

“The EU maintains that it supports subsidiarity, yet there was little of that on show”

Questions to Philip B. Whyman on British Politics and the British Economy beyond Brexit

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Philip B. Whyman is an economist at the University of Central Lancashire. He was one of the founding signatories of the network The Full Brexit, which has argued and campaigned for Brexit from a left or centre-left perspective. Those active in the network “agree, first, that the left’s proper role is to be the architect of a better, more democratic future and, second, that a clean break with the EU is needed to realise that potential” (<https://www.thefullbrexit.com/about>). His arguments, based primarily on a post-Keynesian perspective, deserve thorough reflection – especially in Germany, where any propagation of Brexit has been routinely tarnished as being irrational and populist even by a large section of the left. Whyman was interviewed by Sebastian Berg (Bochum).

Since you are an economist, my first question is about the British economy. How, do you think, EU membership has influenced the British economy over the last couple of decades?

EU membership has had a number of effects on the UK. In terms of trade, the evidence would suggest that the UK has increased its trade with the EU over the period of its 47 years of membership, which has created a positive economic impact for the UK. Not so welcome is the very large trade deficit that the UK has run up with EU countries over this period, which has a dampening effect on UK growth prospects. Harmonised EU regulations make it easier (and hence less costly) to trade in certain commodities and services, but rules relating to competition and the single market constrain government policy aiming to use a more active form of industrial or procurement policy to try to enhance the UK productive base and thereby reduce this trade deficit. Membership of the customs union also means that the UK cannot

negotiate bespoke trade deals with the ROTW [rest of the world; SB], but it has the advantage accrued from EU-negotiated agreements. The inclusion of the '4 freedoms' as an integral part of the single market has led to large inflows of migrant labour, which has had mixed effects – favourable for businesses who benefit from more moderated wages and access to a larger pool of skilled labour without the need (and cost) of training, but less favourable to those whose wages would have been higher without such large scale migration and for those seeking to access public services (education, health, housing). So there have been a range of economic effects – some positive, some negative. What is noticeable, however, is that the UK tends to benefit less than the average EU member state from the positive effects, because it is less integrated with the rest of the EU.

What are your main criticisms of the EU – are they economic, political, or both?

As an economist, it is the economic arguments which are most significant for me, but I also share a number of the political critiques of the EU.

In terms of economics, my view is that the balance of evidence suggests that the UK would be better off outside the EU. Whatever negative trade effects occur, between the UK and the EU (partly depending on the results of the current negotiations), there will be some offsetting boost to trade with the ROTW and freedom from EU regulations (unless this option is negotiated away) should provide economic benefit to the UK economy. However, the largest benefit is

likely to arise from the greater flexibility for UK economic policy – assuming governments make the most of this option. It is also my opinion that the UK's current budget rebate and opt out from the single currency would have come under increasing pressure over time, should we have remained a full member, and my analysis (compiled over the past two decades) is that the single currency, as currently constituted, is based upon a deeply flawed design and it has a deflationary bias at its heart, making it harder for the Eurozone economies to grow and achieve full employment.

In terms of political arguments, my view is that the EU contains a democratic deficit at its heart, because its design is not fully adapted to federalist or intergovernmental principles. There is also a question regarding the appropriate level where governance should occur. Is it the local community, or regions, or the nation state or the EU supra-national level? The EU maintains that it supports subsidiarity, yet there was little of that on show when the troika dealt with Greece during the recent Eurozone crisis and there has been little on show during the current COVID-19 crisis. If the appropriate level for governance is the nation state, then membership of the EU constrains national sovereignty, whilst EU regulations limit the potential scope for national democratic expression – you can't vote for something that is against EU rules, as they take precedence, so EU membership inevitably limits national democratic self-expression. You can argue that this is traded-off against other benefits, but then it is a question of what an individual prioritises.

I remember a time (the time of Jacques Delors) when many people on the British Left thought the EU might to some extent protect them against the worst excesses of a hard-right British government. Now, confronted with another hard-right government, do you think this argument does not make sense anymore – or has it never made sense at all?

