invest their time and efforts in finding solutions to financial bounds. And they attempted to release the bad consequences of job loss or low income. Taking time and energy was negative for people's health (Seelieb-Kaiser 6).

Joseph Rowntree Foundation carried out another study about how the British people coped with the effects of the downturn on health? The study found that for some the recession meant worse diets, colder homes, and less physical mobility. As

they were unable to mediate their spending without harming their well-being, with potentially longer-term impact on health (Winters et al 29).

Cold homes, damp and mould growth were the key causes of poor health. All this was linked to respiratory and cardiovascular disease, to tighten existing health problems such as asthma, bronchitis, and arthritis that led to mental ill. It also increased the minor illnesses such as colds and flu. Excesses winter deaths were three times as high in the coldest homes as in the warmest. Children living in cold homes were more than twice as likely to have respiratory problems as children living in warm homes. A quarter of adolescents living in cold homes had mental health problems, and they were five times the proportion among adolescents who lived in warm homes (“The Cost of Unemployment” 6).

2.5.1. The Heart Attack Deaths

The main highlighted health problem during the recession (2007-2008) in Britain was the heart attack deaths. The researchers suggested that the recession caused 2.000 deaths from heart attacks in London. The number of heart attack deaths declined between 2002 and 2007. Between 2007 and 2008 the number rose than it declined again in 2010. To prove this information the Oxford University carried out a research about the heart attack deaths rates. The researchers found that since 2002 the number of people dying from heart attacks has dropped by half. But within that, regional data revealed that there was a rise in heart attack deaths in London that corresponded to the financial crisis in 2007- 2008(smith sec.1 par.1-3).

The Daily Telegraph Journal on 28 January 2012 asked doctor Smolina in an article about the causes of the rise in heart attacks death and she said that "The increase in acute myocardial infarction event rates in London between 2007 and 2009 may be a result of the financial crisis that peaked in 2008 and greatly affected the London

financial district. Dr Smolina also stated that there were approximately 2,000 "lives lost" during the years of 2008 and 2009.

2.5.2. Mental Health and Happiness

Mel Bartley, director of the international centre for lifecourse studies in society and health, did a research about the several effects of downturns and unemployment on health. Mel found out that during 1980's recession, many studies on unemployment and health indicated that unemployment increases the risk of psychological disorder such as depression (Vaitilingam 26).

Another research carried by Andrew Oswald of the University of Warwick showed the bad effect of the downturn on happiness and mental health. Oswald's research showed that about one fifth of the decline in happiness that the British people experienced when they lost their jobs was because of the fall in the income. Around 80 per cent of unhappy people had another reason of their unpleasantness. It was either because of the lost of self esteem, loss of social networks or loss of good relationship with the members of the society. Oswald's research on wellbeing also found that the loss of job reduced the satisfaction in people's life even when they were back to work. He also indicated that even people who were in work were affected by the recession, and he said "Recession fear hurts even you and me. I'm very unlikely, I think, to lose my job, I'm glad to say. But for reasons we don't completely comprehend, mental health and happiness suffers even among those in work. It may be that we're upset by our family members losing their jobs." . David Pevalin of ISER carried out a research about the effect of housing repossession, and events that were common in a downturn. The research showed that housing repossession increased the risk of mental illness ("The Cost of Unemployment" 11-12).

The rise of specialist's number in mental health services was another indicator for the rise in the rates of mental illness. In 2009 and 2010 the people spent time working in an NHS mental health hospital increased for the first time since 2003-2004-2005 by 5.1 per cent or 107.765 specialists. The highest number recorded in 2008 and 2009 by 8.9 of these people spent time working in the hospitals. The rise was because of the rise by 30.1per cent in the number of people detained in hospital under the mental health act; from 32.649 in 2008 and 2009 to 42.479 in 2009 and 2010. As a percentage of patients in NHS mental health hospitals, those who were compulsory hold under the Mental Health Act rose by 39.4 per cent in 2009 and 2010 up 7.6 percentage points from 2008 and 2009. As the number of those detained in hospitals; sometimes via the criminal justice system; the data suggested that the NHS mental health hospitals were increasingly being used to care for patient who were a risk for themselves and for their families. The bulletin of the mental health of 2009 and 2010 showed that over 1.25 million people in UK recorded as following their treatments with NHS specialist mental health services during a year. Another thing that should be noted here is that the number of women being suffering from the mental illness was higher than the number of men. The number of women detained under the Mental Health Act, and who came to hospital via prison or the court was 830 or 86 per cent. And the number of men from this category was 48 per cent. The average number of days spent in hospital during the year per patient was 68 days for women and 78 days per men (Winters et al 46-47).

The economic crisis produced a secondary mental health effects which increased, alcohol, and drugs consumption, and suicide death rates.

