

Back to the Future on Brexit – what do we really know?

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

Marty McFly, in the *Back to the Future* trilogy trilogy accidentally discovers time travel through a DeLorean time machine, created by his friend, genius Dr. Emmett Brown, who has combined plutonium-power with a DeLorean DMC-12 sports car. McFly is able to do what we all dream of from time-to-time; to change the course of events to make the future better for him and his family.

It may be asked as to who, knowing events that are likely to take would not take advantage or, in the case of an accident or loss, evasive action? After all, logically, no one in their right mind would wish to make things worse for themselves or their loved one. However, according to advocates of a 'no deal' Brexit, everyone who voted to leave the EU in the referendum 32 months ago, is perfectly happy for a situation to occur in which this country will become worse off.

Those suggesting that a 'no deal' will be awful are criticised as engaging in, effectively a continuation of 'project fear' which was suggested of remain supporters by advocates of leave during the referendum campaign. For good measure the view is also put forward that those who don't believe in a no deal are lacking in nationalistic pride that ensured this country was instrumental in beating Hitler and the Nazis during the second world war as well as lacking the sort of entrepreneurial spirit that made British products the envy of the world.

It's hard to engage in argument when the opposition use such emotional rhetoric. 'Facts', as was proved during the referendum are difficult to pin down when speculation is allowed to run riot. Nonetheless, any government is assumed to work in the best long-term interests of its citizens; the word paternalism is often seen in a pejorative way in this respect. And if the government is given advice by experts it should naturally be assumed that they will act upon it.

Brexit from the outset has been clouded in uncertainty that, it should be stressed, has been increased by the obfuscation of Theresa May. Her unwillingness to share information freely on a matter of national importance has, quite frankly, been staggering and, it can be assumed, history will not judge her well. Whilst the current situation may be regarded as being as important as war, the difference is that during conflict it is expected that the government remains circumspect. Leaving the EU and whatever consequences that will flow from this and affect us all should be understood by all.

So, we discover from an official document that the government, despite what is said to the contrary by Theresa May, is fully aware of the devastation of a 'no deal' Brexit:

- That the UK economy would be 6%-9% smaller over the next 15 years
- Only 40,000 of 240,000 exporting businesses that trade only with the EU are ready
- Businesses face an extra £13billion in costs as they deal with customs controls for the first time
- UL passport holders could face huge queues at airports
- We would see the reductions and price rises in fresh food is imported from the
- Panic buying
- EU tariffs could add 70 per cent to the cost of imported beef and 45 per cent to the cost of lamb
- Northern Ireland would be hit harder and for longer by no deal chaos
- Major industries – particularly car making – would hit hard by delays in the arrival of parts amid queues at Dover
- Only six of the 40 planned international trade agreements have been signed.

This document, reluctantly released by government a couple of hours after Theresa May, having been forced to agree to additional votes by Parliament on her 'modified deal', to reject a 'no deal' and potentially to delay Brexit for a short period, was something done reluctantly by the Prime Minister following pressure from remain-minded cabinet

ministers. Significantly Mrs May hopes to head off resignations of her cabinet like the three Conservatives MPs who defected to the nascent Independence Party last week including Anna Soubry who has been consistently demanding that government publish the evidence it has of the impact of leaving the EU without a deal.

Accordingly, we discover, the contents of the document provide a devastating picture of what “going over the cliff” will actually mean. And it probably comes as no surprise that we are not prepared. For example, almost a third of the “most critical” preparations for a no-deal Brexit are behind schedule and that UK citizens do not believe a ‘no-deal’ is “sufficiently credible”

In one section that should give the Democratic Unionist Party food for thought as to the prospect of forcing the EU’s hand in terms of the ‘backstop’, “There is a risk that businesses in Northern Ireland will not have sufficient time to prepare. This could result in business failure, and/or relocation to Ireland with knock-on consequences for the Northern Ireland economy and unemployment.” This is in a part of the UK that is very dependent upon state spending to support jobs and needs all the investment it can get to keep people employed.

Let’s face it, this document merely makes clear what we already see going on such as last week’s announcement that Honda intends to close its Swindon plant with the loss of, it is estimated, over 7,000 jobs. This announcement followed Nissan’s that, despite a promise made in 2016 by business secretary Greg Clarke of secret aid worth £61 million, to move production of its new model X-Trail to Kyushu in Japan because it can avail of the recently completed free-trade agreement between the EU and Japan. Significantly, as far as the future goes, this agreement will result in all tariffs on cars produced in Japan being reduced to zero within seven years.

