

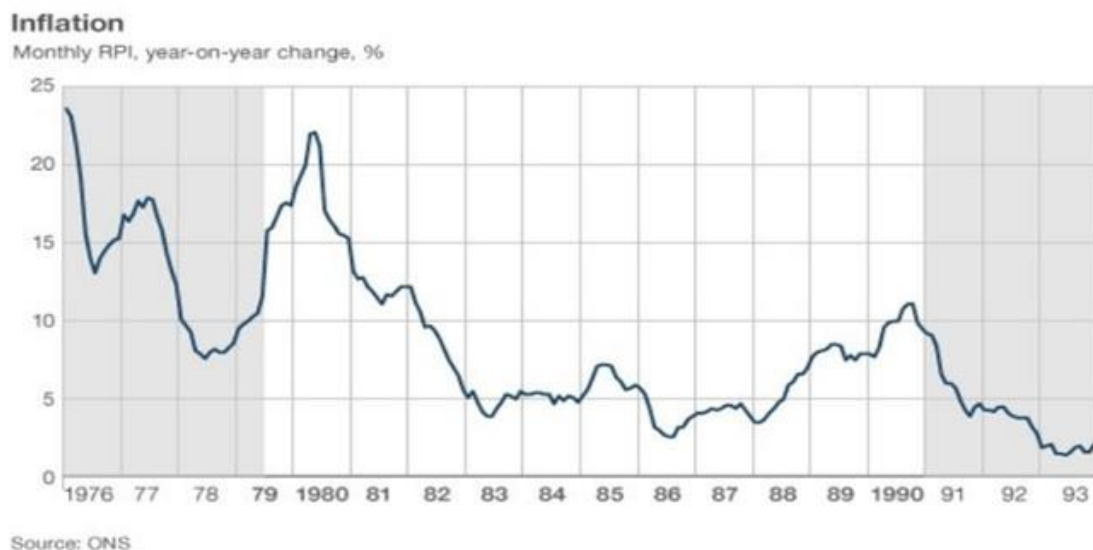
Promised You a Miracle

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

'Promised You a Miracle' is the 1982 hit by Glaswegian band Simple Minds who'd been around since 1977 when it was formed with the original and *de rigueur* punk name of Johnny & The Self-Abusers. 'Promised You a Miracle', released in April 1982, provided a contrast to increasingly grim unemployment in the UK.

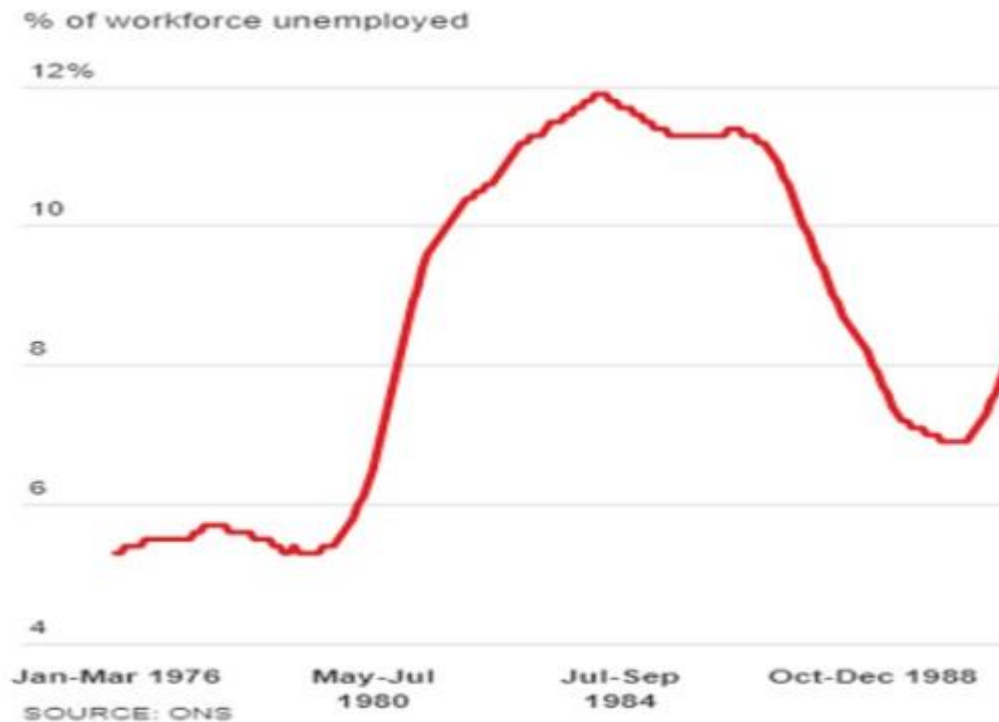
It's easy to forget quite how dreadful things were in the early 1980s when compared to the previous decade. Many believe the low point was 1976 when, after the shock resignation of Harold Wilson, newly installed Prime Minister (PM) James Callaghan, who'd previously been, Chancellor, Home Secretary and Foreign Secretary – never achieved before or since – was forced to seek an International Monetary Fund (IMF) bailout of \$3.9 billion (about £14 billion today).