2.6. Alcohol and Drugs Problems

An important Cabinet Office Survey noted that alcohol consumption normally tends to fall in a recession, since people have less money to spend on drink. But it was the opposite; those who became unemployed were more likely to have alcohol problems. A study in Britain found the adults of 27-35 years who lost their jobs for three or more years escaped to alcohol drinking and smoking, in order to get away from the social problems. Another study in Britain after the recession of 2008 in which the researchers interviewed men who had been unemployed a year before. The study found that "unemployment may play a significant part in establishing life-long patterns of hazardous behavior by young men". Men who were interviewed were significantly more likely to smoke heavily and have drink problems (Seelieb-Kaiser 16).

Alcohol related admission rate rose before and after the recession, and peaked most between 2009 and 2010 and 2010 and 2011. In 2012 the rates started to slow down. The region that had highest rates was Liverpool from 725 per 100.000 during 2008-2009 at the start of the recession to 823 per 100.000 during 2010-2011 making its highest increase by 4.9 per cent. And according to the latest findings from the North West public health, in 2011 local alcohol profiles for England, almost 900 more people were admitted to hospital each day for drinking more than four years ago. During 2009 and 2010 there were 1.1 million alcohol admissions in England. This equate to 3.000 a day, compared to 2.100 a day in 2004 and 2005. Moreover, alcohol-related illness and injury rates were at their highest in Lancashire and Merseyside. And the rate of hospital admission varies across England with 3.114 admissions for alcohol per

100.000 people in Liverpool, compared to 849 per 100.000 in the Isle of Wight (Winters et al 43).

There are particular worries about the links between drugs use and unemployment among young people. A study using the 2000 British survey found that among young people, drugs use was higher for those who were unemployed. The study noted that as the unemployment rates increased the rates of drug consuming also increased and vice versa. Another study by the prince's trust's 2010 youth index found that 11 per cent of unemployed young people responding to their online survey said that they had "turned to drugs or alcohol" (Devine sec.1 par.2).

It is not surprising that the cause of consuming drugs was the unemployment. During 2008 as the economic crisis started to take effect in England, there were 2.1 million prescriptions of antidepressants. The rate was higher than in 2007 and before the beginning of the downturn. Doctors increasingly supplied the drugs as "quick fix", which seemed a fast and easy solution to the problems, without trying to tackle the causes of these problems and possibly use another treatment. In total, 36 million prescriptions prescribed, an increase of 24 per cent over the previous five years. Furthermore, 22 of the 25 highest prescribing PCTs were in the north of England (Winters et al 45).

The ONS figures showed that between 1991 and 2009 prescriptions dispensed for antidepressants increased by 334 per cent in England, from 9.0 million in 1991 to 39.1 million in 2009. The ONS analysis also showed that women had at least one common mental disorder such as depression or anxiety by 21.5 per cent than men by 13.6 per cent ("Economy tracker: Unemployment" sec.2 par.4).

2.7. The Rise in the Suicide Rates

Stephen Platt, professor of public health policy at Edinburgh University and trustee of the Samaritans charity, said: “There is strong research evidence about the link between economic recession - especially a sharp and large rise in unemployment - and suicide” (Malby and Davis 8).

The rates of suicide rocketed in Britain since the country plunged into the (2007-2008) financial recession. The British psychological society's working group on psychological health and well being, recorded an increase of suicide and premature death rates. The Samaritans described emotional health issues as “the hidden face” of the recession, and at the end of 2008 warned that “the Deeping financial and economic crisis could led to an increase in suicide rates nationwide as people face unemployment, mounting debt and housing insecurity”. The experts and campaigners blamed the rates of unemployment, home repossessions and personal bankruptcy for the sever rose in the rates of suicide. Jane Harris, of the charity Rethink Mental illness agreed that in the time of the (2007-2008) recessions, people were more liable to develop stress, anxiety and depression, and these conditions consequently led to suicidal feelings. People were more worried about money, keeping their jobs, about putting food on the table and paying the mortgage. People who had a mental illness were especially vulnerable. Jane Harris added “We are now deeply concerned that the situation will only get worse over the next few years because it is clear that the full effects of the recession have yet to be felt”. Professor Rory O'Connor of Stirling University's Suicidal Behaviour Research Group, asserted “Sadly, over many decades, there is evidence that suicide rates increase during times of recession”. And he also said “We know that people who are unemployed are at least twice more likely to take

their own lives than those in employment. So, considering the current economic climate, the added strain on individuals and families is not surprising". The Samaritans in their 2009 survey showed that 48 per cent of UK adults had worried about money or debt and 24 per cent about job security or redundancy ("cost of unemployment" 12-16).

