

Here's a question to put the proverbial predatory cat, amongst the excitable pigeons:

“Is the link between the UK’s electoral & growth cycles, about *“the economy, stupid”*, or does the UK economy power forward, in defiance of the economic stupidity of whichever group of parliamentarians, happen to be ‘in power’?”

Now, to try to best answer the above, one must deal only in actuals, not speculative counterfactuals. After all, whatever we claim would have unfolded, we will never know what might have happened had Jeremy Corbyn somehow become PM in 2017 or 2019, or for that matter Michael Foot further back in 1983. Neither can we be sure how its parts would have performed economically had, in 2014, the UK been prised apart by those in Scotland voting for independence. Equally we will never know the ‘what might have been’ of a majority having voted **NO** to leaving the EU.

Dealing then only in reality, below is a thumb nail summary of the UK economy’s most recent all too fraught political period. It is one which makes a strong case that **parliamentarians simply do not – indeed CANNOT – count when one looks at measures capturing the performance of the modern UK economy.**

2015-2019

Let’s open our retrospective from May 7th 2015, and that day’s fateful General Election. Its result was David Cameron continuing as Prime Minister, but unencumbered by the Lib Dems. Now, one can claim with confidence that **the promise of a referendum on EU membership was the price Cameron paid for outright victory**, with aligning with the Tories in coalition, the cost levied on Clegg and his Lib Dems. The simple truth is that, whilst seemingly operating with a majority Tory government for the first time since 1997, parliament broke into more factional febrile pieces than it had experienced since the 1970’s.

Of the 56 Scottish parliamentary seats, 53 were held by the SNP, whose ‘intriguing’ agenda was remaining in the EU but leaving the UK. As for the 330 elected Tories and 232 labour MPs, the schisms which always existed in both camps were made all the wider by differences over EU membership, and within Labour, by the shock election on September 12th 2015, of Jeremy Corbyn as leader, and as such, head of the opposition.

Whilst Cameron strenuously backed ‘remain’, Corbyn paid lip service to it. For much like Michael Foot before him, he saw the Single Labour Market as creating a cheap cattle market for workers. Remarkably, the Tory right and Labour left found themselves occupying similar ‘leave’ ground, just as back in the referendum of 1975, Michael Foot was strangely ‘aligned’ with Enoch Powell in seeking to leave the EEC (so too the SNP).

One could, to repeat, argue parliament found itself, in the second half of the 2010’s, in a state of intra-party division LAST seen in the dark days of the ‘70’s. And yet, against this backdrop, unlike the experience of that torrid decade, **the UK economy continued to perform robustly** (please do a data check). True, interest rates were ultra-low, but no less true, rates being increased would have provided much welcome relief to yield hungry parts of the economy, and arguably, on balance, a net positive effect. Remember too that austerity remained the government’s mantra post 2015, even when public sector fiscal thrift no longer seemed necessary given how calmed gilts and sterling had become.

Of course, fast forwarding to the **shock referendum result of June 23rd 2016**, the pound plummeted, the MPC cut the base rate and engaged in more QE, and David Cameron resigned.

Let us not dwell too much on whether Cameron should have remained (sic) and dealt with the consequences of his creation – because he should have – or whether the MPC’s actions post the referendum were necessary, for they weren’t. Instead let us consider the pound’s decline. This delivered sufficient monetary loosening that other actions were unnecessary. In fact, rather than the post-referendum material decline in sterling stocking inflation, it delivered a competitive boost in so many welcome dimensions. **For whilst it has been levelled at the UK economy that the pound’s lowly level since 2016 has blighted it, the reality is that it has made Blighty so much more affordable and**

competitive than otherwise: for exporters; tourists, and students from overseas, and so too foreign direct investment. Rather than the poor monetary management before and after the referendum – first Carney, then Bailey – let’s focus instead on the political scene since the Brexit vote, in all its lurid party colours.

