

Life after Brexit – getting back to the fundamentals of societal and economic development

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Rumours abound that Theresa May's withdrawal deal is likely to squeak over the line the next time it is put before Parliament for a 'meaningful vote'. Cynics suggest that the choreography of recent weeks was deliberately intended to raise the likelihood of a 'no deal' – with all the attendant economic consequences – to put pressure on MPs; particularly those opposing the deal because of the 'backstop' (included to avoid re-imposition of a border between Northern Ireland and the Republic of Ireland).

Publication last Tuesday of a government briefing document, 'Implications for Business and Trade of a No Deal Exit on 29 March 2019', may have concentrated the minds of the ten Democratic Unionist Party (DUP) MPs led by Northern Ireland Assembly member Arlene Foster. Included on page 9 is a statement that, "Overall, the cumulative impact from a 'no deal' scenario is expected to be more severe in Northern Ireland than in Great Britain, and to last for longer". The DUP have come under pressure from the business community in Northern Ireland to recognise the importance of cross-border trade to prosperity and, of course, jobs.

The prevailing view is that negotiation between attorney general Geoffrey Cox and the EU may result in a form of wording in a codicil concerning the backstop that may be sufficient to assuage the concerns of the DUP. With the DUP 'on side', it is speculated, the mathematics of securing the required number of MPs to support May's deal becomes easier given that some Conservatives who'd been opposed, especially Jacob Rees Mogg, have declared their intention to support it if the DUP are happy.

Nonetheless, nothing can be taken for granted in the febrile environment that has gripped Parliament in recent months. Some

MPs are regarded as so 'pure' in their opposition to May's deal that they would rather risk Brexit not occurring than support it. The Labour Party leadership states that it has no intention of supporting the deal and will instead push for a second referendum. It's questionable whether Labour Party MPs opposed to going back to the people will do as instructed if 'whipped' in Parliamentary language.

Former Labour Leader, Tony Blair, whose centralism makes him unpopular among the current Labour Party leadership, is an unapologetic advocate of remaining in the EU. Blair passionately believes that leaving the EU will damage the UK's economic prosperity and, intriguingly, states his belief that Labour must remain united in opposition to May's deal.

Writing in *The Guardian* over the weekend, Blair makes the case that Labour MPs should oppose the withdrawal deal when it comes back to the commons:

"Ultimately, the Brexiters' strategy will be to get Britain out, remove May, elect a Brexiter to deliver a hard Brexit or possibly fight an election against a weakened Labour party to secure such a mandate. Those who want a soft Brexit, including Labour MPs who may be thinking of backing the deal, would be ill advised, unwittingly, to cooperate with this strategy."

There is no doubt that for a good many people, discussion surrounding Brexit is background noise. This appears to be the case when *vox pops* are conducted amongst 'people in the street'. Worryingly, it must be said, opinions expressed appear to be based on emotion rather than economic fact.

Undoubtedly, for a significant number of normal people who do not spend their time analysing the impact of Brexit, this is a *mea culpa!*, being in employment and paying the bills is their priority, whatever happens in terms of this country's membership of the EU. Economic data analysed and recently published demonstrates that such people have good reason to be concerned.

A Resolution Foundation report 'The Living Standards Outlook 2019' authored by Adam Corlett (February 2019). Corlett, whilst acknowledging that both living standards and the level of employment

in the UK are, “at record highs, or very close”, makes the case that for the average household, income is worth less than it was prior to the financial crisis in 2008.

There are structural problems with the UK economy that, whilst Parliament has been obsessed with the outcome of the Brexit process, have not improved; quite the contrary. The so called ‘north-south divide’ is as stark as ever. Writing in an article, ‘Why city regions should be leading the charge on tackling low pay’, on the Resolution Foundation website prior to publication of its latest report on low pay this week, Fahmida Rahman presents that case that low pay is “an issue of national importance.”

Low pay, Rahman explains, nationally affects one in five workers. Significantly, though the average for workers on low pay in London is 10%, in many northern cities it is higher than the national average of 20%. Without radical action to address the problem of low pay, she believes, the prospects of those affected remain extremely bleak with knock-on consequences for families that create the so called ‘poverty of aspiration’ among youngsters.

Though record levels of employment are trumpeted by the current government as being proof that the fundamentals of the economy are sound, many commentators point to the fact that two thirds of jobs created are based on what is known as ‘atypical work’ including self-employment, work on zero-hours contracts and agency work. Employers justify their use of flexible working as a means of being dynamic and allowing them to be competitive.