The Daily Mail journal published an article on 25 May 2012 titled "Shock 15% Rise in Suicides since the Recession as Unemployment and Bankruptcy Take Their Toll". The article wrote by Mark Howarth where he said that Nearly 3,500 people took their own lives last year. And in some wealthy areas the rises were more than 50%. The number of suicides concluded by coroner's courts reached 3,471 people who took their own lives in 2011. A rise of 15 per cent compared to 2007. The rise was different regionally, in London and the West Midlands the rates reached 24 per cent. And in the North East it reached 23 per cent. In the local areas, the numbers raised by more than double, including Berkshire, Gloucestershire, Sunderland, South Staffordshire, North Lincolnshire and Powys. In the capital, West London saw 93 cases in 2011 compared to 62 in 2007. While in East London the number rose from 29 to 46 cases. Essex saw 104 suicide cases compared to 59 cases in 2007. Sussex 135 up from 83, and Hampshire 134 up from 95. The Police in Ireland reportedly begin patrols in some places where people often choose to take their own lives such as quays and sea cliffs after a 14 per cent increase in suicide rates in 2010.

2.8. The Rise of Crimes Rates

The economic crisis (2007-2008) had huge effects on the rise of crimes rates in Britain. Paul O'Mahony, a leading criminologist who has recently retired as associate professor of psychology in the School of Medicine at Trinity College, believed the

recession has influenced crime in many ways. O'Mahony said "We have had 70,000 young people in their late teens and twenties emigrating in recent years, and that age group is the one with criminal propensity and who are violence prone. So I think that has to be feeding into what is happening with the crime rates." And With a large number of people out of work, they had not where to spend their time in something with benefits. All sorts of bad habits were committed by those unemployed people. Thus, an increase in crime rates was recorded in Britain. Theft, criminal damage, burglary, fraud and forgery, robbery were the most recorded crimes ("Crime Statistics Ireland" sec.1 par.23).

In 2008 and 2009 there were 5.2 million crimes recorded by the police across the United Kingdom. In England and Wales the crime rates reached 4.7 million; nearly three quarters of the recorded crimes were property crimes. It included theft which saw a rise by 25 per cent between 2008 and 2009, handling stolen goods, offences involving a vehicle, criminal damage, fraud and forgery. 19 per cent (the fifth) of the recorded crimes involved violence against the individual. An estimated 744,000 domestic burglary incidents recorded in the region ("Crime and Justice" par.2-5).

In Northern Ireland the police recorded 110,000 crimes in 2008 and 2009. Also theft and handling stolen goods accounted for 24 per cent high rates compared to 2007. But a lower proportion compared with England, Wales, and even Scotland. Criminal damage and violence against the individual formed the higher proportion of the recorded crimes in Northern Ireland; by 26 per cent to 20 per cent. In Scotland the most of the recorded crimes were also theft and handling stolen goods by 34 per cent, followed by criminal damage 29 per cent (Roe et al 15).

2.9. Conclusion

The UK economy faced difficult times as a result of the financial turmoil and global downturn. The effects of the downturn were huge on the individuals within the British society. At that time unemployment reached its highest levels since 17 years ago (since the country's last recession). Many people; from several classes (middle class, white collars), and several ages (youth and old workers) lost their jobs. This dragged the society into various social problems such as poverty and low income which shook the British family life and caused many health problems. The heart attack deaths and mental illnesses were the most recorded health problems. Alcohol, drugs, and the rise in the suicide rates were also serious problems that threatened the British society as a consequence to the financial turmoil. In addition to the rise in the crimes rates where theft, criminal damage, burglary, fraud and forgery, and robbery were the most recorded crimes.

The British government responded to the effects of the financial turmoil (2007-2008). And set different plans to cope with the recession, accelerate the recovery, and promote growth.

Chapter Three:

The Policy Responses of the British Government to Cope With the Recession

3.1. Introduction

The United Kingdom economy was harshly hit by the economic crisis of 2007 and 2008; it became badly unbalanced and heavily indebted. It stopped saving, investing and exporting and became a futile model of growth. This resulted in rising levels of debt and budget deficit that was forecast to be the largest among the twenty world's leading countries. There was a bad consequence of the economic decline on the society and public services. People became poorer as a result to huge job losses, and a rise rates was marked of several social problems.

The British government announced a plan to put the country on a path to potential, long- term economic growth. It set several goals that should be reached along with the plan. Amongst was to build a new model of economic growth that eventually made the economy more dynamic and balanced. The government also enlarged prosperity to cover all parts of the country and advanced manufacturing, life science, creative industries, and green energy.

The next chapter is going to be a summary of the British government's recovery plan after the financial downturn (2007-2008). In addition to the Scottish government's recovery plan as another model in the country.

3.2. The British Government Initial Recovery Plan

In October 2008 as the financial crisis started to hit, the British government announced an initial recovery plan (as a quick reaction). A package of around £ 500 billion set to rescue the failed banks. The government divided the package into three parts. It regarded £ 200 billion to banks that had liquidity problems. And consisted £ 50 billion to the state government to increase the capital market within the banks, and made part of it available for banks if needed. The rest £ 250 set to write off any eligible lending between the British banks (“the European Policy Responses” par.2).

