

Is this the real life, or is this just fantasy?

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As is usual, the title of this blog is an adaption of the opening line of Queen's 1975 *pièce de résistance* Bohemian Rhapsody in which Freddy Mercury sang so mesmerizingly, 'Is this the real life? Is this just fantasy?' What is becoming ever more apparent is that unless something dramatic changes between now and 11.00pm GMT on Halloween, the 'final' deadline that was set by the EU back in April, there will be potentially huge financial consequences for the UK for departing with no arrangements in place of a transition period that certainly be included if a withdrawal deal were to be agreed.

Since he became Prime Minister almost three weeks ago, Boris Johnson has shown that he is willing to ramp up preparations for leaving with 'no-deal'. As part of the choreography, it appears, every day there is an announcement of additional spending intended to both prepare the country for the impact of 'no-deal' and create as benign an environment as possible for an election that, to borrow a phrase used by Johnson in his campaign for leadership of the Tory Party, vanishingly few expect not to occur this autumn.

The informed wisdom is that Johnson is making flurry of announcements in which he is committing spending quite precisely to differentiate his administration from that of his predecessor Theresa May who, despite her claims on assuming leadership from David Cameron to implementing initiatives to assist the less well-off ('JAMs' just about managing) was stymied by what turned out to be the Herculean, and in her case, impossible task of achieving Brexit.

The need to reduce public debt that spiralled because of bailing out banks that were likely to fail without intervention – not because of profligate spending under the last Labour government – as part of austerity is believed to have been influential in the sense of disgruntlement of 'being forgotten' which caused them to vote to leave

the EU in the June 2016 referendum on continued membership of the EU.

Johnson is deliberately targeting areas such as health, crime (policing and prisons) and infrastructure is aware that these will be popular voters who perceive that, with justification, there have been massive cutbacks in public services following the election of the Coalition government in 2010. Though there was some loosening of spending under former chancellor of the exchequer Philip Hammond, May's three years as PM will be undoubtedly be characterised as one on which action by government in many areas other than Brexit appeared to all but cease in the last year.

Johnson, therefore, has an ideal climate in which to demonstrate that he is willing to achieve what May seemed unable to do, be absolutely willing to threaten to take the UK out of the EU without a deal, as well as making in his first three weeks in office as PM, daily proclamations about how he intended to spend money boost the economy in a way that, were this being done by a Labour government there would be howls of derision. As might be asked, based on an amusing expression was coined during the 2017 election campaign, has a forest of 'money trees' been discovered?

It's worth remembering that in normal times, the month of August is one in which journalists frequently struggle to find political stories. Parliament is in recess and members go on well-earned breaks as, whatever the popular narrative, the vast majority of MPs work incredibly hard on behalf of their constituents. This year one story has preoccupied Parliament and its members; Brexit.

Brexit, and the fact that Theresa May did not achieve withdrawal by 29th March as was expected within two years under Article 50 when it was agreed by Parliament in March 2017 is quite precisely why Boris Johnson is now PM. He has explicitly stated that he will achieve withdrawal by the deadline of 31st October as agreed by the EU in April when Theresa May sought additional time to achieve Parliamentary approval of 'her deal'.

As Johnson has stated, Brexit will be achieved regardless of any warnings that have been posited as to the effected that his "do or die" will engender. Moreover, as well citing the fact that this is the will of

the people who voted by a majority to leave back in June 2016, there are polls now suggesting that a majority of people support him in his approach.

In a ComRes poll commissioned by *The Telegraph*, 54% agreed that Boris Johnson “needs to deliver Brexit by any means, including suspending Parliament if necessary, in order to prevent MPs from stopping it”. The poll was carried out on 9th August and involved 2,011 people (the data weighted to demographically represent all British adults). Intriguingly, when those polled were questioned as to whether they believed Parliament was more in tune with the public than Mr Johnson, 62% disagreed.

On first reading these are particularly stark findings; specially that 88% of respondents feel MPs were ‘out of touch’ with the public, and 89% saying they ‘ignore the wishes of voters and push their own agendas’ on Brexit. Boris Johnson will believe that he has clear public support to achieve a ‘no-deal’ Brexit including, as some are speculating will possibly occur, proroguing parliament, dissolving it, so this can be achieved because this is the legal default position, as MPs who would not be sitting would have no ability to exercise any influence.

Whilst the summer of 2019 is being characterised as the relative calm before the storm that is likely to occur once Parliament resumes on 3rd September, it is worth noting that within the ComRes poll there is data that should give Johnson cause to consider the wisdom of the UK leaving the EU with ‘no-deal’. Firstly, the percentage of those supporting leaving by “any means necessary” was actually not 54% as headlines in certain newspapers have suggested, but 44%. For completeness 37% were opposed to leaving with ‘no-deal’ and 19% answered that they did not know.

Very significantly with reference to the matter of Northern Ireland which, because after Brexit, it would be the only part of the UK with a land border with the EU, in the ComRes poll 51% of respondents agreed that Brexit “should be halted if problems over the Northern Ireland border threaten to split the Union”.[\[1\]](#)

Recent economic data certainly demonstrates that, whatever advocates have claimed about predictions that leaving the EU will be

negative is wrongheaded and part of so called 'Project Fear', problems are already occurring. The UK economy shrunk by 0.2%, despite the belief that it would 'flatline', compared to the previous quarter. Production, including manufacturing, energy and mining declined by 1.4% in the three months to June. This is the largest quarterly drop in production in seven years (ten years for manufacturing).[\[2\]](#)

The decline in production is believed to be due in large part a result of firms which stockpiled in advance of the possibility of a 'no-deal' departure in March as well as large companies, most particularly car plants, bringing forward their summer maintenance 'shutdowns' to April. The question being asked is what should companies do to alleviate the likelihood of another sudden departure on Halloween, especially as warehousing is in short supply and this is less than three months from the busiest time of the year for retailers, Christmas?