Though it may be tough for some organisations, others, such as a certain global online retailer, regularly posts record profits and is condemned for its use of utilising, it should be stressed, perfectly legal methods to avoid paying tax at the rate that would be expected of its own workers. Recent ONS (Office for National Statistics) data demonstrably shows that the oft-quoted maxim of “the rich get richer, the poor get poorer” is as true now as ever.

It’s worth recalling that pent-up anger at what was seen as injustice concerning wealth is frequently cited as the reason why many on low pay, usually regarded as the bed-rock of traditional Labour support,

voted to leave the EU. Such people, it is argued, were seduced to believe that leaving the EU would improve their prospects.

In 'The Living Standards Outlook 2019' Corlett, using survey data, OBR (Office for Budget Responsibility) forecasts, government tax and benefit policies as well as other sources, provides projections for household income growth likely to be experienced by different groups. As he is able to report, incomes of those worst-off are highly likely continue to stagnate. The future prospects of those experiencing low pay, it is argued, are being undermined by "stalling business investment and continued policy uncertainty" resulting from Brexit.

In an especially damning prediction, Corlett asserts that child poverty is projected to increase by 6% by 2023-24; a record high. Equally appalling is the projection that by 2023-24 the proportion of parents living in poverty will be at a record high.

Working, it is clear from this report, is not the pathway out of poverty it once was and, as Corlett shows, child poverty rate for working households, which averaged 20% for the period 1996-2014, is likely to rise to 29% by 2023-24. Without urgent action, worsening inequality is something that becomes inevitable.

Contained in the conclusions to 'The Living Standards Outlook 2019', there is a call for politicians to refocus their priorities once the current crisis abates (p59):

"Beyond Brexit, the need for long-term investment in infrastructure, research, reducing housing pressures, education and yet-higher employment is as strong as ever. And big questions remain about how to fund the maintenance (let alone improvement) of other public services amid an ageing population."

However, Corlett recognises that difficult choices lie ahead for our politicians:

"...we can and should make choices about what levels of poverty are acceptable, and so cancel cuts in support for children and parents. Policy changes could also make sure that Universal Credit is a tool for poverty reduction, rather than one that risks further hardship. This will require tough choices in tax policy and elsewhere, particularly without

improvements to the growth outlook. But such trade-offs are the bread and butter of politics.”

Assuming that Brexit is concluded over the next couple of weeks, politicians and policy makers should dedicate their effort to reducing inequality. Unfortunately, the economic backdrop is not auspicious.

A recent survey by the Confederation of British Industry (CBI) of 650 businesses in retail, manufacturing and services, indicates that confidence is extremely low causing growth to be at its slowest rate for nearly six years. As is reported by the CBI, investment that is so crucial to the sort of innovation and development of new products and services that will be essential for future economic growth, as well as productivity gains leading to improvement in workers' income, are, we are informed, being shelved due to uncertainty surrounding Brexit.

The Bank of England believes that Britain's economy will grow by only 0.2% in the three months to March and, ominously, it predicts even if there is a vote by Parliament for a deal with the EU including a transition period to allow new trade arrangements, growth is still likely to be at its lowest rate for a decade.

The referendum decision of June 2016 is now regarded as a clarion call for change. We are seeing this in the way that the two major parties have had to respond to internal and external influences. What this will mean at the next election remains to be seen.

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What is critical is that politicians are able to deliver the sort of promises that should be reasonably expected of whoever is in power; improved prosperity for all but particularly among those most disadvantaged and on low pay. Enhanced education and training through apprenticeships at institutions are seen as essential in, for example, Germany, to support local industry.

Recent headlines suggest that rises in criminality and violence – especially tragic deaths from knife crime – are manifestations of a 'lost generation' of disaffected young people. Politicians wringing their hands in impotent fury will change nothing.

The announcement by Communities Secretary James Brokenshire of additional money to go to poorer towns in which inhabitants feel they have been “left behind” will not be enough to tackle deep-seated issues of poverty and inequality. Besides, too many see this money as effectively amounting to bribery to local – Labour – MPs to gain their support for Theresa May’s withdrawal agreement’; precisely what Tony Blair has warned against. More positive action and long-term intervention is needed to deal with structural problems undermining parts of society that are causing a drag on the UK economy.

Let’s hope that in, say, ten years, the well-known epigram “*plus ça change, plus c’est la même chose*” that is credited to French critic, journalist, and novelist, Jean-Baptiste Alphonse Karr, is not regarded as being apposite to post-Brexit Britain. History, after all, suggests that we should be, at best, cautious in any optimism.