The initial plan of recovery was essential for initial growth. Businesses were not to invest unless it had the confidence that the inflation will remain low, long term interest rates will remain stable, and finance will be available when needed. And this was what the initial recovery plan consisted. Later on the government itself saw that it wasted a little time in starting an effective recovery plan. Thus, it set out a plausible plan to bring the economy balanced again. It set annual reductions that gave the lowest business tax rates in the G7, and reduced taxes on jobs for low and middle learners. It also protected the science budget and invested in apprenticeships and innovation centers that industry needed. It set a couple of reforms in the schools, universities, and welfare, pension and health systems that fitted to the demands of people (Cable and Osborne 3-5).

3.3. The Plan for Growth

The goals of the British government’s economic plan were to establish strong and well balanced growth. And enlarge it to cover all the British regions and spread it to involve different industries. The plan contained four important objectives:

1. To create the most competitive tax system in the G20: it went through achieving a simpler and more certain tax system. This started by the office of tax simplifications, which provided independent challenge and recommendations on solving complexity within the tax code. In practice, the government abolished 43 primitive and invalid tax reliefs and held a meeting on simplifications of income tax and national insurance. The government also stated reforms to the regime for taxing foreign branches. And reduced the main rate of corporation tax by one per cent (Cable and Osborne 6)
2. To make the United Kingdom one of the best places in Europe to start a business: the government tended to improve the United Kingdom's rank among major international countries. It donated supports to small firms through an unusual moratorium exempting for small and new business, and opened up public insurance to small and medium business. The government stated as well radical changes to the planning system to support job creation, opening up a land for development and abolished old controls on greenbelt land. Furthermore it introduced auctions for land starting with the public sector lands. And it largely financed new start-ups business through an increase in income tax relief, and doubling the lifetime limit on capital gains qualifying for entrepreneur's relief (Cable and Osborne 6).
3. To encourage investments and exports as a way to more balanced economy: the government donated support for new capital investment by extending the capital allowances short life asset regime for equipments and machinery from four to eight years. And it legislate low taxes and depreciations for a greater number of business assets. Moreover, the

government afforded great support to several investments across the regions by setting up two new enterprises zones with swift broadband, with lower taxes and low levels of regulations and planning rules, and allowed the enterprises to be developed with the partnership of other new local enterprises. The inward businesses as well were supported by developing a more entrepreneurial culture which evolved the use of private sector expertise. Adding up, the government provided many services to inward investors such as allowing them to contact directly with the United Kingdom's ministers. And provided resolutions to bureaucratic impediments to invest. The government increased green investment through support for the carbon price and a green investment bank (Cable and Osborne 7).

4. To create a more educated workforce that should be the more flexible in Europe: the government worked hardly to promote skills and employment especially for the young through funding for up to 100.000 additional work experience places for young people and 50.000 additional apprenticeship places. With expanding the university technical colleges program. The government planned also to establish at least 24 new colleges by 2014, in order to enable more young people to gain the technical skills that employers needed. Labour mobility was promoted by boosting the supply of housing through supporting the house building industry and a range of measures were set to remove the barriers to entry for new real estate investment trust (Cable and Osborne 9).

3.4. Encouraging Growth in Different Sectors

Health care and life sciences sector benefited from the establishment of new health research regulatory agency to fix rules and find solutions for clinical problems. And it care of removing regulations that were not appropriate for the social care markets and prevented market entry and flexible services. Besides, the funding by the national institute for health research to providers of national health services became based on well conditions. Manufacturing sector benefited from fundamental changes to capital allowances. First, the establishment of a high value manufacturing technology and innovation centers. Second, the development of high level apprenticeship centers. Plus, the establishment of nine new universities for innovation and manufacturing. Construction benefited from the major changes to the planning system, and the scheduled of a new program of projects that last for two years apt to be renewed. This program covered the public sector and provided a long- term forward view of infrastructure projects. The government also reformed it's procure way to construction projects. Digital and creative industries benefited from an entire development and a planning system to support rapid broadband. The government largely reduced heavy rules of the media and communication regulatory framework. In addition, it extensively enlarged the level of support to intensive internet protocols businesses to guarantee that it will be able to take complete advantage from their internet protocols abroad. Retails benefited from the extension of the small businesses, and simplifications of age-restricted sales rules and licenses for businesses. Professional and business services benefited from the introduction of confidential work permits and new helpful regimes for entrepreneurs and high net worth investors. The government promoted this sectors within the EU countries and abroad, and it addressed a wider regulatory burdens and skills gaps (Cable and Osborne 8).

The government concentrated a lot on resolving the problem of unemployment's high rates. It followed several strategies and set different plans to decrease the number of unemployed.

