

Levelling the Land

By Dr Steven McCabe, Associate Professor, Institute of Design and Economic Acceleration (IDEA) and Senior Fellow, Centre for Brexit Studies, Birmingham City University

The [Financial Times](#) carried an editorial recently in which it considered the question of how it will be possible for Britain to 'level up' whilst at the same time as recovering from the impact of Covid-19. As always with this paper, some excellent points were made though, strangely, there was no mention of the impending threat that this country faces if 'no-deal' occurs following negotiations with the EU to achieve a free trade agreement.

As Jonathan Freedland wrote in a recent article in [The Guardian](#), 'Amid the havoc wreaked by coronavirus, there is another danger we've forgotten', makes clear, 'no-deal' combined with the economic impact of Covid-19 risks creating a "double danger" in which each compounds the effect of the other.

Freedland, in examining the current government narrative, wonders whether we should take anything on face value from an administration that is unable to cope with the current crisis. As he explains, in the absence of a trade deal with the EU – the largest market for British goods – we will be "crashing out" on 31st December with all of the attendant economic consequences. Freedland believes that this suits PM Johnson and his Svengali chief advisor Dominic Cummings; "They hope to bury the bad news of Brexit deep inside the coronavirus, calculating that any damage inflicted by the former will be concealed by the general trauma of the latter."

'Levelling the Land' is the title of the second album released in 1991 by Brighton folk-punk band The Levellers. Formed in Brighton in 1988, the band grew out of the longstanding tradition that an effective form of protest is through polemic song.

I remember the early 1990s well. Having joined Birmingham Polytechnic teaching economics in 1987 and having completed a masters at the University of Birmingham, I was considering undertaking a PhD into quality management.

Luck played its part in my PhD experience. I was blessed to share a room with an older academic who'd previously enjoyed a successful career as an engineer in Lucas industries which used to be a major automotive producer in Birmingham (my own mother worked there before retiring in 1989). My colleague knew a thing or two about how to produce quality products.

As a statistician, my colleague was aware of the importance in understanding the nature of data and its importance in production. He instinctively appreciated that a great deal of information management use to make decisions is either flawed or, worse, simply wrong. There's got to be a better way, my colleague believed.

Talking about my research and the philosophical dilemma in creating causality, he informed me of an individual whose influence on post-war Japan's phenomenal rise as an economic and industrial 'powerhouse' was absolutely seminal; Dr W. Edwards Deming.

In reflecting on these conversations and in considering what will be required to achieve the so called 'levelling up' the government promised in December's general election, it's somewhat examining two of Deming's most seminal nostrums.

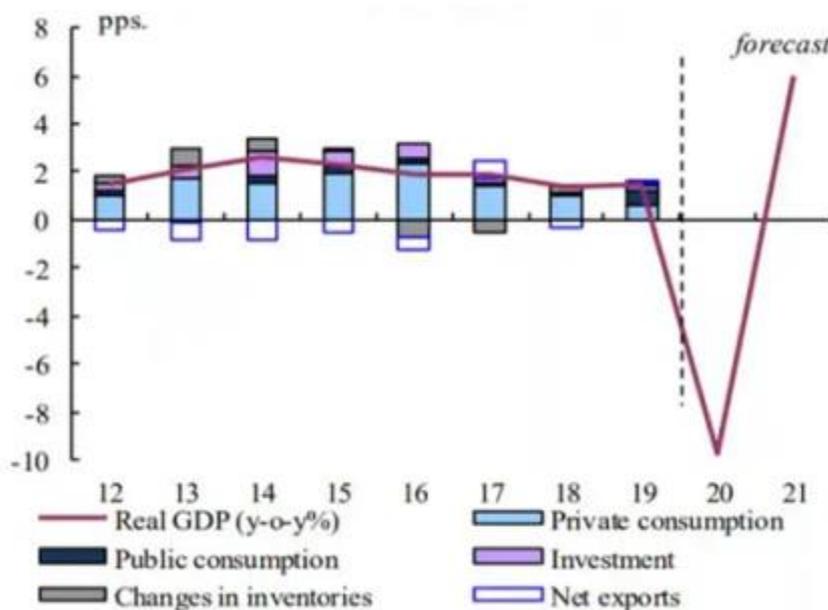
One is that "It is not enough to do your best; you must know what to do, and then do your best". The other is "Numerical goals without a method are nonsense"

