

Britain is not prepared for Brexit

Kallum Pickering argues that leaving the EU would be a potential own goal for the UK. Is he right?

Britain does not have the political or economic might to live up to the challenge of Brexit. Prosperity outside of the EU would require a leading party that can credibly deliver swift and effective changes to economic policy to create an economy that is both balanced and robust to risk. Unfortunately, on these accounts, Britain falls short. Brexit would fatefully reveal these fault lines.

Britain has become politically disorientated since the financial crisis. After 13 popular years, the ugly demise of centre-left New Labour in 2010 created a void that has been only partly filled by the current centre-right Conservative leadership. This has allowed for more activity on the fringes. The past five years have seen the rise and demise of the centrist Liberal Democrat party, the worrying rise of the far-right UKIP, a landslide victory in Scotland for the Scottish National Party and, most recently, Jeremy Corbyn and his band of hard socialists taking over the Labour party after a disappointing 2015 election result. In a way, the decision to vote on EU membership reflects this volatile underlying trend.

Of course, such divergence in support on how and who should govern is fine from a democratic perspective. Democracies should facilitate dialogue and change. However, these major fluctuations in the popular mood are not an ideal backdrop when decisiveness and quick response are needed. Do the fluctuations reflect genuine variation in electoral opinion or, worse, a lack of political competence to gather a consensus? Brexit would require a large succession of swift and potentially unpopular policy changes in order to recalibrate the economy and keep it afloat.



Recent experience indicates it would probably be hard to secure such support.

What is more, there is little evidence to suggest that even the pro-economy Conservatives would be able to deliver the policy changes needed to secure growth after exit. Since elected six years ago, the Conservatives have not yet delivered on some of their key policy objectives. Firstly, they have failed to bring about a more balanced economy. Construction and manufacturing are still around 5% and 10% respectively, below pre-crisis peaks. But the services sector has grown by more than 10% and now accounts for 80% of GDP. To some extent, this is a product of economic circumstance rather than poor economic management. Industry has suffered under a weaker global backdrop.

Secondly, the Conservatives have failed to meet their fiscal goals, too, and probably won't balance the budget until at least 2020 – assuming no Brexit. The pace of fiscal adjustment has been

far slower than anticipated due to a softer-than-expected recovery.

These failures reflect more than a suboptimal economic policy. They reflect an innate optimism bias and an insufficient capacity to properly recognise economic realities. Indeed, this optimism bias runs strongest within the Conservative heavyweights. When Boris Johnson, a strong contender for the next prime minister, says that Britain should not fear an exit, he is fatefully wrong. He exemplifies the same false optimism. We know from the past few years that Britain can enjoy solid growth within the EU even when there are significant problems in other countries of the union. To say that Britain can succeed if it were to leave is another over-optimistic prediction. That track record speaks for itself.

The bottom line is this. Although the UK economy has made considerable progress post-Lehman, with decent growth and an impressive labour market recovery, it is still very vulnerable to risk and needs repair in almost every quarter. In addition to a lopsided sector split, the UK has a high current account deficit, a broken housing market and too much debt. Not to mention the lack of fiscal firepower. There is little doubt that if the UK left and the economy were to go sour, policy headroom would be limited. These realities would come to the fore if Britain were to exit the EU. Is it ready for this? Surely not, but does it really know it? ❖



Kallum Pickering
is senior UK
economist at
Berenberg Bank

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