Thursday 3rd May 1979 was the beginning of a new era. Margaret Thatcher made history by becoming the UK's first female PM. BBC website ['The Thatcher years in statistics'](#) provides useful analysis of the way that the economy was altered under her. That curse of the 1970s, inflation (average consumer prices), on the rise in May 1979, continued to do so into the 1980s. The annualised rate for 1980 was 16.8% but, by 1982 was 8.5%.



For those whose wages do not keep up with inflation, there's severe diminution of purchasing power. A major part of 1979 Conservative election manifesto was the promise to deal with the 'inflationary spiral' that, in the 1970s, after some bitter trade union disputes, had caused output prices to rise, undermining competitiveness of British goods that were exported.

Taking on trade unions who sought to defend jobs was unproblematic for Thatcher. The consequence, as the chart reproduced from the Guardian below demonstrates, was a rate of unemployment not experienced since the Great Depression of the 1930s.

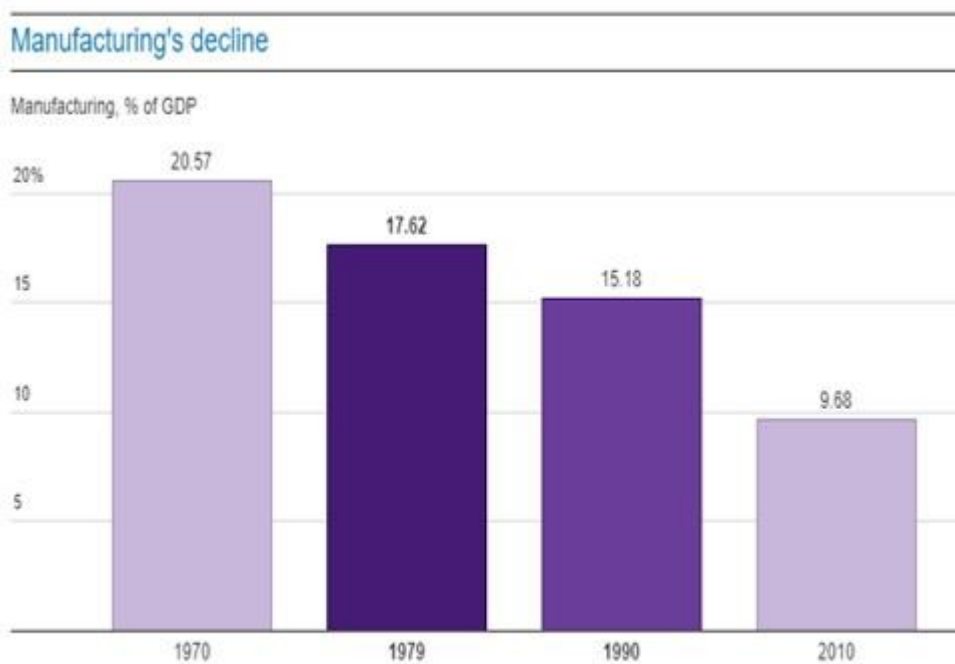


Source: The Guardian

High unemployment, largely funded by the proceeds of North Sea oil, provided a 'weapon' to force change on workers. It is fair to say Mrs Thatcher never hid her belief that reform was needed to ensure the UK was no longer regarded as the "sick man of Europe". Her speech to Conservative Central Council on 28th March 1981, is infamous in declaring the need to address "growing internal decline brought on ourselves by self-deception and self-inflicted wounds" through altering "old industries to modern methods, new markets, new competition".

As the expression goes, the rest is history.

