

Just When Things Were Going So Well....

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

The expression, “A week is a long time in politics” is attributed to Harold Wilson and made when giving a lobby briefing for journalists during the sterling crisis of 1964. Significantly, Liberal leader, Joseph Chamberlain, in 1886 stated, “In politics, there is no use in looking beyond the next fortnight.”

In my blog last week, I examined Boris Johnson’s government’s announcement of an increase in national insurance, dubbed the “health and social care levy”, of 1.25% intended to deal with the crisis confronting those trying to pay for social care and providing an additional £12 billion a year. Given that in the December 2019, “Get Brexit Done”, general election, Conservatives promised not to raise taxes, many questioned how this would be received by voters.

Presumably, on the basis that when you’re announcing policies that will cost working people more to assist in funding social care for, largely, the old, who don’t tend to work and therefore pay national insurance, the government hoped it could be balanced by not fulfilling another election manifesto promise, to implement what’s known as the ‘triple lock’ on state pensions.

Johnson justified breaking these manifesto promises by arguing, “A global pandemic wasn’t in our manifesto” which, of course, is true. However, as he won’t need reminding, making people worse off is hardly ever regarded as a way to increase popularity.

Though undoubtedly aware of the dangers of being seen to break two key election promises, and with the prospect of potential rebellion among his own MPs, Johnson continued regardless. To ensure support in Parliament for the increase in national insurance, giving little time for any opposition to build up, particularly if MPs went home at the weekend and met constituents, a vote was taken 24 hours later which the government won comfortably by 319 votes to 248.

Johnson, always willing to take a risk, would surely have been cognisant of the danger of being seen, not for the first time in his career, as profligate with public money. Once the national insurance/health and social care levy is implemented, the average tax burden for UK citizens will be 35.5%, the highest it’s been since 1948 when we were dealing with the devastating aftermath of six years of war (Wright, Smyth and Aldrick, 2021).

Having left the EU on the promise by Brexiters that doing so would save the UK money and, memorably, there’d be £350 million extra available to the NHS (National Health Service), many may feel ‘screwed’ in having to ‘cough up’ more tax. As even former chief political advisor to Boris Johnson, Dominic Cummings, claimed, having left the EU, savings from contributions no longer made to Brussels, not tax hikes, should fund the NHS (Maciuca, 2021).

Cummings is acutely aware of the optics of making promises and the way they’re interpreted by the public. As he contends, increasing tax that’s going to hit the young and poorest hardest, is “very bad policy and politics”. Equally, not increasing pensions by the 8.8% average wages have gone up following the exceptional circumstances caused by the pandemic, will not play well among those in receipt, or close to, of state pensions.

It’s worth noting that the state pensions in the UK is one of the lowest in Europe though comparison is complicated by differences in the way it’s calculated in different states (Full Fact, 2018; McInnes, 2021). For completeness it’s worth pointing out that though the UK’s tax burden will go up following

the national insurance announcement, it would still be lower than, for instance France (40%) and Germany's which is 39% which enables these countries to spend more on pensions and their public health systems.

When I wrote my blog a week ago, opinion polls, if ever they can be trusted though they are the only method by which to judge 'popularity' of political parties, showed Johnson and his Conservative Party to still enjoy a comfortable lead. As Harold Wilson accepted, a week later this is no longer the case.

According to Britain Elects, based on Opinium Research, conducted 9th-11th September, the Conservative Party is now equal with the Labour Party at 38%. This may, as always in the 'rough and tough' of political cycles, may be a temporary phase in the way in which Johnson's government is regarded.

Given Johnson's been in power for just over two years and won the 'Brexit general election' less than 21 months ago, he, and his advisors, may believe making the national insurance and state pension announcements now may mean voters will have forgotten by the next general election.

Whether the announcement on funding social care would have been made earlier, had it not been for the pandemic, is debatable. Nevertheless, the impact of Covid-19, particularly the fact that this has resulted in average wages going up by 8.8% compared to last year, is being used as the excuse of why raising the UK state pension by the same amount under the 'triple lock' arrangement can no longer be afforded.

Johnson, whose ability to appear to adapt the truth to retrofit prevailing circumstances is legendary – not to mention his willingness to depart from truthfulness – may realise that continually over promising and under delivering may become a political liability.

Whether pensioners who've lost out forgive him remains to be seen.

Crucially, the national insurance rise will not take place until 2023 which means, unless he calls a general election next year, the Conservatives might be 'going to the country' just as the pain of the extra tax is starting to bite.

Much can change and, if recent years are anything to go by, probably will. However, what must be remembered is that Johnson promised so much to voters if they supported him to achieve Brexit on the basis of an "oven-ready" deal with the EU.

Voters, especially those in parts of the country who perceived themselves 'left behind' in former 'Red Wall' constituencies, will judge Johnson and his government on how much better off they feel.

They may find that continual promises of 'Jam tomorrow' may have worn decidedly thin.