Honda and Nissan’s decisions have arguably been made due to considerations other than the UK’s potential departure from the EU. Nonetheless, it is hard to dispute the fact that they are two notable examples of global corporations demonstrating that continued uncertainty is having a profoundly damaging impact on the automotive sector. There are moves by other sectors, most notably in financial services, to move operations out of this country.

It's important to remember that once high value jobs for manual workers in a sector such as car production disappear, they are effectively gone for ever. As former workers in areas where a large car factory has closed down – such as Longbridge following the demise of Rover – will attest, the jobs that are created, significantly fewer, tend to be in retail and lower paid.

Uncertainty surrounding Brexit, as well as taking its toll politically and emotionally, is having a negative effect on businesses regardless of size. The CBI make clear their belief that investment decisions are being postponed. This, in turn, negatively flows downwards through the supply chain in all sectors. Regardless of whatever increasingly unconvincing arguments are made by advocates of leaving without a deal and the potential for increased inward investment in a dynamic and entrepreneurial economy freed from being supine to the EU.

Surely, it is argued, regardless of the fact that when negotiating the rule is to push your case as hard as you can through emphasising the negative effects of the contrary, common sense will eventually prevail? You don't need a time machine to see that history is littered with examples of common sense not applying when wisdom cried out for it to be so.

Perhaps one of the most notable examples of something that, only four years before it commenced would have seemed improbable, was the utter tragedy that was the first world. This was resulted in the deaths of ten million and caused untold suffering and, of course, the emasculation of Germany leading to the rise of Hitler and the Nazis and the second world war in which it is estimated 80 million people died.

In 1909, a book by Norman Angell titled *Europe's Optical Illusion* was published in this country though expanded and republished under its better-known title, *The Great Illusion*, the following year. In this book Angell used economic argument to argue that because of global capitalism, territorial conquest was no longer seen as necessary. This thesis was echoed by *The Economist* in 1913 in its editorial titled 'War Becomes Impossible in Civilized World' in which it confidently asserted the following:

“The powerful bonds of commercial interest between ourselves and Germany,” the Economist insisted, “have been immensely strengthened in recent years ... removing Germany from the list of our possible foes.”

The words, “the rest is history” though appropriate seems patronising to the memory of those whose lives were devastated by the Great War which occurred only a year later. Many believe that a no deal Brexit is so economically appalling to all the major parties involved in Brexit as to be unthinkable. When even a Defence Minister Tobias Ellwood speaking states that “The scale of the damage no-deal would do to our economy, security and reputation and the growing threat that it might happen by default overshadows any leverage it may have had in our negotiations with the EU. We must put country first and rule out no-deal”

It’s not hard to see why Theresa May has had to engage in a vote-face that, until tis week, seemed inconceivable. That Jeremy Corbyn has been forced to do similarly in his announcement to support a second referendum is equally significant. When elder statesman and uber-Europhile Lord Michael Heseltine accuses fellow Conservative, Theresa May, of engaging in “blackmail” and that others in his party who supported leave of lying during the referendum, there is a whiff of revolution in the air. For sure there is no doubt that if Brexit ever concludes, radical change is needed.

Writing on *The Guardian* commentator Simon Jenkins believes that this is an issue that is so “vital” that cross-party agreement in Parliament is essential. Crucially, he asserts, delay in the process is expedient; “the longer the better” Additionally, he adds, “The principle of pausing, reflecting and compromising is blatantly what the country needs.”

Sadly, an immense amount of damage has already occurred which will blight the prospects of future generations. Gertjan Vlieghe, a member of the Bank of England’s monetary policy committee, Gertjan Vlieghe, has put the cost of Brexit so far at £40 billion a year in lost GDP growth (about £800m a week). That sure dwarfs the, increasingly spurious, claim of £350 million per week that would be saved by leaving the EU that appeared on the side that infamous red bus.

We didn't require a time machine to appreciate that the prospects of leaving, 'crashing out of', the EU without a deal were going to be extremely bleak. Thankfully, it appears, some sanity is finally, beginning to prevail.