It never made a lot of sense. Good people, like John Edmonds (then General Secretary of the GMB trade union), who passionately believed in the advantages of running an economy to achieve full employment, accepted the propositions made by Delors that the EU would be a bulwark against the worst ravages of globalisation and a social Europe would temper the worst distributional aspects of the single currency. Yet, thirty years later, the EU still does not have full employment, whilst Social Europe is little more than window dressing for the deflationary single currency approach. Enlargement always meant that the creation of a truly social Social Europe would be difficult to achieve, but the Lisbon Treaty made it clear that this was only on the agenda in so far as it could assist the creation of global competitiveness. Cutting rather than extending social welfare. Hardly the original intent. Moreover, Euro-Keynesianism, if it was ever really taken seriously by the EU leadership, didn't survive Delors.

It is tempting for those on the UK Left to look to the continent when right-wing governments strip away employment and social protection at home. But the countries they so admire – often the Scandinavian nations – have

themselves witnessed a gradual retraction in the welfare state and loss of full employment, due in large part to the logic of the dominant (neo-liberal) EU orthodoxy. How would you comment on the allegation that Brexit potentially leads to a weakening of human rights standards in Britain and to a strengthening of ethnic nationalism?

I am an economist, so this is not really within my area of specialism.

All I can say is that I have not seen any convincing evidence that Brexit will necessarily lead to either of these two conclusions, any more than I have seen convincing evidence that EU membership has proven to be an effective bulwark against rising nationalism in certain current EU member states that I am sure we could all mention. Any political philosophy can be twisted to unwelcome ends if given the opportunity. It is the task of progressive democrats to try & ensure that this does not occur.

What do you think are the major dangers British people have to expect from the Johnson government?

You may be surprised to learn that I think the Johnson administration has made a good start. Less vacillation over Brexit has reduced uncertainty. The new Chancellor's first budget actually appeared to accept much of the case so recently made by the Labour Party in the General Election, namely that if any time had favourable conditions for government to borrow money (currently at low or even negative

interest rates) to invest in infrastructure to boost demand, create jobs and enhance future productive capacity, then it is now. The large scale (though temporary) nationalisations and socialisation of the labour market, undertaken during the current COVID-19 crisis – intended to build a bridge to enable the restarting of the economy – are also along the correct lines, though policy made in a hurry is apt to need tweaking to get it to work as intended. The government's negotiating stance – to reject regulatory harmonisation – is quite correct from my point of view. So, from an economic standpoint, so far so good!

Potential areas which may cause concern in the future are likely to stem from two things: (i) the distributional consequences of government choices, and (ii) whether social, employment and environmental policy turns out to be as enlightened as the current economic agenda may suggest. Will, for example, all of the UK benefit from future growth or will it be disproportionately concentrated in the South East? Will 'left behind areas' be transformed or left behind once again? Will economic and social inequality decline – will the UK really be 'in this together' – or will it rise as it did during the Thatcher era? Will 5 years (or more) of a Johnson administration leave the UK a more healed and self-confident place, with an economy transformed both in terms of stimulating new and productive sectors whilst ensuring a sustainable future? The current COVID-19 crisis reinforces these concerns, but also adds in the question of how the government disengages from its current levels of

support for the economy, and which parts of the population/economy will have to carry the cost for unprecedented levels of fiscal intervention in peacetime.

You are based in Preston, Lancashire. Critics of Brexit have often argued that poor people in the old industrial regions like the North West will suffer most from leaving the EU. What will happen to people in Preston?

Those critics might like to ask themselves why so many of these 'poor people' voted for Brexit in the first place.

What will happen to Prestonians will, like the rest of the UK, depend upon what deal the UK negotiates with the EU and what the government subsequently does with whatever additional economic policy flexibility it secures. The optimistic picture is where a free trade agreement allows the UK government to pursue an active industrial policy, which it uses to rebuild sections of the country's manufacturing base – not in old, declining industries, but in areas of market emergence such as renewables, battery technology, carbon storage, 'greening' the housing stock, etc. Since Preston still makes things (manufacturing), this will benefit our citizens more than the financial sector based in London. Rebalancing the economy, from a Prestonian point of view, would be a welcome change. If, on the other hand, the government accepts the EU's 'level playing field' demands, or it is not willing to grasp the potential inherent in greater economic autonomy, then these opportunities will be lost.