Intriguingly, one aspect of the economy, employment, suggests that, for some workers at least, things are getting better.

The number of job vacancies for the three months to August was over one million, the first time this has occurred since records began in 2001 (BBC, 2021). As Strauss (2021) in the Financial Times describes, the ONS (Office for National Statistics), data shows unemployment having fallen by 0.1% to 4.6% in the three months to July and employment is now 75.2%.

Coincidentally, Strauss writes, data from HM Revenue & Customs indicates a "jobs boom" as, in August, payroll employment increased by 241,000 on the previous month to "match pre-pandemic levels."

Such data will be used by Johnson and others in government, including Chancellor Rishi Sunak, as demonstrable proof the UK economy is well on the way to recovery and the future looks bright. However, not all commentators are convinced that any recovery, which could be derailed by another spike in infections and deaths due to Covid-19, will be consistent.

The BBC's Economics Editor, Faisal Islam, writing on the Business website (ibid) points out there are still believed to be a million workers on the furlough scheme which ends later this month. Logically, if some workers can't return to jobs they had before the pandemic, it might be assumed they seek employment in the organisations with jobs available including, as we regularly hear, driving heavy goods vehicles (HGVs) as well as farm labour. However, as Islam and others stress, many workers who may become unemployed at the expiration of the furlough scheme, may not possess skills or expertise for jobs available or, even if they are qualified, it might require moving to another part of the country which is difficult particularly given the very high cost of accommodation and house prices in, for example, the south-east and London.

Ironically, the pandemic has, contrary to what was predicted at the outset, increased property values by double digit increases in many parts of the country. This undermines mobility of workers which is crucial to any dynamic economy.

If there's a 'Brexit dividend', and though HGV truck drivers are experiencing a dramatic uplift in wages, combined with other supply issues, it is leading to shortages of certain goods. Add in inflation which, according to Bank of England forecasts, may hit 4% by Christmas, will make life for hard-pressed families, including those losing the additional £20 weekly payment of Universal Credit paid during the pandemic. Wallace (2021) suggests families could be £900 a year worse off in 2022.

Thérèse Coffey, the work and pensions secretary, who advised that those losing this payment to simply work an extra two hours, clearly doesn't understand how the system works and, because of deductions, it would take more like nine hours to make up the loss. Indeed, as Goodwin (2021), writing in the London Economic, reports that Coffey's mistake and insensitivity is made all the greater by the fact that, according to figures from the Independent Parliamentary Standards Authority (IPSA), "she claimed more than £201,000 in parliamentary expenses between 2019 and 2020."

The impression that this is a government made up of those out of touch and displaying crass tactlessness will not be helped by recordings that have emerged of Chancellor of the Duchy of Lancaster, Michael Gove, at three Cambridge Union debates in 1987, when he was a student, and in 1993 when he was a journalist. Gove makes crude sexist jibes, racist jokes and homophobic slurs (Bancroft, 2021).

Given this government's stated intention to level up, that Gove can be heard describing Margaret Thatcher's "new empire" in which "the happy south stamps over the cruel, dirty, toothless face of the northerner" is hardly helpful. That these tapes are thirty years old will matter not a jot if the impression takes hold among voters that this is an increasingly accident-prone and thoughtless government who are incapable of making things better.

Even many of those who were supportive of Johnson and his stance on leaving Europe are now questioning its consequences. Jeremy Warner, assistant editor of The Telegraph and a business commentator, believes that there's "an unnerving feeling of drift about the way things are going" (2021). Warner critically concludes, "If ministers ever had any idea what they intended to do with Brexit, they seem wholly to have forgotten it."

George Parker, in The Financial Times, explains that the government has been “forced to delay imposing checks on EU goods entering the UK until mid-2022 as it attempts to stop Brexit further exacerbating supply chain problems” (2021). Understandably, business organisations see this as a continuation of the situation by giving advantage to imports from the EU.

Ian Wright, chief executive of the Food and Drink Federation, is not impressed when he claims, “The asymmetric nature of border controls facing exports and imports distorts the market and places many UK producers at a competitive disadvantage with EU producers.”

Taking back control, as Brexiters promised leaving the EU would mean, this is not.

Little wonder trade rules and customs duties have meant UK importers have seen costs increase by £600 million this year (O’Carroll, 2021). Sadly, it appears, it’s highly likely the government, sensing Brexit still plays well among many who voted for the Conservative Party in December 2019, may use conflict with the EU to its advantage.

That Brexit minister David Frost is threatening the EU with unilateral suspension of the Northern Ireland Protocol and states it does not want a “real negotiation”, seems deliberately intended to ramp up tension (Reuters, 2021).

As made clear by authors who contributed to Brexit and Northern Ireland, Bordering on Confusion (Mair, et al, 2019), peace was hard won and those with malign intentions need little encouragement to re engage in ‘the troubles’. Using Northern Ireland as a ‘proxy war’ by which to continue the fight with the EU for expedient political purposes would be cynical in the extreme.

