

Keeping the Dream Alive

Dr. Steven McCabe, Associate Professor, Institute for Design, Economic Acceleration & Sustainability (IDEAS) and Senior Fellow, Centre for Brexit Studies, Birmingham City University

“The hopes we had were much too high, Way out of reach, but we have to try, The game will never be over, Because we’re keeping the dream alive.” From the 1988 hit single by Münchener Freiheit

August is normally regarded as a ‘slow’ month for news. Because everyone, including MPs, go on holiday, there’s usually a break from policy announcements and attempts to shape political narrative.

There are exceptions.

Three years ago, in the Summer of 2019, how the process of leaving the European Union (EU) would ever be completed, an objective that’d bested former PM Theresa May, who resigned on 7th June to be replaced by Boris Johnson, dominated the news.

Johnson, ever the self-publicist, wasted no time in creating as much attention as possible in propagating his view that under his leadership Brexit would be achieved and, significantly, would lead to new economic opportunities and enhanced prospects for the UK.

As many observed of Johnson, his self-assurance in the powers of ‘boosterism’ (Poole, 2019), were perceived as a welcome change to the somewhat dour demeanour displayed by his immediate predecessor May who was known as a stickler for detail and understanding of the complexity of issues (Merrick, 2018).

Regardless of whatever critics say of him, Johnson would seem to be a master in selling his vision of what is possible if he is given power. As Adam Fleming (2019) describes in part seven of his BBC podcast series *Boris*, ‘The PM Years Part 1: Getting Brexit Done’, he was selected by his party precisely because he was regarded as the only leader who could sell the supposed benefits of Brexit to MPs within his party and, crucially, to the electorate.

The general election of December 2019 demonstrated the correctness of the faith of Tory party members in Johnson’s ability.

Some three years on, Johnson is now PM in name only and is accused of leading a ‘Zombie government’. He has enjoyed two holidays in as many weeks and is moving out of no 10 (Morris, 2022).

In the midst of the most serious cost-of-living crisis for a generation, and during the Conservative Party leadership election, policy is on hold until this contest ends on 5th September. Johnson, sensing the magnitude of the problem rising energy prices are causing, probably calculates that, as outgoing PM, he has nothing to gain by intervening.

Following the next price rise to be announced by energy regulator Ofgem, based on wholesale prices since April, costs to consumers are likely to increase to a level making them phenomenally expensive for the majority (Sky News, 2022).

The University of York, having carried out research, believe that two-thirds of all UK households, meaning some 45 million people, would find themselves in ‘fuel poverty’ and struggle to pay their energy bills (Crerar, 2022).

Research carried out by Uswitch shows that the majority of households fail to appreciate that the annual rise in fuel bills for gas and electricity is likely to be between £1,600 and £3,600. Significantly, as Uswitch have discovered through the research carried on their behalf, only 8% were aware that their energy bills are going to go up by at least £1,500 (Forrest, 2022).

Data published by the ONS (Office for National Statistics) this week merely adds to the sense of woe being experienced by the vast majority and panic by the poorest of a fast-developing calamity.

On Tuesday it was announced that even though average pay had risen by 4.7% between April and June, because of ongoing inflation, which erodes spending power, this represented a fall in real terms of 3% (Race, 2022).

The announcement on by ONS of Wednesday that UK inflation for July was 10.1%, the highest it's been since February 1982 and the highest of the G7 countries (Ashworth, Wallace and Mendick, 2022), came as a surprise to commentators who believed we wouldn't experience a double-digit rate until later in the year. This will add to the fears of many. An average increase of 12.7% in the price of food significantly contributed to the rise.

Notably, staples such as bread, eggs, cheese and milk, as well as oils and fats have risen even higher rates. Though the causes are varied – including supply problems following the pandemic and Ukraine as well as shortages of labour from the EU – this hardly matters to those already struggling.

Inflation is most pernicious to those on fixed income, especially in receipt of benefits but also public sector workers whose pay has been pegged in recent years.

Any rise in the price of staples will mean those who have a higher propensity to consume them, the poorest, will be hit hardest. Retail analyst Kantar, who've been collecting data for 14 years, published their research which indicates households are already paying an additional £533 per year on food.