There are specific concerns, for Lancashire, relating to potential future trade barriers being erected and their impact on leading industries, such as aerospace, and the agri-food sector. A basic Free Trade Agreement should resolve the former, whereas disruptions for the latter are more difficult to resolve, due to the EU's very large tariff walls in the agri-food sector.

May I ask you about your views on the last general election. Do you suspect that the Labour-supporting 'red wall' in the North of England has terminally crumbled or has this election just produced an exceptional result?

Many people in the 'Red Wall' constituencies 'gifted' Johnson their vote to 'get Brexit done'. By the end of 2020, this should have been completed and we can take stock as we move forwards as an independent nation. If Labour maintains its backwards stance, bemoaning the fact that we have left the EU arguing for closer alignment with the EU, then the current government will have to make quite a mess of governing the country for those voters to return to the Labour fold. If, however, Labour is able to accept the reality of Brexit and focus upon how an independent UK can become more progressive, creating new and better jobs, and ensuring that wealth and life opportunities are spread more evenly across the whole of the country, then Labour will have much better electoral prospects. The current COVID-19 crisis is a good case in point. Taking Brexit out of the equation, the government is vulnerable to criticism that the decade of austerity has so enfeebled the public services that public services are under-prepared – i.e.

PFI leading to reductions in hospital beds, a shortage of NHS professionals capable of caring for those afflicted by the virus, privatised labs unable to cope with the demands for increased testing, and so forth.¹ Similarly with Brexit, arguing that Labour could move the country forward to a new, more egalitarian, prosperous independent future would be popular; arguing that we go backwards would not.

You are known for propagating a post-Keynesian approach to financial (and macro-economic) policy. How could such an approach look like in 21st-century Britain and does its implementation become easier with leaving the EU?

It becomes a lot easier – that, in essence, is why I believe that, on balance, withdrawing from the EU will enable the UK to prosper in the future, assuming, of course, that suitable active policy measures are in fact undertaken.

A post-Keynesian economic approach would start off from a point where aggregate demand was managed to create conditions conducive to full employment. Economic policy would be broadened out from the current 'one club golfer' approach, where the use of interest rates by the Bank of England is focused upon an arbitrary inflation target and the rest of the economy is left to look after itself. Instead, government should make use of an active industrial and procurement policy, to grow key sectors of the economy. Greater concern would be taken to ensuring the fruits of future growth were shared more equally – whether through fiscal redistribution or the use of 'Preston Model'

approaches to procurement to boost local economies and strengthen local supply chains.²

This is only the starting point, but time and space precludes going into more detail. If anyone is interested in reading further about these ideas, you might be interested in having a look at my 2018 CIVITAS publication: *The Left Case for Britain: Active Government for an Independent UK*.

Endnotes

- 1 PFIs (Private Finance Initiatives) are instruments by which private companies set up and manage public sector projects and services, which are then rented and paid for by the state and the public. PFIs have been widely used in Britain since the 1990s to invest in public services and infrastructure. Proponents argue that the private sector is more capable of providing services in a customer-friendly and efficient way, critics contend that, for the investing companies, profit comes before meeting the needs of those relying on the service.
- 2 The Preston Model is a city-council initiated attempt to reinvest the benefits of local growth in the local area. For this purpose, the city council has mandated a local thinktank to identify large 'anchor' institutions in Preston and conferred with them how to redirect their spending (partly) to local businesses and initiatives. This economic strategy is accompanied by consultation procedures such as monthly social forums to identify needs of local

communities and shape spending priorities on that basis. This relocalisation of economic and political decision-making seems to have positive effects – between 2010 and 2015, Preston had the second biggest improvement in the index of multiple deprivation of all UK cities and in 2018 it was declared the most improved city in the Good Growth for Cities index. For details see Preston City Council: The definitive guide to the 'Preston model' <https://www.preston.gov.uk/article/1791/The-definitive-guide-to-the-Preston-model->, and Hazel Sheffield: "The Preston model: UK takes lessons in recovery from rust-belt Cleveland", <https://www.theguardian.com/cities/2017/apr/11/preston-cleveland-model-lessons-recovery-rust-belt>