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Brexit – The wrong answer to the right question

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Brexit, it seems, is finally going ahead – although it would be fair to say that we don’t know quite what it is yet, in the sense that it is still not clear exactly what our trading relationship will be with the EU. It is even less clear whether Brexit is the right medicine for what ails UK politics.

This is not a blog so much about the economics of Brexit, as about the gut feelings of Brexit. Brexit, we suggest, is a visceral reaction to the lack of control that many in the UK feel they have over their lives, their prospects, the prospects of their children and the future of their communities. The catch phrase “take back control” appeals precisely because many of the people of Britain feel they no longer have agency over their own lives. The spirit of Brexit has arisen from legitimate concerns, but will not address these concerns.

Despite assurances by statisticians and politicians, for many in the UK economic progress would appear to be a thing of the past. This is not a problem caused by the EU. Economic progress will not return – and neither will “control” – when we leave the EU.

GDP – The illusion of growth

Often increases in real GDP or (less often) in real GDP per capita are taken to be indications that life is getting better. However, much of what passes for wealth creation under the current system of national accounts may in reality be wealth destroying. This is because GDP fails to take into account the impact of current economic activity on the future carrying capacity of the world. GDP does not measure welfare so much as economic throughput. If, however we net out the impact household and government debt, ecological deficits, and other wealth destroying expenditure, we find the global economy has effectively been stagnant for four decades, since 1978.

This is not to say that there have not been winners and losers, of course. There have been millions in (what some call) the developing world, who have been raised out of poverty by global trade, and the global elites have also prospered. The working class of the OECD, less so – even in terms of income (which is, in any event, a flawed measure). In the UK, this stagnation has led over recent decades to each generation on average being less wealthy (and less likely to own their own home) than the preceding generation.

As Benjamin Freidman has noted, when the benefits of economic growth are not widely shared, liberal aspirations are held by a lesser proportion of the population. The UK is hardly a recipe for a society at peace with its prospects; it follows support for liberal institutions such as the EU may suffer.

Global unemployment

Adding to the existential angst of those whom the world economy is beginning to leave behind is the nagging suspicion that many people and communities, even cities and nations, are quite simply not
required by the global economy at all: there is just not enough well-paid work needing to be done. In a globalised neo-liberal world, not to have well-paid work is not to be valued.

Currently, according to the [Gallup organisation, global unemployment is 33%](https://www.gallup.com). Not all jobs are capable of sustaining prosperity, however: In this regard, Gallup further estimates there are only enough *good* jobs (full-time, decently-paid) for one-third of the world’s adult population. It need hardly be said, this is a significant shortfall. If we are to *reduce economic throughput to meet ecological constraints*, yet fewer good full-time jobs will remain.

This lack of decent employment is particularly concentrated amongst the young and may be one of the primary causes of *unrest in some parts of the world*. In the UK *lack of decent prospects* is unlikely to promote an appetite for international liberalism amongst those who – whether as a result of government policy or globalised market forces – have been *left behind*, or rather, excluded. Such excluded citizens are likely to demand the national government “protects” their prospects.

**Neo-colonisation**

Some states have responded to the lack of decent employment by facilitating *rotten jobs*, by *pushing down terms and conditions of employment* and/or *pushing up precarity*. Others respond by effectively exporting their unemployment to other countries through maintaining a balance of payments surplus. The [People’s Republic of China](https://en.wikipedia.org/wiki/People%27s_Republic_of_China) and [Germany](https://en.wikipedia.org/wiki/Germany) are notably successful in this latter regard, especially when compared to the UK with its long-run *balance of payments deficit*.

As well as further reducing the demand for labour as [UK industries shed employment](https://www.gov.uk/government/articles/uk-industry-job-losses) having lost global market share, maintaining a trade deficit leads to further governance problems.

The UK’s trade deficit is *financed in part by the sale to foreign interests* of its [public services](https://en.wikipedia.org/wiki/Public_service), [utilities](https://en.wikipedia.org/wiki/Utility), [productive industries](https://en.wikipedia.org/wiki/Industries) and [housing](https://en.wikipedia.org/wiki/Housing). As the UK becomes increasingly foreign owned, it seems reasonable to be concerned that the nation may be *run for the benefit of a globalised elite* than for the benefit of its citizens. Whether this is a valid concern or not is a moot point, it is perceptions which count in politics.

It is clear many of the decisions of recent UK governments have apparently not reflected the concerns of the demos. For example, the UK electorate disapprove and have disapproved of *four decades of tax and welfare* and *privatisation* policies – yet are apparently powerless to influence the government’s stance on these matters. No wonder the electorate feel the need to take back control! However, leaving the EU is hardly likely to provide a solution to the lack of democratic accountability of the national government.

**Progress in a stable economy**

It is tempting to conclude that the solution to the problem of stagnant or declining prospects is to continue to emphasise growth. However, as we have argued above, what passes for “growth” in the world economy, is largely based on increasing debt and deficit. We must rather recognise that, like it or not, we have a world economy which is stable, or if you prefer, *stagnant*.

This does not mean the end of progress – it may mean a different kind of progress. As [John Stuart Mill](https://en.wikipedia.org/wiki/John_Stuart_Mill), notes, *in a stable economy where population is also stable and inequality is constrained* we might expect:
a well-paid and affluent body of labourers; no enormous fortunes, ... [and] a much larger body of persons than at present, not only exempt from the coarser toils, but with sufficient leisure, both physical and mental, from mechanical details, to cultivate freely the graces of life.

This sounds appealing – except, for some perhaps, Mill’s requirement of “no enormous fortunes”. It is clear restraint on the part of elites’ fortunes is unlikely to come from repeated rounds of the globalised free-market game of Monopoly. On the contrary, history indicates markets lead to economic concentration of wealth and power over time. However, there was no need for the UK to leave the EU in order to address increasing wealth and privilege held by decreasingly few: Many EU nations are less unequal than the UK.

It’s not the common market, it’s the free-market
In short, it is not our relationship with Common Market which is the problem, it is our relationship with the globalised winner-take-all free market – and the relationship of the left-behind regions of the UK with the central government – which want addressing.