

PUTTING THE UK LEADERSHIP CONTEST INTO PERSPECTIVE

And then there were two: after the final round of voting, last Wednesday, among Tory MPs. The next UK prime minister will be Rishi Sunak or Liz Truss, and the winner of this election contest, triggered by Boris Johnson's resignation, now will be determined by fewer than 200,000 people. Liz Truss emerged as the second of the two finalists after surpassing the early favorite Penny Mordaunt. The final vote among Tory MPs – 137 for Rishi, 113 for Liz and 105 for Penny. Initially there were eight contenders.

While the exact number of members of the Conservative party is unknown, Tortoise Media [estimates](#) that between 160,000 and 175,000 people will be eligible to vote in this final round, representing 0.03% of British adults. Tortoise Media estimates that over 75% of these party members voted in favor of Brexit and that over 50% reside in London and the south of England. This group is overwhelmingly male, white and over 65.

Ballots are to be mailed the first week of August. The winner will emerge on September 5, following a series of 12 hustings to be held around the country between July 28 and August 31. There are a few televised debates, ironic in that only one limited audience matters: the 160,000 - 175,000 that are eligible to vote. The first televised debate between Rishi and Liz was held during prime time on Monday – characterized by many as bitter and divisive. Not only did they go after each other, but both went to great lengths to trash the record of the government they both served. A second debate on Tuesday went off the air halfway through when the sole moderator fainted (her co-host had to bow out after testing positive for COVID).

The next PM will be under severe pressure to repair the tarnished Tory brand before the next general election. (see my previous briefing note, available [here](#).) A YouGov [poll](#) of Conservative party members (taken mid-July) shows that winning the next general election is the most significant issue in the leadership contest, ahead of controlling immigration (the second most important), addressing the cost of living crisis and strengthening Britain's global position post-Brexit.

Rishi and Liz are both of the same party, but their policy prescriptions differ as do their fealty to past leaders of the party. Rishi resigned from Boris' cabinet, Liz did not. Rishi served as chancellor in Boris' cabinet (stepping in following the resignation in February 2020 of Sajid Javid who was then chancellor), and Liz has held positions in the cabinet under David Cameron, Theresa May and Boris (most recently as Foreign Secretary). Not so long ago, Rishi was seen as the heir apparent to Boris. Rishi, in being perceived as hastening the departure of Boris Johnson – having resigned moments after Sajid Javid, then Health Secretary, resigned – faces a potential backlash from the base, many of whom still fervently support Boris. Rishi is more in the pre-Johnsonian mould, while Liz has embraced the maverick spirit of Boris and has positioned herself as his heir.

The leadership contest has produced significant negative “briefings” (personal attacks) by allies of the two candidates. The mutual hostility is palpable, prompting one former vice-chair of the 1922 Committee to propose doing away with the final round vote of the party members. (There was talk a few weeks ago of compressing the process by eliminating the final vote, but one reason that did not progress was the belief that the party membership round produces a PM better able to campaign in a general election.) If the blue-on-blue

attacks continue, it would not be unreasonable for Tories to fear that the tarnished brand is undergoing a further battering.

The Economy

The leadership contest is playing out against a landscape that leaves little room for optimism in the short term. Yesterday, the International Monetary Fund [downgraded](#) its global growth forecast for this year and next, and warned that the world economy could soon tip into recession. The IMF cited a possible sudden halt in European gas imports from Russia; inflation; tighter global financial conditions potentially inducing debt distress in emerging market and developing economies; renewed COVID-19 outbreaks and lockdowns as well as a further escalation of the property sector crisis potentially further suppressing Chinese growth; and geopolitical fragmentation impeding global trade and cooperation. The IMF projects that the UK economy will slow markedly in the second half of this year, and be the weakest of the G7 economies in 2023.

Against a backdrop of spiralling energy prices and job shortages contributing to severe inflation, concerns over inflation, interest rates, levels of borrowing and debt naturally figure prominently. Rishi Sunak wants to wait to cut taxes (echoes of George Osborne), fearing that loosening fiscal policy now will contribute to inflation. Liz Truss kicked off her campaign by highlighting her commitment to cutting taxes, accusing Rishi of “going in the wrong direction on taxes” and shrugging off accusations of fiscal irresponsibility. She wants immediate tax cuts, including reversing a Sunak-led national insurance increase that came into effect in April and declining to implement a planned increase in corporation tax (set to kick in in 2023), to stimulate growth, and to borrow where needed. Liz would also temporarily suspend the so-called “green levy,” an environmental charge added to consumer energy bills.

Channelling the “Iron Lady”

The legacy of Margaret Thatcher is up for grabs, though in recent days former members of the last Thatcher cabinet have said that the Iron Lady would have taken a dim view of Liz Truss’ plan to cut tax. Rishi Sunak labelled the tax cuts as “immoral” as they would stoke inflation, increase mortgage rates and damage the economy, while passing the burden on to future generations.

