

A new era in politics? The Independent Group and what this means for Brexit

Sometimes Brexit feels like the Hotel California – you can't ever truly leave it behind. As my plane left the ground last Friday for some much needed time in the sun (I think the entire office is rather envious of Professor De Ruyter's sunny days and balmy evenings in Australia!) Brexit was the last thing on my mind. Yet, thanks to free roaming (courtesy, ironically, of the EU's "roam like at home" regulation^[1]) on Monday morning up pops a notification on my phone informing me that 7 MPs had resigned the Labour whip. This followed the shock announcement a day earlier that Honda would close its Swindon factory and fevered speculation over whether Brexit might have been a factor.

In any event, by midday on Monday it was clear that the ghost of Brexit present had resurfaced to haunt me 2000 miles away, although I have to confess that cogitating on the subject whilst sunning myself on a beach is preferable to doing so on a cold, dark morning in Birmingham! There is, of course, a danger in assuming that Brexit is responsible for everything, and this applies to politics at least as much as it applies to business and economics. Certainly in the case of those MPs leaving the Labour Party, it's clear that Brexit was just one factor precipitating the move, although it might well have been the straw that broke the proverbial camel's back.

A more general dissatisfaction with the direction of the Labour Party and the leadership of Jeremy Corbyn appear to have been the underlying motivating factors at play. It is also clear that a substantial number of Labour MPs share these concerns, although they are staying put for the time being. Indeed, the Party's deputy leader Tom Watson (who also happens to be a West Midlands MP) has warned that care needs to be taken by the Labour Party lest others follow and in a moment of candour admitted that at times he hardly recognises the Party. At the time of writing, another local MP, Ian Austin, has become the latest to leave the Labour Party.

In any event, Monday's announcement was soon followed by the shock defection of three Conservative MPs to the embryonic 'independent group'. In some ways this is a bigger deal than Labour's

internal travails and is certainly explicitly Brexit-related. The three Conservative MPs are all implacably opposed to a no-deal Brexit and all left the Conservative Party over the issue. There is a deep irony to this: all three supported a policy of fiscal retrenchment (colloquially known as austerity) and then voted in favour of a referendum on membership of the European Union.

Evidence now suggests that this fiscal retrenchment was a factor in the Leave vote and, given the comparatively narrow margins involved, it may have been sufficiently powerful to have changed the overall result^[2]. That the burden of adjustment fell overwhelmingly on public spending rather than higher taxes had the effect of ensuring that the policy was fiscally regressive, which would have encouraged this effect. The most delicious irony of all is that many of the same MPs who esteem economic evidence when it (overwhelmingly) suggests that leaving the EU will have a negative economic impact are willing to ignore it when it suggests that fiscal retrenchment when interest rates are at their lower bound (as they have been for a decade) is foolhardy at best.

In any event, we now have a group of 11 disaffected MPs who are forming a nascent political grouping which is already the joint fourth largest in Parliament. One more defection will lead to them overtaking the Liberal Democrats, whilst the Scottish National Party's 35 MPs might conceivably be in reach. Are we witnessing the birth of a nascent political party? I would speculate that we are, but only insofar as "the independent group" are likely to take on some kind of formal status as a political party in time.

The reality is that due to the nature of the British parliamentary system (which, lest we complain too much, the UK voted to maintain during another referendum in 2011) the political dominance of the two main parties remains entrenched. As the Liberal Democrats have long found (and UKIP later discovered to their cost), first-past-the-post makes it extremely difficult for smaller parties to gain a foothold. A brand new political party faces challenges enough in terms of building resources and acquiring sufficient funds to fight an election campaign, even without the disadvantages conferred on them by first-past-the-post.

Suffice it to say, therefore, that at present The Independent Group's prospects as a political party appear rather poor. Of course, if the UK actually leaves the EU without a deal (or Theresa May seriously threatens to do so) then this situation is likely to change. Both main political parties are sharply divided. In Labour's case, Brexit is symptomatic of a wider difference, whereas for the Conservatives it is very much a fundamental cause. Nevertheless, there is strong evidence that the British public are dissatisfied with "politics as usual". This feature is not unique to the UK: across Europe and in the USA, such dissatisfaction is leading to unusual political outcomes. Disruption is everywhere.

As for me, after a short holiday, I come home to a more febrile political atmosphere than ever.

[1] See Regulation 2015/2120 for specifics (available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2015:310:TOC>)

Also relevant are 531/2012 (available at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:172:0010:0035:EN:PDF>) and 2017/920 (available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32017R0920&from=EN>)

[2] Fetzer, Thiemo (2018) *Did austerity cause Brexit?* Working Paper. Coventry: University of Warwick. Department of Economics. Warwick economics research papers series (WERPS) (1170). (Unpublished) Available at: <http://wrap.warwick.ac.uk/106313/1/WRAP-twerp-1170-Fetzer.pdf>