To describe the UK political scene in the wake of the vote to leave as chaotic would, I am sure, offend physicists who see order in chaos. Whilst cries of “order, order” echoed in Westminster’s lower chamber, these were drowned by screams from inter and intra party dissenters, the same deafening chaos reigning in the upper unelected chamber. Against this backdrop and having been crowned Prime Minister – without the drawn-out contest we would suffer in 2022 – **Theresa May tried in early June 2017 to gain her own parliamentary mandate.** As we know, she failed dramatically. The result was a hung parliament in which, without May gaining – at no small cost to the Exchequer – the confidence and supply of the DUP, Jeremy Corbyn might have risen to become Prime Minister in some form of coalition with the SNP, Lib Dems etc. As I said, this is not about conjecture, but reality. And the reality is that whilst parliamentary chaos reigned from June 2017 as it had from May 2015, the UK economy defied the Bank of England’s ‘Project Fear 1.0’, adding jobs and net business formation (please just check the data).

2020

Let’s journey forward to late December 2019 and the **c80-seat majority won by the Conservatives under Boris Johnson.** He, unlike May, had managed to campaign in such a way the result was a comfortable parliamentary mandate. As we know, within four months or so of this outright election win, the UK would join the world in being thrown into the **crisis of a virus** arriving from outside it (in between the election and coronavirus arriving, one chancellor replaced by another, and one far superior than not only his predecessor, but a great many before him). Again, without dwelling on detail, one can say that the UK was thrown into a political maelstrom by abuses of lockdown rules made by the very people in power who had (mistakenly) made them. And here again one can claim that even through the existential – both sedentary and chaotic – events of lockdown, the UK economy performed robustly (please just check the data). Then of course we were unlocked.

2021-2022

Just consider how the UK economy managed to progress through 2021 and then even more so 2022, with all that was thrown at it. There was an **unprecedented political crisis and a shock cost surge not seen since the late 1970’s.** There were strikes and monetary tightening from a **Bank of England woefully quick to warn of recession** (‘Project Fear 2.0’), and yet **woefully late to act on a post-lockdown surge as we spent the monies (c£300bn) involuntarily saved against the backdrop of the supply-disruptions caused by lockdown dislocations.** There was also the more than statistically insignificant GDP detail of state ceremonies to honour a queen in her 75 years of great service and then our losing her. Yet, through all that was thrown at it, not least, to repeat, political chaos, the UK economy progressed, creating jobs and adding value (please just check the data).

2023-2024

Approaching the end of the first half of 2023, we are in **a year into which recession was projected not merely by the wanton BoE but by so many other “sages”.** And yet, an economic reversal hasn’t happened. This said, we have **fresh political chaos** to contend with. From here there will be those claiming that all the poor politics that has come before will NOW manifesto itself in poor UK economics. Others still will warn that parliamentary change will be the catalyst for adverse economic change. To these, I merely point to how just as humans exposed to a virus naturally develop immunity to it, so **households and businesses within the UK have grown not merely tired, but essentially immune to its woeful politics.** Have developed, in addition, **a degree of financial protection from woeful monetary policy.** Developed this defence thanks to the hundreds of billions of enforced savings accumulated during lockdown as well as an aggregate of extremely low mortgage gearing, thanks to well more than a decade of (unnecessarily) ultra-low interest rates. **Less we forget pay bargaining strength, which some mistakenly see as a clear sign of a wage-price spiral, is indicative of looming growth in real wages, which will even more propel the UK economy.**

2025-2030

As for the prospect of an end to “Tory Rule”, I would say three things. First, those living in Wales and Scotland, Tory rule hasn’t so much been distant as largely absent ‘thanks to’ devolved powers being in the hands of Welsh Labour and the SNP/Greens. Second, and to repeat, the Tory party seemingly governing the UK since 2015 has, for a great deal of that time, appeared to be in a great many irreconcilable pieces. Third, the main opposition to the incumbent is ‘under new management’ compared to that of 2017 and 2019; a fresh leadership not far from nature to that when it claimed power in 1997. Moreover, in so far as the SNP has been the second largest opposition in The Commons, one would be surprised if, given its travails of late, its size was not only so much reduced in that chamber, but also Holyrood. So, whilst nothing can ever be ruled out when it comes to UK ballot boxes, what **one can confidently say of the next General Election is that it cannot possibly result in any more of a poor political scene that the one we have seen over the decade before.**

Looking ahead I would recommend we look to Central and Northern England (CaNE) as enjoying the strongest comparative economic growth of any part of the UK, regardless of which party governs (Map 1).