In effect, Deming advised those considering following what Japan had achieved, that before embarking on change, they must have a clear idea of what they wish to achieve and, crucially, understand the nature of the systems they wish to utilise. To do otherwise, Deming cautioned, is to become “busy fools”.

The current economic situation we face is extremely challenging. Many believe its scale is so immense as to be comparable to that faced by most countries in the aftermath of the second world war.

Latest data starkly demonstrates the difficulties ahead.

In its ‘Summer Forecast’, the EU is predicting a drop in the UK’s GDP of 9.7% this year. As the graph below shows, the EU predict a pretty rapid return to recovery of 6% in 2021 but, crucially, only if the current trading relationship that exists between it and the UK is maintained.

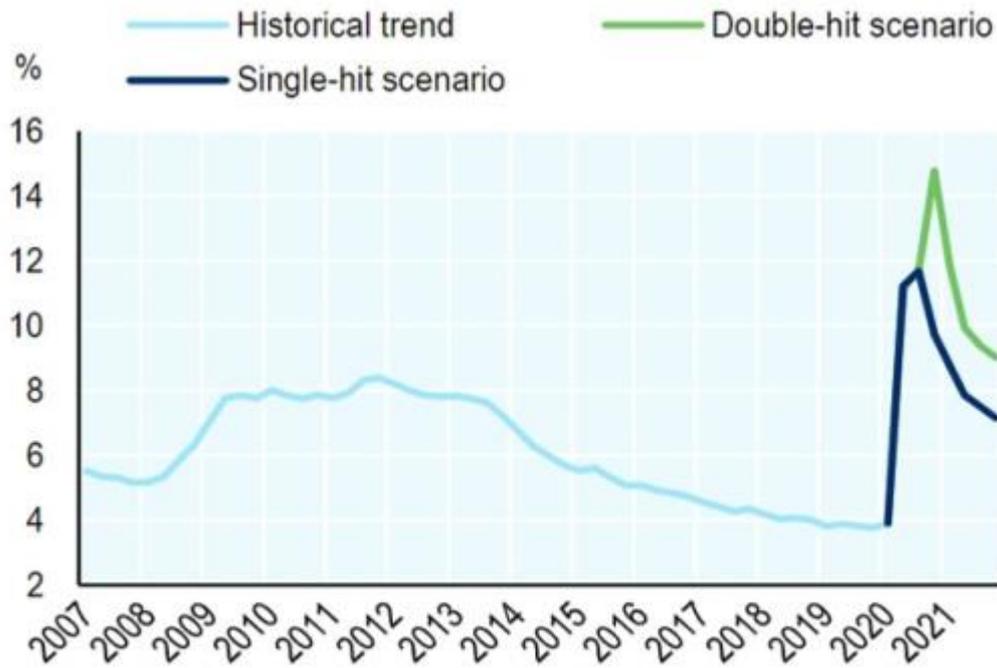


Source: EU Commission

OECD (Organisation for Economic Cooperation and Development), the 35 of the world’s richest countries, which in June forecast the UK would suffer the worst damage from the Covid-19 crisis of any country in the developed world of 11.5%, has carried out analysis on the impact of the pandemic on unemployment. As OECD warns, even in a “optimistic scenario” whereby Covid-19 infection rates are kept in control in member countries, unemployment is likely to reach 9.4% in the fourth quarter of 2020.

OECD believe that, providing there is no second wave of Covid-19, the UK unemployment rate is likely to rise to 11.7% by the end of the year; just a shade under the previous peak in 1984 when it reached 11.9%.