One very useful chart from the BBC website referred to above is the decline of manufacturing:



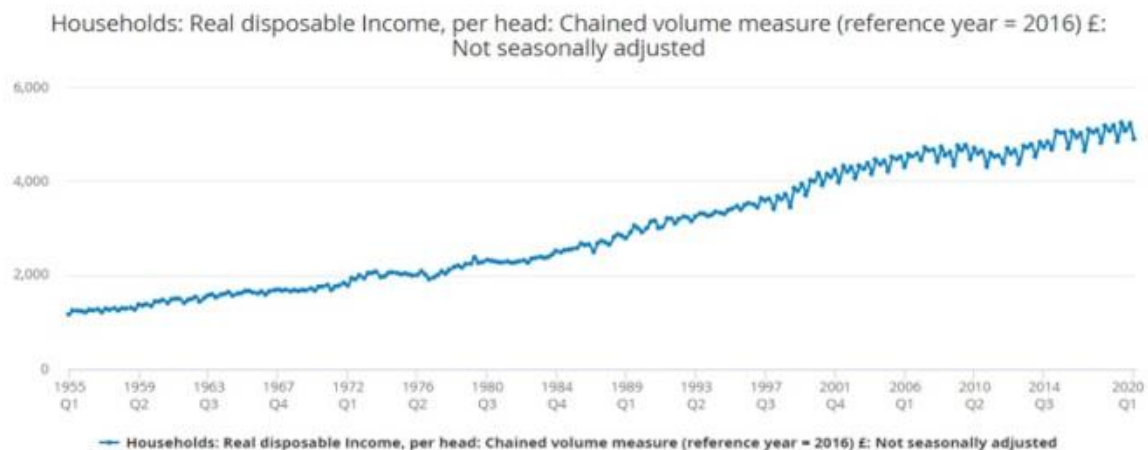
Source: The Guardian

This diagram demonstrates that the belief that manufacturing's decline as a proportion of gross domestic product has been a long-term affair. A decline of 2.5% over the 1980s is not especially dramatic and belies the claim that it all but 'disappeared' under her. However, jobs in many 'traditional' industries certainly did.

Mrs Thatcher, in her speech to Conservative Central Council in March 1981 referred to international comparisons showed Britain's decline in "real income per head". We were becoming collectively poorer.

Fast forward some 41 years to July 2020.

The chart below, of 'real' disposable income, indicates are indeed better off than when Mrs Thatcher came to power in May 1979.

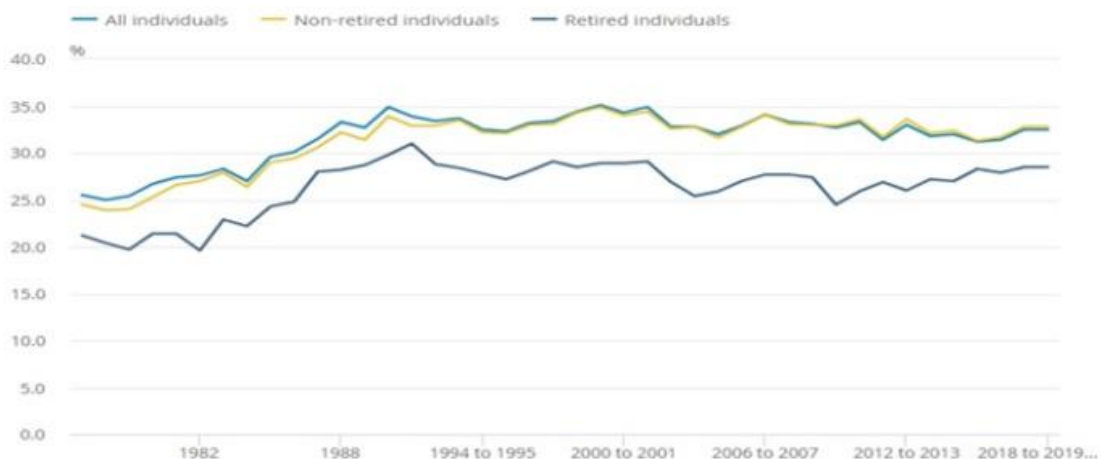


Source: Office for National Statistics

This measure, of course, is a crude indicator; the worth of everything including services so lionised by Thatcher, divided by the number of people. Whilst many may be better off, a significant proportion – the so called ‘left behind’ – would not agree.

All of the key measures of poverty and inequality demonstrate that since 1979, things for the disadvantaged have become increasingly worse. The following diagram showing the ‘gini coefficient’ shows that, for “all individuals”, when Thatcher came to power, the UK had a score of 25.4. The latest comparable score is 32.5:

Gini coefficients for equivalised disposable income of all individuals, 1977 to financial year ending 2019



Source: Office for National Statistics – Living Costs and Food Survey

The ‘here and now’ is that whilst unemployment is 3.9%, by the next release of updated figures by the ONS on 11th August, that figure is likely to increase. Moreover, once furloughing starts to taper off next month, we can expect to see unemployment to start rising rapidly. Unfortunately, it’s feared, it will match or exceed levels last experienced in the 1980s.