In an article in the Daily Telegraph, Rishi described himself as “Thatcherite” four times in three sentences. He launched his campaign in Grantham, Thatcher’s birthplace. Liz denies she is modelling herself after Thatcher, though there are plenty of examples that belie that. Historians believe neither candidate is embracing the full range of Thatcher sentiments – Thatcher did favor lower taxes and less regulation, but she also cared deeply about fiscal responsibility, and she disdained borrowing. Thatcher, like Churchill, is revered by the older, far more conservative voters who comprise the current party membership.

The irony here is that one candidate clearly is channelling Thatcher (PM from 1979 to 1990), while the other is doing so while suggesting she is not. The equivalent would be a Republican candidate for president in 2024 invoking Ronald Reagan. In any event, the world is a very different place today compared to the 1980s and 1990s.

NHS

Scrapping Rishi's increase in national insurance, which was expected to largely be allocated to the NHS, would come at a critical time for the NHS. According to a recently released Commons cross-party [report](#), the NHS faces the "greatest workforce crisis" in its history. This crisis poses significant threats to patients and health care professionals alike. Commentators, including opposition politicians, have expressed surprise that so little attention was devoted to the NHS during the first debate. (See [tweet](#) from the Shadow Health Secretary.) The NHS crisis is likely to gain greater prominence in the coming days.

China

Both candidates have taken a hard line on China. In a recent [tweet](#), Rishi Sunak stated that China and the Communist Party represent the largest threat to Britain and the world's security and prosperity this century. This is far more aggressive than his Mansion House [speech](#) last July in which he called for a more nuanced approach to China. In their first televised debate on Monday, Liz challenged Rishi for not taking a harder line on China on trade, and called out China for abuses in Xinjiang, the actions in Hong Kong and for backing Russia; she warned of not making the same mistake in allowing dependence on Russia to be repeated with China.

Immigration

Both candidates also are taking a hard line on immigration, embracing the highly controversial Rwanda deportation plan, which was placed on hold following an 11th hour intervention by the European Court of Human Rights. This is not surprising as the race must cater, not to the general public, but to the more hard-line elements in the Conservative party. This is but a continuation of "Operation Red Meat," which was drawn up by No. 10 in January as a means of keeping Boris Johnson in power by focusing on wedge issues popular with the Tory base.

Brexit

While Rishi Sunak voted to leave the EU and Liz Truss was a Remainer who belatedly joined the Brexit bandwagon (having first campaigned for Remain, and then admitted she was wrong), it is Liz who has done a better job of exploiting Brexit to her advantage. She has done a masterful job of rebranding herself as an ardent Brexiteer, thanks in part to early support from Jacob Rees-Mogg and Nadine Dorries. During their televised debate on Monday, when Rishi called out Liz on her examples of levels of debt in the United States, Canada and Japan to deflate his criticisms of her posture on borrowing and interest rates, she responded with claims of "scaremongering" and "project fear." These were terms commonly deployed by Brexiteers to rebut Remainer claims that Brexit would have significant negative effects on Britain.

Liz, following through on the Johnsonian theme of delivering Brexit, has promised to scrap by the end of 2023 all remaining EU regulations that were carried over into domestic law following Brexit (the so-called retained laws), including employment and environmental protections. A government [review](#) found over 2,400 retained laws across over 300 separate policy areas. Experts and union leaders believe this would be hugely difficult to achieve in short order. Also, divergence from EU legal and regulatory regimes could have profound

negative effects on businesses and others. (A similar sunset plan, proffered in mid-June by Jacob Rees-Mogg in his capacity as Brexit opportunities minister, had a target date of June 23, 2026. This plan came under significant criticism in part because it was allied with a cull of civil service ranks.)

It is ironic that Brexit as a matter of policy does not figure prominently in the contest, even though the British media has been highlighting hours-long lines at Dover due in part to post-Brexit passport controls at the border (and in part to staff shortages on the French side), legal action brought by the European Union over failure by the United Kingdom to abide by the Northern Ireland protocol (more on that below) and the recent [announcement](#) by the Chief Secretary to the Treasury, Simon Clarke, that the cost of the withdrawal could rise from the projected £35-39 billion to £42.5 billion due to the impact of inflation on pensions.

As Rafael Behr [wrote](#) in the Guardian this week, the contest “is suffused with the spirit of Brexit culture wars and yet Brexit itself is not up for debate. Not the terms of the deal, its economic impact or the wisdom of the Northern Ireland protocol bill that threatens to trigger a trade war with Brussels as the cost-of-living crisis bites deeper.” Jonathan Freedland, also [writing](#) in the Guardian (last week), posits that, today, Brexit is no longer confined to its literal definition of advocating for the withdrawal of the United Kingdom from the European Union. Rather it is a state of mind, defined more by culture and perhaps a dose of class, than by policy. Freedland goes on to note that, for Liz Truss, there is a continuation of the fantasy element that has been a palpable fixture, first of the Brexit campaign slogans dating back to the earliest days of the referendum campaign and then the four-year effort to cobble together a withdrawal deal.