However, according to the OECD, as shown below, should there be a second wave of Covid-19 infection, likely to be localised requiring ‘targeted lockdown’, unemployment could reach 14.8% (higher than France, Germany and Italy, but lower than Spain):



Source: *OECD Employment Outlook 2020*, Chapter 1.

According to the OCED, Covid-19 has already “disproportionally affected” those who were, even before its onset, least well-off and enjoyed least protection; the self-employed, those on low-pay, youth and females. The clogsure of hospitality, which employs such people, has been especially harmful to the prospects of such people.

Not insignificantly, the OECD point out, the UK “has the 7th lowest level of regulatory protection against dismissals of regular workers and the 3rd lowest level of regulatory restrictions to the hiring of temporary workers among OECD countries.”

The OECD are not alone in suggesting that “relaxed dismissal regulations” are unlikely to disappear and, indeed, “are likely to foster job creation during the recovery phase.”

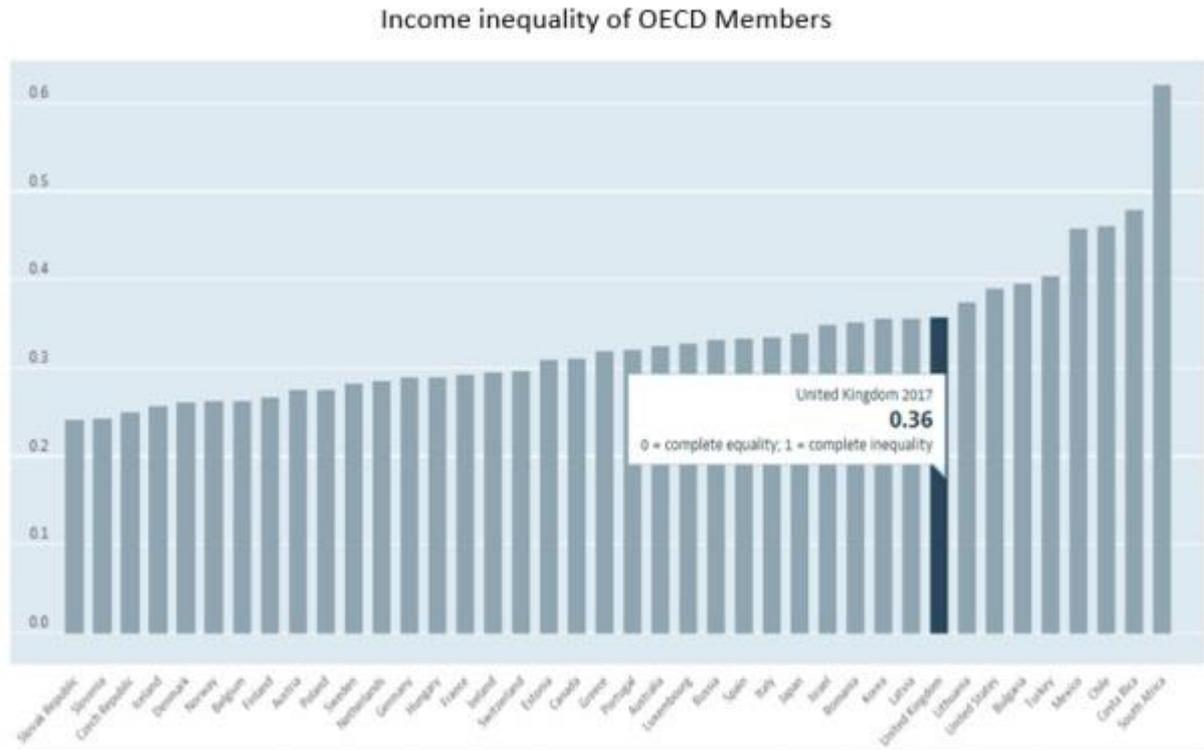
It is against these portents that Chancellor Rishi Sunak has announced further stimulus to, as he hopes, avoid rapidly rising levels of unemployment likely when initiatives introduced as emergency measures to support salaried workers, self-employed workers and businesses taper off in the next couple of months.