3.5. The British Government Policies to Reduce Unemployment

The government followed two main strategies to reduce the high rates of unemployment. The first was the fiscal policy which was followed to decrease unemployment by increasing the rate of economic development. The government pursued a large fiscal policy which involved cutting taxes and rising the government's spending. Through lowering taxes the income raised and rates of major social problems decreased. The second policy was the monetary one which involved cutting interest rates, because lower interest rates decreased the cost of borrowing and encouraged people to spend and invest. In addition, lower interest rates reduced exchange rate and made exports more competitive. These two main policies were supported by other more effective solutions to solve the problem of unemployment thoroughly (Pettinger sec.1 par.1).

The British government advanced education and training and the aim was to give the long- term unemployed new skills which would allow them to find jobs in more developed industries. But, some saw that it was a failed way in reducing unemployment because as they see the unemployed may be unable to learn new skills. Thus this will take several years to reduce unemployment. The other resolution was through the employment subsidies in which institutions and firms were given bounties or subsidies in order to help the long- term unemployed. These helped in giving them new confidence and engage on the job training. However, it was quite expensive and it encouraged institutions to simply replace current workers with the long- term

unemployed with the aim of benefiting from the tax breaks or the subsidies. The government also tried with the Stricter Benefit requirements, here the Governments took a more practical role in making the unemployed accept a job or risk losing benefits. Later than it guaranteed some kind of public sector job such as cleaning streets, this reduced unemployment notably. However, the government ended up employing thousands of people in barren tasks which was very expensive. The government headed on improving geographical mobility. It saw that unemployed often intense in certain regions and to overcome this geographical unemployment, the government gave tax breaks to firms which set up in depressed areas. Alternatively, it gave financial support to unemployed workers who went to areas with high employment (Pettinger sec.2 par. 1, 3, 5, 6).

In January 2010 the British government introduced a guaranteed job, training or work placement for 18-24 year olds who have been unemployed for at least six months. It also provided, under the Future Jobs Fund, a total of 117,000 new jobs for young people in geographical areas that suffered more from the bad effects of the recession. Moreover, funds were provided for an additional 20,000 undergraduate places on courses started in 2010-11. And a place in education and training was guaranteed for every 16 and 17 year old (Protecting Fundamental Rights during the Economic Crisis 24).

3.6. Tackling the Sector of Tourism

The sector tourism is the UK's sixth biggest industry and the third-largest export earner. Over 200,000 businesses in the tourism industry provides £52 billion of the UK's Gross Domestic Product and it employs 4.4 per cent of workers. Domestic tourism forms 59 per cent of the sector's tourists spend, whereas inbound travelers form 14 per cent and outbound form 27 per cent. After the recession the government

planned to develop the services of the sector because of its great role in the development of the economy, and saw that there was a possibility to grow the sector better. The 2012 Olympics provided a unique opportunity to attract new visitors and flaunt the best of Britain. The British government then concentrated on improving the public marketing activities since it was the main fund to the sector of tourism. Levels of customer services and management skills also had additional extent of improvement, because the UK ranks among the major tourist countries in the world thus, the sector needed more improved service. Other regulations were necessary to care for consumers, employees and competition. For the tourism industry, the system for obtaining permission to start up a business was very difficult problem. The system was slow, complex made it harder and more expensive for accommodation providers and tourism attractions to develop. Therefore, the British government presented in its plan of growth many benefits to the businesses in the tourism industry. These benefits included a reformation of the planning system and the small businesses were exempted from some heavy regulations (Cable and Osborne 123).

The government tourism policy was published by the Department for Culture, Media and Sport on 04 March 2011. In order to help the British tourism industry reach its goals as a vital part of Britain's growth policy, the government scheduled a wide range of actions and recommendations. Besides the previous mentioned actions the main actions that the government took to support the tourism industry were:

1. The government worked first with People, the National Skills Academy for Hospitality, and the industry, to raise the number of apprenticeships and other teaching courses of hospitality skills to ensure good services for the tourists.

2. The government helped the industry to set up for changes in technology, so information about tourism can be provided through Smartphone apps, with the traditional leaflets and websites. The government also worked with the tourism industry to make sure that more Smartphone apps are accessible for British and international tourists. This made every UK place more easily to be reached by visitors and tourists.
3. The government worked to provide the tourists by guides (books) with a variety of more current international languages such as Arabic, Chinese, Hindi, Russian, Turkish, and Thai.
4. The Government helped to create tourist places within London and enlarged it through other possible parts of Britain.

The Government did this with the aid of public and private funding, in order to create a sort of good practice and leadership and promote the partnerships of local authorities and local enterprise (Cable and Osborne 124-125).

