

Economic turmoil is our only prospect now

Published: January 13, 2026, 10:21 am

I was just asked to offer a quick comment on the economic consequences of Brexit for another website. This is what I offered:

The UK's vote to leave the EU takes us into unknown political territory.

An election has been won by people who, it is already obvious, have no plan on how to deal with the situation they have created. What is now apparent is that the Brexit camp are demanding that a government committed to Remain must deliver Leave.

What means is that markets are right to react sharply. What they dislike most of all is uncertainty and that is the one thing we can now be sure that we have.

That immediate market reaction could just be speculative, but I doubt that. The fundamental uncertainty will flow through into a significant decline in investment, which will lead to recession, inevitably.

The decline in the value of sterling should logically lead to an interest rate rise but that would tip many UK households, and in turn many UK banks into financial crisis. Preventing this will require massive injection of funding from the Bank of England but not for investment, but just to keep banks afloat.

At the same time tax yields will fall, inevitably. Balanced budgets are now animpossibility.

The result will be political turmoil.

Economically Brexit can for the time being only suggest massive financial stress is coming the UK's way. And no one, anywhere, will be wanting to offer us any help in solving it because we've just turned our back on the world.