Concluding Thoughts

We have a contest whose outcome will be determined by fewer than 200,000 members of the Tory party – the conservative base, and the positions taken to win the contest generally are at odds with sentiments embraced by significant segments of the general public. Each candidate is trying to appear tough – on immigration, on China and so on, which generally means that substance suffers. That is certainly the case here.

Eventually, there will be a general election, and the failure to unify Conservative voters could bode well for Keir Starmer and his Labour colleagues. Commentators have noted that the Conservatives have been struggling to hold together the blue coalition of traditional Tory voters (in the shires) and the new “red wall” voters in the north that produced the 70+ Tory MP majority in the last election. Tax cuts and smaller government do not resonate as much in the “red wall” districts, and aside from tax, there has been little of substance on the critical issues of the day.

The method of selecting the next PM also plays into a narrative that politics in Britain are broken – that the system is undemocratic (*see* the analysis by the veteran pollster Peter Kellner, available [here](#)).

Commentators generally are of the view that Sunak is the underdog. Monday’s televised debate did not provide him with a decisive win to turbocharge his campaign. But it is not over yet, and there are 12 hustings ahead of us, starting tomorrow. Conventional wisdom reportedly holds that party members tend to vote as soon as the ballot papers arrive; team

Sunak likely disputes that. It may not be too late to address what in US parlance are “kitchen table” issues.

Whoever wins will confront a series of issues on their first day in office that would test even the most seasoned politician. There is not much in the way of innovation or bold policy initiatives emerging from the campaigns; in fairness, that may only come in the next general election. Neither candidate had much to say about the climate crisis. With the effects of the pandemic largely baked in, the myriad ways in which Brexit is adversely impacting the United Kingdom is now far more apparent, but this too is ignored. (A series of [statista polls](#) show that, since May 2021, a plurality felt it was wrong to leave the European Union, this month the percentage exceeded 50%.)

Boris had threatened to rip up the Northern Ireland Protocol and relations with the European Union over Brexit generally are dismal. The European Commission responded to the vote (267 to 195) in the Commons last week in favor of legislation overriding the Protocol (the Northern Ireland Protocol Bill – see my previous briefing note, available [here](#)) by bringing four new [infringement proceedings](#) against the United Kingdom in the European Court of Justice for breach of the Protocol. These are in addition to three pending actions previously brought by the Commission.

There are any number of ancillary issues dependent on resolution of the standoff over the Protocol, for example, digital policy issues relating to content, protection of online data and regulation of the major online platforms. (The European Union has its Digital Services Act and its Digital Markets Act (see my previous briefing note, available [here](#)), and the British have proposed their own [Online Safety Bill](#).) The Protocol and related issues remain unresolved, though unity in the face of Russian aggression at the very least has brought significant alignment between the United Kingdom and the European Union over sanctions. Opinion remains divided as to whether the two will be willing, or able, to patch up their differences over unfinished Brexit business. The ball will be very much in the new government’s court beginning September 6.

In the meantime, Britain has little choice but to be working closely with the European Union on energy and defense, though longer term the Europe may well choose a path of greater strategic autonomy, crystallizing yet again the folly of Britain exiting a trading bloc of 500 million and walking away from a critical leadership role in Europe forged over seven decades.

Rishi does not have much of a foreign policy profile, although while chancellor his Treasury was aggressive in imposing sanctions on Russian oligarchs. Liz was Foreign Secretary, although views of her effectiveness in dealing with her Russian counterpart, particularly during her meeting and subsequent press conference in Moscow, are mixed at best, and the more forceful British response was Boris’ visit to Zelensky. Policy is unlikely to change over Ukraine, but despite the continuity, neither Liz nor Rishi is likely to generate the level of admiration in Kyiv as Boris did.

The NHS is struggling, and rail strikes are becoming more commonplace. The state of the UK economy is uppermost in people’s minds (see [statista polls](#)), at 65% well ahead of the next most prominent concern, health, at 36%. The environment at 26% leads immigration at 25%. YouGov [polls](#) are consistent. There will be plenty to do.

One final thought: as 2021 gave way to 2022, Boris Johnson was looking ahead to serving out his term with no incoming on his personal radar screen and, as recently as June, safely away from SW1 - attending the Commonwealth summit in Rwanda, he was contemplating a second, though perhaps only in jest even a third, term. The events of the following few weeks quashed that notion. Either Rishi or Liz will emerge victorious on September 5, but in contrast to David Cameron and Theresa May, and notwithstanding his parting words at his last PMQs, “Hasta la vista, baby,” Boris is unlikely to recede into the background. He has tremendous grassroots support, and he unquestionably delivered a stunning majority in 2019. (If nothing else, the Conservatives like a winner and they like to win; they are, as Stephen Bush writing in the Financial Times [noted](#), the most successful UK political party by far, having been re-elected eight times since WWII and it has done so five time with a different leader than the one who fought the previous election.) It is impossible to predict what role Boris is likely to play going forward and what that means for his successor. On top of all of the policy questions that will be waiting in the in-box, the next PM is likely to be watching Boris’ next moves as well.

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