A Retrospective

Less we forget “UK politics” could not be blamed for the pandemic nor the invasion of Ukraine. And whilst both events considerably impacted the UK economy, it has dealt with them and indeed so many other challenges – yes, to repeat, very poor UK politics – with remarkable resilience. As for the EU referendum, let us be careful about apportioning ‘blame’. In case it has been forgotten, the leadership of every UK political party represented in parliament campaigned to remain, including the very Prime Minister who had sanctioned the vote. Indeed, in his efforts to win popular support for remaining, he journeyed to meet leaders of the European Commission hoping to gain concessions to help his cause: he returned with nothing of significance. As for the leave vote being won on ‘lies concerning the financial plenty’ that would come with it, one can only rejoinder with ‘the lies contained in Project Fear 1.0’, concerning the blight that would befall the UK economy were the vote to go the way of exit. We must also allow for the undeniable fact that with the UK’s exit from the EU coinciding with COVID, and then followed by the invasion of Ukraine, **it will never be possible to untangle what disruption to the flow of goods and people into and out of the UK, or to reliably attribute the inflation within it, to any one of these three collinear and so observationally equivalent shocks.**

Did someone ask, “what might have been?”

Now, I did promise I would not enter the treacherous waters of conjecture. Yet, I cannot help but raise the spectre of what might have been had the accursed COVID virus hit a mere four months before it did. For had it arrived even such a short while earlier, we would not have the UK economy we enjoy today. I say as much because until parliamentary matters were conclusively decided on December 13th 2019, chaos reigned in Westminster. The Tories under Johnson, despite ostensibly being the party of government, had lost the confidence of the DUP, suffered by-election losses and defections, and so were unable to must anything close to majority numbers. Against such a backdrop, one cannot imagine how the UK would have managed through the COVID crisis. For whatever you may think of what transpired, the counterfactual would have involved a government of national unity made up of parties that could hardly agree within their ranks, let alone between each other, with Corbyn/McDonnell/Abbott/Letwin/Gauke/Grieve/Swinson/Sturgeon (from afar), certain to have been involved in a policy way. We need to also bear in mind that had covid arrived onto these shores in late 2019, it would have done so whilst the UK was still within the EU and so under its edicts, not least on vaccine development and roll out. One can hardly imagine capital markets – gilts and sterling – having been benign to all this.

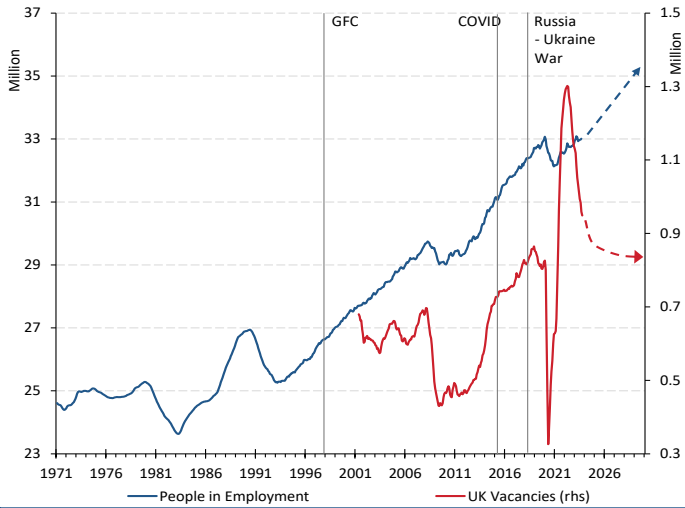
Luckily for us all, that chilling ‘what might have been’, never was.