Polly Toynbee suggests that Johnson’s political strategy as far as regeneration and ‘levelling up’ is concerned is based on a “centralised, pork-barrel” approach rather than what’s important to improving the lot of hard-pressed communities (2021).

In ‘AI Promised You a Miracle – Life Under ‘Greased Piglet’ Johnson’, a chapter published in Populism and the Media (McCabe, 2021), see below, I explained that Johnson, doing what he’s always done, made a number of rash and ludicrously expensive promises

The way things are going he may rue these pledges.

Dr. Steven McCabe is co-editor of Exploring the Green Economy, Issues, Challenge and Benefits published by Bite-Sized Books (ISBN-13 979-8532032347) and is currently working on companion text, Green Manufacturing, What this involves and how to achieve success, which is due to be published to coincide with the Cop26 climate conference in Glasgow. His chapter ‘AI Promised You a Miracle – Life Under ‘Greased Piglet’ Johnson’, is included in Populism and the Media, published by Abramis Academic in June.

References

Bancroft, H. (2021), ‘Revealed: Michael Gove’s sexist jibes, racist jokes and homophobic slurs’, The Independent, 13th September, <https://www.independent.co.uk/news/uk/politics/michael-gove-sexist-racist-speech-b1918058.html>, accessed 14th September

BBC (2021), ‘Job vacancies surge past one million in new record’, BBC Business, 14th September, <https://www.bbc.co.uk/news/business-58543554>, accessed 14th September

Full Fact, (2018), ‘Do pensioners in the rest of the EU get more cash than the elderly in the UK?’, Full Fact Website, 23rd August, <https://fullfact.org/europe/pensioners-eu-uk/>, accessed 14th September

Goodwin, H. (2021), 'Thérèse Coffey claimed £200,000 on expenses while cutting your benefits', The London Economic, 14th September, <https://www.thelondoneconomic.com/politics/therese-coffey-claimed-200000-on-expenses-while-cutting-your-benefits-290397/>, accessed 14th September

Maciuca, A. (2021), 'EXCL: Cummings says £350m Brexit cash, not tax hike, should fund NHS', The London Economic, 10th September, <https://www.thelondoneconomic.com/news/dominic-cummings-national-insurance-nhs-289788/>, accessed 14th September

Mair, J., McCabe, S., Fowler, N. and Budd, L. (2019), Brexit and Northern Ireland, Bordering on Confusion. Bite-Sized Books, London

McInnes, R. (2021), Pensions: international comparisons, House of Common, BRIEFING PAPER Number CBP00290, 9th April, <https://researchbriefings.files.parliament.uk/documents/SN00290/SN00290.pdf>, accessed 14th September

O'Carroll, L. (2021), 'Brexit trade barriers added £600m in costs to UK importers this year', Guardian, 13th September, <https://www.theguardian.com/politics/2021/sep/13/brexit-trade-barriers-added-600m-in-costs-to-uk-importers-this-year>, accessed 14th September

Parker, G. (2021), 'UK delays checks on EU goods until 2022', Financial Times, 14th September, <https://www.ft.com/content/e32dda1b-7dbe-454e-ab32-3d80604df431>, accessed 14th September

Reuters, (2021), 'Britain's Frost says EU must move on Northern Irish deal', Reuters, 13th September, <https://www.reuters.com/world/uk/britains-frost-says-eu-must-move-northern-irish-deal-2021-09-13/>, accessed 14th September

Strauss, D. (2021), 'UK job vacancies shoot past 1m for first time', Financial Times, 14th September, <https://www.ft.com/content/8dd70f6f-d557-487d-a55b-841a105930c2>, accessed 14th September

Toynbee, P. (2021), 'If Johnson is serious about 'levelling up', he needs to look at what Labour got right', Guardian, 14th September, <https://www.theguardian.com/commentisfree/2021/sep/14/boris-johnson-levelling-up-labour-new-deal-for-communities>, accessed 14th September

Wallace, T. (2021), 'Families face £900 'triple whammy' of tax hikes, inflation and benefit cuts', Telegraph, 14th September, <https://www.telegraph.co.uk/business/2021/09/14/workers-face-triple-whammy-tax-hikes-inflation-benefit-cuts/>, accessed 14th September

Warner, J. (2021), 'What is the point of Brexit if its freedoms are squandered?', Telegraph, 10th September, <https://www.telegraph.co.uk/business/2021/09/10/point-brexit-freedoms-squandered/>, accessed 14th September

Wright, O., Smyth, C. and Aldrick, P. (2021), 'Britain's tax burden will rise to highest in 70 years', Times, 8th September, <https://www.thetimes.co.uk/article/britains-tax-burden-will-rise-to-highest-in-70-years-qsrX0wxxw>, accessed 14th September