3.7. Tackling the Sector of Space Industry

Space technology, infrastructure, and industry had much importance in the British government plan for growth. This was because of many reasons; the space technology was used in combating climate change and managing food and energy supplies. The Space infrastructure was used in commercial, security and defense systems. The UK's global space industry before the financial crisis of (2007-2008) was worth of around £160 billion. And it was an increasing industry, it was innovative with Research and Development activities six times more than the UK economy as a whole, in addition to its important support to national policy. Businesses and individuals

benefit from the space sector were not going on easily. Thus, the British government did the best to support the developments concerning this field (Cable and Osborne 8).

Growth in the space industry depended on the growth in demand for e-connectivity, mobile communications and broadcasting, including HDTV and 3D TV, besides the demand of the clients for immediate access to real time navigation and weather data. There were large opportunities in high-growth rising economies for sales of satellites and services plus opportunities to cooperate with other economies overseas. The government had an essential role in easing this opportunities and exports. For many countries an inter-governmental conformity was a requirement for business to cooperate and permit the UK to win international business. These agreements opened opportunities in Indonesia, Peru, India, China and Russia. The space industry success needed firmness about the regulatory system which was a particular constraint on investment therefore growth. There were particular challenges that need to be tackled to put the UK industry on a high level among other countries. Huge actions took by the government to decrease insurance premiums for satellite operators, facilitate space tourism, support exports and increase accesses to satellite orbit slots (Cable and Osborne 119).

The government took further actions to develop the sector of space industry and they were:

1. To develop the level of field comparing to other countries, the government reformed the Outer Space Act 1986 by introducing an upper limit on liability for UK operators.
2. The government aimed to make the United Kingdom the European centre for space tourism and worked with the international regulatory authorities

to define regulations for new space vehicles that provide low cost access to space.

3. To get better offers to foreign clients, the government supplied the United Kingdom industry with clearer guidance on the regulation of security aspects in export deals.
4. The government continued its dealings with Ofcom to make sure that the British industry has full and fair access to the restricted supply of satellite orbit slots. Moreover The government worked with Ofcom to offer the support needed for international reform of the processes used to gain access to orbit 'slots' at the World Radio Conference in 2012.
5. The government announced £10 million of funding to hasten the improvement of the International Space Innovation Centre (ISIC) at the Harwell Science and Innovation Campus (Cable and Osborne 120-121).

In parallel to the British government plan for growth, the Scottish government started its own economic recovery plan. The Scottish government intended by its plan to make Scotland a more flourishing country, with opportunities to all people.

3.8. The Scottish government recovery plan

When Scotland entered turmoil in 2008, as a result of the global financial crisis (2007-2008), the Scottish Government responded immediately by inducing a thorough Economic Recovery Plan. The plan was firmly rooted within the Government Economic Strategy. The Scottish government economic strategy focused on six strategic priorities which were expected that it will accelerate recovery. Supportive business environment, transition to a low carbon economy, learning, skills and well-being, infrastructure development and establishment, effective government, and equity

were the six strategic priorities of the government. The government reaffirmed its commitments to these Strategic Priorities (Salmond 7, 84).

The Scottish government economic strategy was based on accelerating the recovery and creating the foundations of a long-term sustainable economic development. It committed maintaining and developing a supportive business environment. The general framework scheduled huge efforts and resources to create an environment that is attractive to growth companies and provide an ability to take benefits of opportunities in new international developing markets. The programmed framework also aimed at building up the sectors of the economy which had the possibility to hasten the growth. The Scottish government directed its efforts and resources to establish an environment that is attractive to growth companies; not only the Scottish companies; the Scottish government tended to make Scotland an attractive place for international investment (Parekh et al 2, 12).

Concerning helping Scottish businesses to grow and attract new investment to Scotland, John Swinney, cabinet secretary for finance, employment and sustainable growth said “a competitive business environment is vital if we are to help Scottish companies to grow and to attract new investment to Scotland. Since 2007, the government economic strategy has helped guide our policies to make Scotland a more open and competitive place to do business” (Salmond 38).

Scotland’s Productivity performance was supported by motivating growth ambition through investment and innovation. Adding up, the government encourage to the firms to participate in international growth markets, and the plan which was followed to develop the use of skills across all sectors of the Scottish economy (Salmond 39, 52).

The Scottish salmon industry provides an example of recent success, and now it is Scotland's largest food export, accounting for 36% of food exports. In January 2011 the Scottish government agreed for the first time with the Chinese government to provide China with the Scottish salmon. Demand for the Scottish farmed-salmon continued to increase around the world with high export levels. The industry made a significant contribution to the Scottish economy and provided vital employment for rural communities. To support additional growth in this industry, the government continued to promote and secure new markets for the Scottish salmon around the world. And it actively encouraged further investment in the industry. The government focused on promoting exports which would help the Scottish economy to re-balance and allow it to take advantage of the significant growth opportunities in rising foreign markets (Salmond 41-42).