Summary

Whilst many will scoff at the idea that the UK's political and economic cycles have been essentially decoupled, there will be those willing to give some suction to the assertion. The latter will, quite rightly, ask for an explanation as to when and how exactly this separation was made. **Well, part of the answer is the globalisation that some despise, and others despair is reversing. Globalisation has helped liberate the UK economy from domestic politics; and be in no doubt, these forces have gone beyond the point of reversal.** Another part of the decoupling the UK economy has richly enjoyed from its poor politics, has been the extraordinary strong rise within it of private sector services with considerable global reach; and as a result, considerable global earnings over which those wielding influence in Westminster have practically no ill influence. As for the inflation shocks the UK has suffered of late, in the past these would have persisted long enough to have extended as decisive vote changers into electoral campaigns. Be in no doubt, by the time of the next general election, the wave of post-COVID post-Ukraine inflation, will have long moderated.

Let me close then by returning to the question at hand, **is the UK an economy which can defy whichever stupid parliamentarians are voted-in?** Well, I would say that over the course of close to a decade, it is one which has proven as much; please just check the data, stupid (Charts 1-4). And so to repeat, **looking ahead I would recommend we look to Central and Northern England (CaNE) as enjoying the strongest comparative economic growth of any part of the UK, regardless of which party governs (Map 1).**

Chart 1: UK vacancies & jobs, & forecasts, down & UP



Source: ONS, BoE

Chart 2: UK jobless & base rates, & fcsts, a new normal

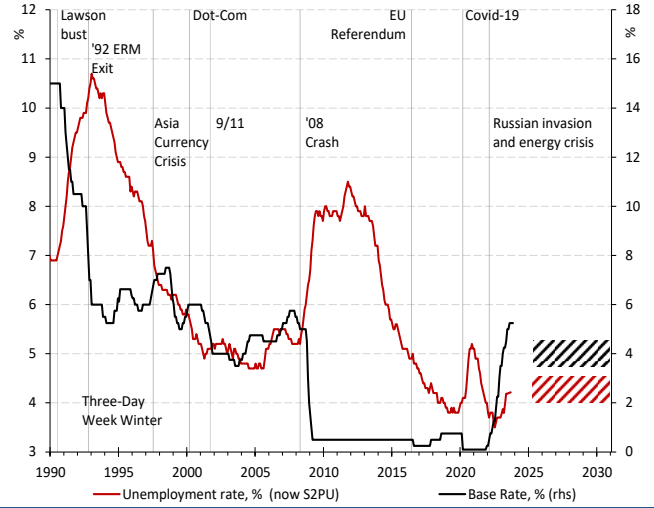
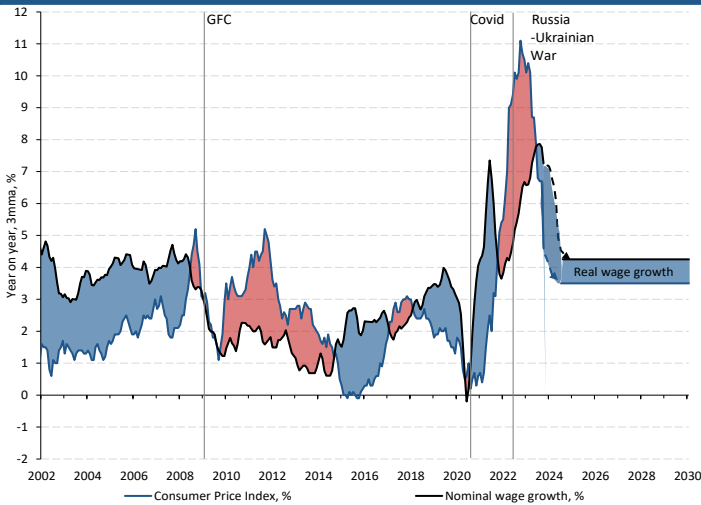


