

Brexit's all going horribly in accordance with my expe...

Published: January 13, 2026, 2:54 pm

I have been musing on the political and economic chaos that Brexit has created over a weekend away from the blog. When doing so I looked back at what I forecast might happen if the Leave campaign won the Brexit vote. [This was what I wrote on 19 June last year](#). I did not anticipate a general election before 2020 but its result has only reinforced the sentiments I expressed at that time:

I have already explained that [I will be voting Remain next week](#).

I have [discussed why I think people might vote Brexit](#).

And I have discussed what I think will happen to UK politics if Remain win by a small margin, which may be their best hope.

Now I address what might happen to UK politics if Brexit wins, as now seems possible.

First of all, let's start by stating the obvious. I have already said that Cameron and Osborne will have to go if Remain win. That will, of course, be even more the case if there is a vote for Brexit. I cannot see them making the weekend if that were to happen. We already know 65 Conservative MPs are willing to challenge George Osborne on the issue of the post Brexit budget that he proposes: [as I have suggested, he will never get the chance to do so in that case](#).

Who though will be the next leader? I have suggested it will be Theresa May in the event of a small Remain vote. Does Brexit change that? In my opinion it does not. There are good reasons for saying so. [As I have argued](#), the Conservative Party's goal is always power. It is deeply divided. The fighting machine that it is will seek to heal wounds. That is not Gove's instinct and Johnson has no part of him that readily embraces compromise. Neither could deliver what the Conservatives need and it's my belief that they will compromise on May, even after a Brexit campaign in which she has played almost no part (almost certainly deliberately).

Assume I am right. Will she win the support she needs to create government and will she survive any attempts by the combined opposition forces in the Commons to bring

her government down? It's my belief that she would get enough support to keep a lame duck Tory administration in power. What is more, I cannot see anyone willing to put her or her government out of their misery.

There are good reasons for thinking this. First, as I have explained, Labour does not seem to have a coherent plan available for an alternative post Brexit vote negotiation and the SNP will want a weak Tory administration in office if they are to consider another referendum. The Conservatives might just see an advantage to conceding this but Labour never will.

Second, life for a post Brexit government is likely to be torrid. I am aware that there are many who are considering voting leave who suggest that all the suggestions of economic problems arising as a result are just scare-mongering. I am quite well placed to discuss this with some pretty serious economists and none of us think that is the case. I am shocked that so much of the debate on Brexit is taking place based on what an economist might suggest is the assumption that *ceteris paribus* holds true — that all other things will be equal.

All other things will not be equal if we vote Brexit. First, the EU will be utterly unreasonable with the UK. Second, whether that is reasonable or not is irrelevant; that will be because of the impact Brexit will have on eurosceptic movements across Europe, whose cause will have been promoted to the chagrin of most EU ruling parties and that of Brussels itself. The risk of a domino effect is very real indeed, and that will motivate very harsh negotiations to make clear just how unattractive this option really is. Third, the risk to hegemony is so high that I do think market reaction will be very adverse.

Now none of these things have to trigger a UK recession or a worldwide financial crisis, but the first is, in my opinion, very likely and the second is at least plausible.

In fact I would argue recession is unavoidable. Investment in the UK will go on hold during renegotiation. No big business is going to sink millions or even billions into our economy without knowing what the future terms of UK trade might be. In itself this will be enough to trigger recession. Couple that with a planned withdrawal of certain parts of banking (those that need an EU regulatory base) from London and a downturn has to happen. Try as I might I cannot see where the stimulus happens. A sterling fall of 30% in recent years has not boosted UK growth so no one should respond by saying a fall in sterling is the counter-balance to all this. That will only create import induced cost push inflation, which is just about the last sort we want as it serves no domestic purpose at all.

Then, leaving aside the real risk of EU instability as a result of our vote, there is the risk of worldwide recession as global markets suffer the knock on effects of a fall in confidence in a global trading hub. This could be bad enough to make 2008 look like a picnic: that was about finance and this time the threat is to the real terms of trade, and that is much more serious.

I am not doing project fear here: I am simply offering my best assessment of risk.

What this means for any prime minister over the next three years is that they face renegotiation of EU membership in the most torrid of environments, like it or not. I suspect all in the Remain camp (and that is the large majority of serious politicians) will have a view broadly similar to this. What is on offer to whoever takes the premiership after Brexit is a chalice much more poisoned than that Mervyn King thought was on offer to anyone in the UK in 2010.

In that case do not expect Labour to want to take office, I believe they will be happy for blue-on-blue action to continue and for the mess to arise on someone else's watch. The chance to say after 2020 that what they will have to do is clear up the mess they inherited, with a real justification for attributing blame in this case, will be much too big to resist, in my opinion.

I stress that in that case it falls to all opposition parties to deliver an agenda for reform of the type I outlined in my blog on a narrow Remain win. I think the agenda is broadly similar, but with a twist. That twist has three elements. First they have to agree that we face an economic crisis caused by the rejection of neoliberalism, which is what a Leave vote would represent.

*Second, they would have to agree a national infrastructure plan to tackle this. Because investment, money creation and tax are so intimately related (see *The Joy of Tax*) this is vital, in my opinion. Without an agreement to co-ordinate macro policy whilst devolving desired planning locally there will be no coherent economy alternative.*

And third, the narrative of failure of neoliberalism has to be broadly agreed to challenge the backlash based in ingrained thinking that is still possible.

So what of the Conservatives who will have been left with the supposed task of governing in this thankless position of their own creation?

First, a new Chancellor will have to rip up the balanced budget hymn sheet. Unless she or he does then any recession will be much worse. But with that will go the whole Tory identity. So the option is bigger recession or in-fighting. They may go for the former, but in that case the need for an alternative plan from opposition parties is even more compelling.

Second, they will have to deal with belligerent parliaments in Scotland, Wales and Northern Ireland. These each reflect different political traditions at present. If they combine their voices they will have real power.

Third, without opposition consent the government will be able to do very little. The 2015 manifesto will be history meaning the Lords will be free to challenge a great deal of legislation, and I think they will. In the Commons the government may well only be

able to survive with opposition support on key economic issues because of fractures within its own ranks. To describe the likely outcome as lame duck is to be kind to it.

Despite that I expect such an administration, whose sole focus will be EU renegotiation as there will be little or no time for anything else, to survive a full term. That is because I suspect the Article 50 exit negotiations will be incomplete in 2020. The EU will wish for that. Being able to demonstrate the crippling impact of attempting to leave on the UK will be vital to other member states wishing to crush their own exit movements.

So what of 2020 in this case? I would live to think that a coalition dedicated to these things might be elected:

- * Electoral reform*
- * House of Lords reform*
- * EU readmission on revised terms*
- * A national economic plan.*

This government should, I suggest, seek a mandate for no more than two years. Then there would be new elections and a referendum on the terms for re-admission to the EU.

It is my hope that by then the EU may also have realised reform is essential and that changes in the free movement of people and capital and the use of People's QE to fund infrastructure would have all been possible. I have to live in hope, but the circumstances for change could have been created by Brexit.

And only after that election would three things happen.

First, the return of more normal politics.

Second, economic recovery.

And third the resolution of issues like Scotland's membership of the U.K., or not.

Of course none of this may happen. Most particularly the opposition parties may not cooperate with each other. But shame on them if they don't. We face a crisis that need not have happened now but which has been waiting in the wings for the opportunity to arise for some time. Unless opportunity is taken from that crisis our prospects are very grim indeed. As I say, I live in hope.