Funding the Future

Ten reasons why Brexit is bound to be costly for ordina...

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Ed Miliband has suggested that Labour should campaign on the basis that Brexit must happen, but not cost those on lower incomes in the country a penny. It's a nice idea in theory. In practice it suffers from the obvious flaw that it's a demand that is very obviously undeliverable. That does not make it the wrong political thing to do, but it does mean that there has to be a back up plan. I've already suggested some things I would want in that back up plan. This blog is about why Brexit is bound to harm ordinary people. The list is long.

First, there's the cost of tariffs. Put simply, we import more than we export and there is little sign of that changing. The result is we are bound to pay more in tariffs than we raise, and tariffs, like VAT, are regressive. That means more is paid as a proportion by lower income households than higher income ones. The result is a double whammy: we will all be worse off but lower income households will be worse off by more.

Second, if we do avoid tariffs by staying in the single market we will have to pay to do so. And what is absolutely certain is that we will pay more than now: anything else is not in the EU's interests. Add up all the fees we are already suggesting we might pay the EU, whether for market access, some free movement, bank passporting and more, and the supposed £350 million a week it was falsely claimed we were paying for membership will soon look like a bargain. I can't see business and the wealthy paying for this, so you can guess who will.

Third, there is the direct cost of leaving, now estimated at many tens of billions required to buy us out of our commitments. Someone is going to have to pay this.

Fourth, after these direct issues are dealt with there are many indirect ones. The first is that there will be less investment in the UK: I know we are offering tax and other incentives to make it look otherwise right now but the cost of these will soon mount and when it does the cash will disappear. We may be good at luring tax haven activity after Brexit but it's wise to recall that nothing really happens in tax havens and income and wealth inequality is usually hideous. This is our future.

Fifth, UK productivity, and so income, will crash as a great many highly trained people leave the country. It does not matter whether there are quotas or anything else: life for many is being made very uncomfortable in post-Brexit Britain and skilled people will go elsewhere. That will reduce our national income at cost to us all.

Sixth, we're going to lose foreign earnings. I am told that across the university sector overseas applications are down 20% this year. That's a massive loss of export earnings. It's also going to push some universities into major financial crisis. And this sector is far from alone in facing such challenges. Brexit is gong to cause job losses.

All of which, seventh, implies a government with lower tax revenue. And we know that even though it is entirely the wrong thing to do our governments try to cut their spending when faced with this situation, which reduces income still further, leading to yet more loss of services and income, much of which impacts on those on lowest incomes the most.

And, eighth, in all this we will also suffer inflation that has, at least in the short term, greatest impact on those on low income. That is the inevitable consequence of the collapse in the pound.

Ninth, I see few compensating factors. Tariffs in other countries will counter the fall in the value of the pound and not make our exports more attractive. Alternative export markets are far away and trade simply does not travel well. And we have no pipelines of short term domestically trained skills to replace those we will lose. I struggle to find silver linings.

So, finally, tenth, there would be the hope if a government realising a all this decided to protect the poorest in society and impose the costs of Brexit on the biggest businesses and highest earning people who could afford it best. But there is not a hope of that.

The government is bound to fail the Ed Miliband test. That makes it both a good and bad test simultaneously. I am not saying don't use it. But please have a plan for what happens when the government does fail. To not do so would be negligent.