That there's a cost-of-living crisis is now a fact.

Thinktank and poverty campaigner, Resolution Foundation, assert low-income households will cut back on spending by three times as much as households high-income this winter (Handscorn and Marshall, 2022).

If the situation was not already dreadful, there's speculation that the Bank of England interest rate is set to double to 3.5% or 3.75% in the next six months (Wallace and Chan, 2022). Given that the rate was 0.1% as recently as last December, and this has followed years of super-low rates of borrowing since the global financial crisis of 2008, households with mortgages and other loans will have to pay a lot more in the future.

The question is what the government is going to do to alleviate what's confronting many millions?

In the absence of leadership from the outgoing PM, what feels like almost daily hustings consisting of the two leadership contenders, current foreign secretary Liz Truss and former chancellor Rishi Sunak, are scrutinised for clues as to what they might do.

If the situation weren't so potentially ghastly for so many, it would be amusing to listen to Sunak and Truss claiming that they will offer a new beginning after Johnson who used his persona as a clown to mask the real person he was (Bower, 2021).

However, until the next general election occurs, the next PM will consist of either Sunak or Truss (Cameron-Chileshe, 2022).

Sunak, who'd served as chancellor since the surprise resignation of Sajid Javid in early February 2020 and intimately involved in dealing with the financial consequences of the pandemic, is presumed to be well acquainted with the parlous state of British finances. Having enjoyed popularity in providing unprecedented amounts of money to support individuals through 'furlough' as well as businesses has made what appears to be the mistake of pointing out he belief that the next leader must confront economic reality.

Sunak, regarded as a 'traditional' Conservative, believes in tight control of finances and though he has rowed back on this commitment, contends inflation should be tackled as a priority before taxes are reduced. In a barb directed against his rival, he criticised those offering "comforting fairytales" (Grierson, Quinn and Walker, 2022).

Though it's not beyond the realms of possibility that when the result of the leadership contest is announced on 5thSeptember, Sunak may become the UK's first PM 'of colour', as the result of a poll conducted by Sky News indicates, his chances look slim (Coates, 2022).

Undoubtedly, like former minister Lord Michael Heseltine, who because of opposition to Brexit was purged from the party he'd served so loyally by Boris Johnson, Sunak appears likely to suffer the fate that 'he who wields the knife rarely wears the crown'.

Which brings us to the person most likely to be the next PM, Liz Truss.

In a fascinating analysis of what she offers to the Conservative Party, Robert Shrimpsley in his *Financial Times* article, 'Liz Truss is the right choice for this Conservative party', thinks she will continue the Johnson's belief in what's referred to as 'cakeism' (2022). Truss, who has, thus far, eschewed providing assistance to families facing rapidly rising costs of energy and food because she sees them as "handouts" (Grierson, Quinn and Walker *ibid*).

Instead, Truss deliberately appeals to the estimated 160,000 Tory party members by committing herself, should she become leader and PM, to immediate reversal of the 1.25% national insurance increase implemented by Sunak, as well as tax cuts so as to put more money in people's pay packets to boost the economy (Malnick, 2022).

Tax cuts of the magnitude suggested by Truss are, according to well-respected think tank, The IFS (Institute for Fiscal Studies), "unrealistic" unless matched by spending cuts (Nanji, 2022).

Though Sunak, who appears to have been forced by Truss's stance that tax cuts will occur sooner than he believes expedient, is also criticised by the IFS, it's Truss' commitment to massive revenue cuts which cause the IFS concern. Due to "soaring inflation and rising interest rates", which will vastly increase the costs of benefits, pensions and borrowing bills, Truss' tax cuts are viewed by the IFS as unaffordable unless accompanied by comparable reduction in budgets for public services (Wallace, 2022).

Shrimpsley contends Truss is the 'cakeist candidate' "prepared to go full gateau if it gets her to the top" through her offer of "unfunded tax cuts to drive growth and a halt to green levies to reduce fuel bills (both demands of the party's right)" (*ibid*).