Chart 3: UK real wages – a blue wave of real rises awaits



Map 1: 31-factor 'Regional growth future-ometer', '23-'30 – Head for Red

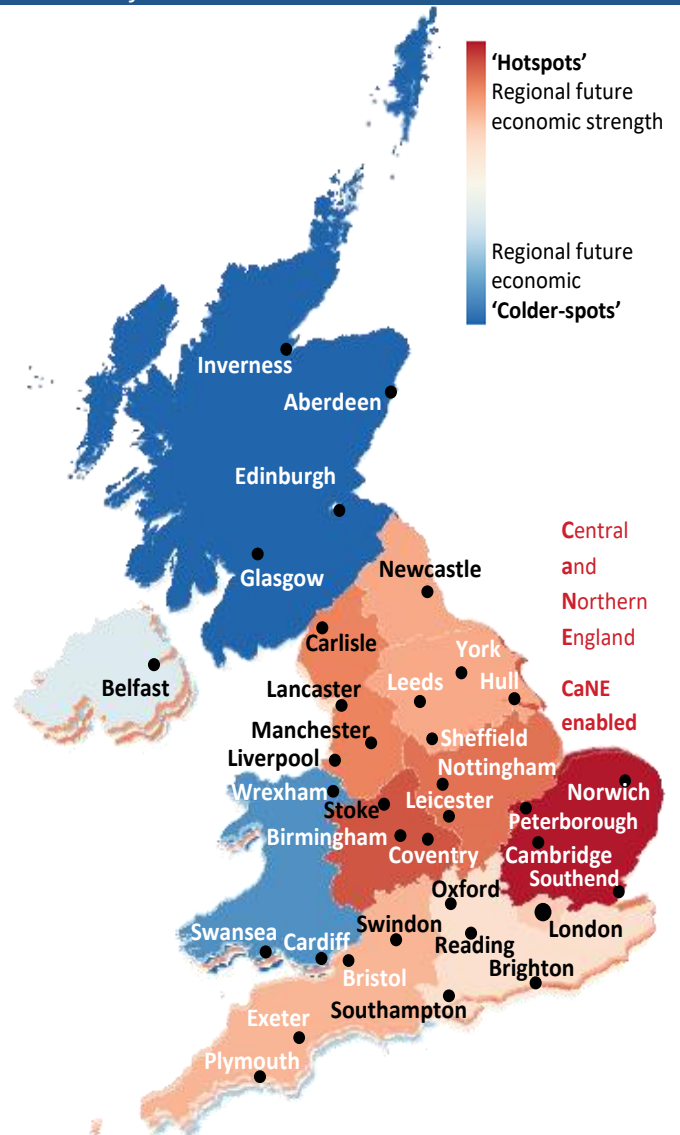
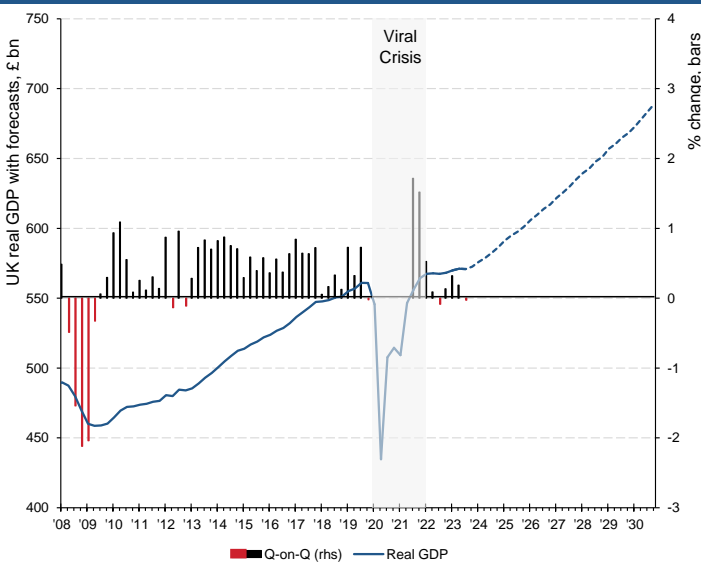


Chart 4: UK GDP, & fcsts – beating measly expectations



Source: ONS, BoE, Scottish Government Statistics, StatsWales, Land Registry