3.9. Conclusion

To cope with the turmoil of 2007-2008 immediately, the British government set out an initial recovery plan. The initial recovery plan was a package £500 billion of around to rescue the failed banks. The government then set out a thorough plan for growth. The plan for growth contained four objectives; the main of them was to create the most competitive tax system in the G20 and to make the United Kingdom one of the best places in Europe to start a business. Health care and life sciences sector, Digital and creative industries, and many other fields benefitted a lot from the recovery plan. But much importance was given to reducing the high levels of unemployment. The British government followed two strategies to reduce unemployment and supported the with several side policies. The sector of tourism and space were also highlighted in the British recovery plan with many reformations and developments.

In parallel to the British recovery plan, the Scottish government set out its own Economic strategy to recover from the recession. The Scottish government economic strategy was based on accelerating the recovery and creating the foundations of a long-term sustainable economic development. But much importance was given to flourishing the salmon industry.

Conclusion

The mid-2007 marked the first signs of the global financial crisis (2007-2008). It started in United States, exactly in the subprime mortgage markets. The Subprime mortgage crisis was a series of events and conditions that led to the financial crisis of 2007-2008. The crisis covered the whole sectors of the American economy, and quickly spread to cover the worldwide economy.

The term “subprime” refers to a type of loans to subprime borrowers. These borrowers typically have a weaker credit history that includes payment delinquencies, court judgments or bankruptcies. The loans usually carry higher interest rates and pre-payment penalties. And the subprime mortgage crisis was a series of events and conditions that led to the financial crisis of 2007-2008. It started by the collapse of two subprime mortgages hedge funds managed by the bank of Bear Stearns in June 2007. After the Bear Stearns downfall the financial system entered a period of stability over six months. In September 2008 the bank of Fannie and Freddie faced large losses in the subprime mortgage markets which consequently led to its bankruptcy. On 15 September 2008, the bank of investment; Lehman Brothers announced its bankruptcy. This event considered by many as the main key to the financial crisis (2007-2008). The next institution to fail after the Lehman Brothers was the American International Group (AIG), the giant insurance conglomerate.

This is what marked the beginning of the financial crisis (2007-2008) in the United States. Economists and policymakers rushed then to explore the main causes that led to such turmoil.

It was mentioned that the major cause of the financial crisis (2007-2008) was the subprime mortgage lending. Many people having weaker credit history given

mortgages with low interest rates on their houses because the prices of the houses were high. After the huge demand on these mortgages the lenders raised the interest rates. Thus people became unable to fulfill their debts which were sometimes more expensive than their houses. The offer of houses increased in the markets and this led to lower the house's prices. Consequently a great loss caused were for many financial firms and investors. The financial regulations and the freedom that was given from the governments to the financial firms were another cited cause to the financial crisis (2007-2008).

The financial crisis (2007-2008) did not start in the United States and stop there; rather it developed to cover the worldwide economies. The first to be covered by the financial crisis was the European countries. The development of the crisis in Europe started mainly in the mid-September 2008. Europe was harshly hit by the financial crisis. Access to capital was limited, many banks went bankrupt, small businesses and markets conceded, the real economy was severely affected. Trade financing expired and export volumes fell by almost 15 per cent.

The first and most European country shocked by the financial turmoil was the United Kingdom. And it was the great connection of the British economy to the American which led to this quick contagion by the crisis. The beginning of the crisis in the United Kingdom was by the surprising collapse of the Northern Rock bank in September 2007. This followed by the nationalization of Bradford and Bingley bank, plus the nationalization of many other banks in the United Kingdom such as the RBS, the Lloyds, and the HBOS.

The financial crisis (2007-2008) had huge bad consequences on the globe. The economies severely collapsed, a great downfall marked for the world trade, the fall of

the stock markets, and sharp rises in the unemployment rates. The worldwide societies- the poor as well as the developed- suffered a lot from the bad results of the turmoil of 2007-2008. The British society was among the societies that had massive bad effects from the financial crisis (2007-2008).

The financial turmoil has shaped both the current UK commercial and business scene and it had a huge effect on the public sector. The high unemployment rates were the gate to several social problems. The unemployment reached its highest rates during the recession (2007-2008) in Britain. When the financial turmoil hit, the unemployment level was over 5 per cent or 1.6 million. After that it rose by 164,000 from July to August 2008, and stood at 1.79 million by the end of the year. The unemployment high rates rose among people from the middle class and the university-educated workers and among the youth more than the old. The increase of unemployment rate associated with the increase poverty, divorce and separation, various illnesses, alcohol and drugs consumption, and the rise of the suicide and crimes rates.

Generally, poverty increased in all areas within Britain, and it estimated that 50-60 per cent disabled people were living in poverty, and they were apt to cuts in public sector services. Child poverty rates also rose in Britain, around 50-70 per cent of children were growing up in poverty as a consequence to the crisis. And the rates of poverty in England and Wales were higher than in Scotland.