Indeed, as Shrimpsley and many other commentators claim, Tory party members prefer to believe in the continuation of Johnson's vision of boosterism in which Brexit will be, with the right leadership and willingness face down the EU, successful and lead to the sort of increased prosperity promised at the last election:

“They want investment in public services and help with energy bills but lower taxation; sound money but also higher borrowing, deregulation with interventionism; Brexit and higher growth; housebuilding but just not where they live.”

Seminal commentator Will Hutton, in his Observer article, at the weekend believes her plan to be potentially “ruinous nonsense with no reference to reality” and “populist bullshit” (2022). As Hutton has argued in the past, the decision to leave the EU was an economic mistake. Moreover, as he points out, the sort of thinking being presented by Truss and her team will make matters worse not better and undermine efforts to improve the economy and the “enterprise revolution”.

As Sunak, who voted to leave in the 2016 referendum and Truss, who voted to remain as part of ‘collective responsibility’, both stress their intention to push ahead with ripping up the Northern Ireland protocol. This will make development of more cordial relationships with our closest neighbours and former partners even more fraught.

It can only be presumed that Liz Truss’s stated intention to take action against the EU over its exclusion of this country from the Horizon research programme (Barnes, 2022), is intended to serve as pre-emptive action and show how combative she is prepared to be. Moreover, stories appearing in the press of Sunak’s unwillingness to engage in conflict with the EU, to protect business interests, are intended to further damage his standing among Tory party members.

All decidedly unseemly and hardly bodes well for any continued working relationship between Truss and Sunak.

However, what’s important is the long-term.

Like many other economic commentators, it’s hard to see how the myriad of problems confronting business can be solved as long as we continue to be outside of the EU which has led to a shortage of workers for hospitality and farming.

In the midst of a cost-of-living crisis it’s pitiful that, according to the National Farmers’ Union, up to £60 million worth of food will be lost because of a shortage of workers to harvest fruit and vegetable (Barnes and Wallis, 2022).

Even in parts of the press which supported this country’s departure from the EU, there appears to be a mood for change.

In considering ongoing labour problems in the UK, *Telegraph* Chief City Columnist, Ben Marlow, believes the failure to address the impact of Brexit has created a labour market which is a “malfunctioning mess” (2022). Pointedly, Marlow believes Brexit to be an “elephant in the room” and “one of many unintended consequences of Brexit that doctrinal Brexiteers prefer not to confront” (2022).

Unfortunately, if as widely predicted, Liz Truss does indeed become PM on the 5th September, it would be foolish to anticipate a desire by her to engage in the sort of rapprochement with the EU so urgently required by business. She seems to subscribe to the Thatcher doctrine of ‘handbagging’ (Stone-Lee, 2013).

Rather, and depressingly, we can expect the far more of the ‘cakeist’ economics that her predecessor was so fond of announcing but which were characterised by financial illiteracy such as his intention to build a garden bridge in London whilst London mayor and which cost £53 million, including £43 million of public money, without any construction work being carried out (BBC, 2019).

All that seems to matter to Truss is her dream of becoming PM as well as the vision that Brexit is virtuous through propagating policies to appease the interests of members who, we're informed, prefer Johnson to her (Forrest, 2022a).

Sadly, the rest of us will have to endure the economic consequences of the nightmare she's likely to create.

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Dr. Steven McCabe is co-editor of *Exploring the Green Economy, Issues, Challenge and Benefits* (ISBN-13 979-8532032347) and companion text, *Green Manufacturing, what this involves and how to achieve success* (ISBN-13 979-8751284619), both published in 2021.

***Stop House Prices Rising! The Essential First Fix for the Broken Housing Market* (ISBN:9781739726102), co-authored with Conall Boyle, and *Another Way: A call for a new direction in British foreign and defence policy*, co-authored with Roger Schafir (ISBN: 978-1739726133), were published, respectively, in January and April this year.**

His latest chapter, 'What's in a name? How Alexander de Pfeffel became Boris', appears in *Boris Johnson: Media Creation, Media Clown, Media Casualty*, edited by Mair, Beck and Connew and will be published by MGM Books on 1st September (ASIN: B0B6QK6LCZ)