Even in the ever-reliable services sector, which makes up 80% of GDP, growth is anaemic at 0.1% which is far lower than the 0.4% growth recorded in the first quarter of the year. Notably, If the information technology industry data was ignored, services, which includes consumer spending has contracted. Equally notably, finance has contracted for the ninth-consecutive quarter. Business services, which is regarded as the UK's speciality, is growing at its slowest rate since 2010.

This is occurring in an environment of slowing global growth, amidst a "trade war" between the US and others (particularly China). As an editorial in The Financial Times made clear in the aftermath of the publication of the publication of this data this is not an auspicious backdrop for the UK to leave the EU with no arrangements for trade or other essential issues in place:

"However, business investment, which has borne the brunt of Brexit-related uncertainty, fell again during the quarter, reversing a small increase in the previous three months. Total private sector capital spending has not increased since 2015, raising questions over whether Britain will be able to rescue itself from the lowest productivity growth since the financial crisis."[\[3\]](#)

President Donald Trump's national security adviser John Bolton has claimed in a Radio Four interview that the UK would be able to sign a trade deal with the US immediately after any departure from the EU on a sector-by-sector. This may appear to be beneficial.

However, any such trade deals would, according to Tory MP Tom Tugendhat, Chair of the Commons Foreign Affairs Committee, be entirely in the US's interests who is, he believes, a "very robust advocate of the US interests as he sees it. He would very much go along with the line 'America first'," Moreover, according to Tugendhat, "This isn't some sort of dewy-eyed, soft, romantic vision of a special relationship that he is trying to kindle for romantic and historic reasons – he has a very specific interest which is to defend and extend US interests."[\[4\]](#)

And data published on Tuesday showing a rise in employment and wage growth have been met with some caution. As ONS data shows, the number of UK workers on zero-hours contracts has increased in the last quarter to 896,000 (up from 791,000 a year ago), and close to the record high recorded in 2016 when many questioned their exploitative potential.[\[5\]](#)

Laura Gardiner, research director at the Resolution Foundation, has stated her concerns by this rise:

"The UK labour market looks like a sea of calm amid growing economic uncertainty both here and abroad. Employment remains at a record high, while earnings are growing at their fastest rate since mid-2008. The question is how long this calm can be sustained, with the economy contracting and productivity falling for the fourth consecutive quarter. Turning this around has to be a top priority for the new government. And while the labour market overall is in rude health, the significant rise in Zero-Hours Contracts shows that job quality remains a concern, particularly for young people."[\[6\]](#)

Equally of concern is the fact that the ONS data published demonstrates that whilst more jobs are being created, their nature (short-term and low skilled), means that the UK is becoming less productive. Labour productivity shrank by 0.6% in April-June, which is the fourth consecutive quarterly contraction. That means that the

number of hours worked rose faster than the amount of extra output produced.

According to The Open University's corporate director David Willett, it is essential that the UK develops a "more highly skilled workforce":

"Enabling the UK's workforce to upskill throughout their working lives, not just before or at the beginning, is critical if productivity is to be maximised in the workplace. According to our latest Business Barometer, work-based training is the best way for organisations to achieve this. A third of employers who took part in our report said that investing in training had led directly to enhanced performance such as improved productivity and engagement." [\[7\]](#)

If Boris Johnson's widely publicised proclamations on spending remedy the underlying structural problems with the British economy he will attract widespread support from across the political spectrum. He would be doing what successive administrations for the last 40 years have claimed to be dedicated to but, signally, have appeared to only tinker with and, when it comes to it, unable to achieve the radical change that is required.

Making Britain able to cope in an increasingly competitive world is one of the imperatives of all governments which is an extremely complex and daunting task at the best of times. To be attempting to do this whilst being committed to taking the UK out of the EU after 46 of membership makes the objective even more difficult.

Leaving the EU with 'no-deal' has been described by Chuka Umunna in an article in Tuesday's *Independent*, 'Don't let the reckless gamblers of Boris Johnson's 'do or die' Brexit gang pretend they speak for the people' as a "a huge, reckless gamble with people's jobs and livelihoods." [\[8\]](#)

The attendant economic consequences will inevitably cause money that might have been dedicated to the sort of projects Boris Johnson has in mind to be diverted to ensuring the UK survives the effects of a slowdown, not to mention the loss in taxes and investment. If 'no-deal' is indeed the outcome of Brexit on 31st October, his statements about the possibilities that may exist for a post-EU UK may be seen as

fantasy of someone intoxicated by the headiness of achieving the position he's coveted since childhood.

[1] https://www.comresglobal.com/wp-content/uploads/2019/08/The-Telegraph_August-2019-Tables.pdf

[2] <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpfirstquarterlyestimateuk/apriltojune2019>

[3] <https://www.ft.com/content/c3496774-ba8f-11e9-96bd-8e884d3ea203>

[4] <https://www.mirror.co.uk/news/politics/boris-johnson-warned-post-brex-18922674>

[5] <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/employmentintheuk/august2019>

[6] <https://www.mirror.co.uk/news/politics/breaking-unemployment-rises-31000-313m-18922871>

[7] <https://www.bbc.co.uk/news/topics/cx1m7zg0w2qt/office-for-national-statistics>

[8] <https://www.independent.co.uk/voices/brexit-no-deal-general-election-national-unity-jo-swinson-corbyn-leave-a9054171.html>