As the ONS state in their latest release, [Labour market overview, UK: July 2020](#), “Early indicators for June 2020 suggest that the number of employees in the UK on payrolls is down around 650,000 compared with March 2020.”

Boris Johnson in his election campaign promised the ‘miracle’ of getting Brexit “done” to “forge a new Britain”. This, he claimed, would unlock pent-up investment potential. Acknowledging that many communities outside of the south east have never fully recovered from ‘The Thatcher years’ and have experienced endemic poverty and disadvantage, Johnson promised investment to ‘levelling up’ regions.

The impact of Covid-19 notwithstanding, and there are going to be significant consequences for the economy, the big question is whether a ‘free trade agreement’ will emerge from the ongoing negotiations between the UK and EU?

The portents do not look good. George Parker and Peter Foster in Brighton in Tuesday’s [Financial Times](#) ‘Fears EU-UK trade talks will bear no fruit until autumn’. They explain that whilst EU officials complain of discussions “going round in circles”, sources in Downing acknowledge “significant differences” still exist.

In an editorial at the end of last week, ‘Reality punctures Britain’s Brexit balloon’ the [FT Editorial Board](#) ‘pulled no punches’ in analysing the implications of the UK’s departure from the EU; “Brexit was never an economic issue for those who championed the cause. It was about political sovereignty.”

Businesses reading the latest 206 page document on preparation for what may happen quickly discover that continuing to trade with the EU will become complex. It is estimated that an additional 215 million customs declarations will be needed as well as 50,000 extra customs agents that.

It’s calculated that this extra bureaucracy will cost at least £7 billion a year. The notional benefits so called leavers argued would accrue by departure are being wiped out.

According to [another FT story](#), there’s now insufficient time for the government to implement a UK quality assurance to replace the EU’s “CE” product labelling system by the end of transition (31st December 2020). Farce is turning into tragedy

This follows another story in [Monday’s edition of the FT](#), ‘Manufacturers warn of UK ‘jobs bloodbath’, that vital sectors of British manufacturing including automotive and aerospace as well as other “core industries” are, as industry representative body, Make UK, who’ve conducted a survey of members, likely to “lose high value skills” leading to a “jobs bloodbath”.

Brexit was always something of a leap of faith for many. Many claim that it to be the most profoundly damaging decision ever taken by British voters.

Perhaps the greatest irony is that the it was voters in areas of the country suffering greatest disadvantage and inequality who voted to leave. Their motivations for so doing were complex but many were seduced ‘Leave’ campaigning that savings made by no longer being a member of the EU would be invested in improving their prospects.

Research carried out by [Thiemo Fetzer and Shizhuo Wang](#) of the Centre for Competitive Advantage in the Global Economy at Warwick University provided evidence that it is the areas which voted to leave that have “suffered the biggest economic hit since the 2016 referendum”

The impact in particular regions varies but, as shown below, the economies of the West Midlands and Northern Ireland have declined in the period between June 2016 when the referendum was held and the third quarter of 2019, by 4%.



The reason why some regions have suffered more than others due to “high levels of low-skilled and manufacturing employment”. Fetzer is quoted as stating his belief that there is a direct causal link between the intensity of austerity in an area and the extent of the local vote to leave the EU and that “It’s the areas that were already hurting the most that seem to be hurt the most by Brexit”

Dr Fetzer is not alone in pointing out it is exactly the areas of the country that contain high levels of manufacturing that the government claim it wants to ‘level up’. Achieving this objective, Fetzer contends, resonant with the view of many others, is likely to be even more difficult after the end of transition, especially in no-deal is the outcome of ongoing free trade negotiations.

Though many criticise Margaret Thatcher for her myopic obsession with monetarism as being the tool to achieve a solution to inflation and competitiveness of British industry, she was pretty clear about the price that would need to be paid to produce the ‘miracle’ she claimed was possible; a UK economy characterised by lower inflation and increased competitiveness .

However, it’s extremely difficult to see how perennially optimistic Boris Johnson can square the circle he claimed would be possible by voting for him last December.

Indeed, as the FT Editorial Board referred to above assert, “Britain is about to discover the hard way that while Leavers were sincere in many of their political beliefs about Brexit, their economic arguments were, and are still, a costly and damaging sham.”

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 *English Regions After Brexit* (published by Bite-Sized Books)

Dr McCabe's latest book is *English Regions After Brexit: Examining Potential Change through Devolved Power*, jointly edited with Beverley Nielsen (published by Bite-Sized Books, ISBN-13: 979-8666953099) and to be launched in an online event on Thursday 30th July. [Register for your FREE tickets here.](#)