The question that must be asked is how Sunak can both save the economy whilst simultaneously levelling up? He’s already investing what would have been regarded as inconceivable sums of money before the outset of the crisis (believed to be £300 billion)? When Sunak delivered his budget in March, he indicated that there would be a spending programme of £640 million over the five years of the current government.

There’s no doubt that had it not been for Covid-19, the government would have been engaged in dedicating such expenditure in remedying a decade of under-investment in the economy; particularly in parts of the country in which deprivation is most prevalent. Many living in such areas

feel 'left behind' and are believed to have voted to leave and switched allegiance in December's GE from Labour to the Tories to "Get Brexit Done".

OECD data, based on the 'Gini coefficient' measuring income or wealth inequality, shows the UK to be among member countries with greatest inequality.



Source: OECD

The *Financial Times* editorial, referred to above, makes the point that when UK regions are compared, disparity is stark. Add in the fact that because of poor investment, British workers tend to be the least productive in Europe and achieving a solution becomes even more challenging. As the FT argues, "Regional recovery lies not in restoring a golden age of factory jobs, but in attracting investment in high-productivity jobs".

However, even investing phenomenal amounts of money in communities that have suffered since the disappearance of traditional industries in the early 1980s under Thatcher's reckless policy of 'deindustrialisation' will produce what Deming referred to as "instant pudding".

It's to be noted that none of the factories my parents worked in still exist. Once great names, such as Lucas's where my mom was employed and famous 'Austin' works at Longbridge, where my dad worked in the foundry for a number of years, have been consigned to history.

The jobs lost have not been replaced and, in the case of the Longbridge works there is now a shopping centre.

It's hardly a surprise that many feel so disillusioned in being excluded from opportunity.

Change takes time. Besides, as Deming advised, money invested with insufficient wisdom is wasted.

As we're seeing with depressing regularity, the current government, beyond the ability to use alliteration to develop the soundbites trotted out by Johnson, is woefully incompetent in implementing policies that will improve the lives of UK citizens.

There have been 65,000 excess deaths during the Covid-19 crisis. [This number](#) is believed to be at least twice as many as might have been the case with an earlier lockdown. Johnson blaming care homes for the 20,000 deaths that occurred amongst the most vulnerable of our society is viewed by many commentators as despicable. It is a man who, as he's demonstrated throughout his life, has an inability to take the blame for his government's failure.

The *Financial Times* editorial contends that local ownership and knowledge about where advantages lie will be essential; "a better balance between local and national decision-making is needed" Additionally, they stress, though, too much human talent and potential is wasted, "the prize" in achieving regional convergence right is enormous.

For the sake of this and future generations, it is to be sincerely hoped that the measures introduced by Rishi Sunak on Wednesday are successful in ensuring as many people remain in employment as possible.

It is also to be hoped that he lays down the basis of creating circumstances in which wealth is more equally shared through a 'greener' economy based on ingenuity and creativity.

Easy to say, extremely hard to achieve even in the best of times, especially by a government not noted for its ideological brilliance or achievement and dealing with the economic impact of a once-in-a-century global pandemic and, it increasingly seems, hell-bent on leaving the EU without a trade deal.

Dr. Steven McCabe is co-editor of *Brexit and Northern Ireland, Bordering on Confusion* (published by Bite-Sized Books, ISBN-13:978-1694447807), contributor to *Boris, Brexit and the Media* edited by Mair, Clark, Fowler, Snoddy and Tait (published by Abramis Academic Publishing, ISBN-13: 978-1845497644), *The Virus and the Media: How British Journalists Covered the Pandemic*, edited by Mair (published by Bite-Sized Books, ISBN-13: 979-8643725824), *The Wolves in the Forest: Tackling Inequality in the 21st Century* edited by Paul Hindley and Paul Hishman (published by Social Liberal Forum), *The Pandemic, Where Did We Go Wrong?* edited by John Mair (forthcoming to be published by Bite-Sized Books), and joint editor with Beverley Nielsen of *Regions After Brexit* (published by Bite-Sized Books)