The British family daily life became unstable because of the recession. The number of couples divorcing has risen for the first time in almost a decade because of the economic crisis (2007-2008). And several illnesses rates rose sharply among the British people. The heart attack deaths and mental illnesses were the most recorded

health problems. 2.000 heart attack deaths were recorded in London and suggests said that it was because of the economic crisis. The number of people detained in hospital under the mental health act rose from 32.649 in 2008 and 2009 to 42.479 in 2009 and 2010.

Concerning alcohol and drugs consumption, an important Cabinet Office Survey noted that alcohol consumption normally tends to fall in a recession, since people have less money to spend on drink. Rather, the rates of alcohol and drugs consumption rose sharply in Britain during the (2007-2008) economic crisis .The rates peaked most between 2009 and 2010 and 2010 and 2011. The region that had the highest rates was Liverpool from 725 per 100.000 during 2008-09 at the beginning of the recession to 823 per 100.000 during 2010-2011 making its highest increase by 4.9 per cent. In England about 900 more people were admitted to hospital each day for drinking problems. During 2009 and 2010 there were 1.1 million alcohol admissions in England.

Suicide and crime rates marked an excessive rise in Britain during the crisis. Nearly 3,500 people took their own lives in 2011, and in some wealthy areas the rises were more than 50 per cent. 5.2 million Crimes recorded by the police across the United Kingdom in 2008-2009. In England and Wales the crime rates reached 4.7 million, and in Northern Ireland the police recorded 110.000 crimes. Theft, criminal damage, burglary, fraud and forgery, robbery were the most recorded crimes.

The turmoil (2007-2008) and its vast effects on the British economy and society motivated the British government to set out a successful plan to bring the country out from the recession.

The government hastened with an initial recovery plan which was a package of around £ 500 billion set to rescue the failed banks. This plan was important for initial growth. But it was not enough to rescue the total economy and consequently the whole country. Thus, the government announced a fixed and complete plan for growth to bring the economy balanced again.

The government set the plan for growth to fulfill four goals. The first was to create the most competitive tax system in the G20. The second was to make the United Kingdom one of the best places in Europe to start a business. The third was to encourage investments and exports as a way to more balanced economy. And the last was to create a more educated workforce that should be the more flexible in Europe. The plan included many reformations and benefits to different fields and sectors amongst health care and life sciences sector, construction, digital and creative industries, retails, and professional and business services.

The important point that was included in the plan for growth was the reducing of unemployment high rates. To do so the government followed two main policies. The first was the fiscal policy which was followed to decrease unemployment by increasing the rate of economic development. The second was the monetary one which involved cutting interest rates, because lower interest rates decreased the cost of borrowing and encouraged people to spend and invest. Adding up, different side policies which seemed important for increasing employment. The side policies included advancing education and training, the employment subsidies, Stricter Benefit requirements, and improving geographical mobility.

The British government recovery plan gave much importance to the sectors of tourism and space. The sectors saw many reformations and developments to fit with the demand of the recovery of the country.

Corresponding to the British recovery plan the Scottish government announced its own economic strategy. It based on accelerating the recovery and creating the foundations of a long-term sustainable economic development. Scotland in its economic strategy gave much importance to the salmon industry; its development and improvement.

Glossary

Claimant Count: the claimant count records the number of people claiming unemployment-related benefits. The series has been used as a main indicator of labour market activity since the 1970's and figures are derived from records of claimants held at job benefit office. 'Claimants' include the severely disabled claimants, but exclude students seeking vacation work and temporally stopped.

The claimant count consists of all people claiming job seeker's allowance at job benefit office. Those people must declare that they are out of work, capable of, available for and actively seeking work during the week in which their claim is made.

G7: the G7 is an informal gathering of heads of state and governments of the world's most advanced economies (Canada, France, Germany, Italy, Japan, the United Kingdom and the United States).

G20: The G20 is an informal forum that promotes open and constructive discussion between industrial and emerging-market countries on key issues related to global economic stability. The members of the G20 are the finance ministers and central bank governors of 19 countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom and the United States of America. The European Union is also a member, represented by the European Commission and the European Central Bank.

Ofcom: The Ofcom is an independent regulator and competition authority for the UK communications industries. It regulate the TV and radio sectors, fixed line telecoms, mobiles, postal services, plus the airwaves over which wireless devices operate. It make sure that people in the UK get the best from their communications

services and are protected from scams and sharp practices, while ensuring that competition can thrive. Ofcom operates under the Communications Act 2003. This detailed Act of Parliament spells out exactly what Ofcom should do – it can do no more or no less than is spelt out in the Act.

Real Economy: the real economy is the physical side of economy dealing with goods services and resources. This side is concerned with using resources to produce the goods and services that make the satisfaction of wants and needs possible. The real economy is contrasted with the paper economy, financial side of the economy.

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