

AS LABOUR SETS ITS SIGHTS ON A 2024 GENERAL ELECTION VICTORY, IT SHOULD NAIL DOWN ITS VISION OF BRITAIN IN A CHANGED GLOBAL ENVIRONMENT

Shadow Chancellor Rachel Reeves reminded audiences in New York and Washington, D.C. last week that it has been 26 years since the Labour Party dislodged the Conservatives in a general election. If Labour wins the next general election, which must be held no later than January 2025, Labour Party leader Keir Starmer and his team likely will have capitalized on Labour's large (though [narrowing](#)) lead over the Tories. That lead is attributable to general fatigue with Tory governments after 14 years in power (and five prime ministers) and the widespread sense that the Tories have squandered their reputation for ethics and integrity by tolerating Boris Johnson for three years and their reputation for economic competence by tolerating Liz Truss for 45 days. Labour likely will have won (assuming it does) by persuading British voters:

- ***that they are competent***, and can be trusted, to run government (a safe, and equally important drama-free, pair of hands);
- that they have ***successfully broken with, and exorcised the legacy of, Jeremy Corbyn*** (and are not a Trojan Horse for far left policies anathema to a pro-business agenda); and
- most importantly given polling showing lower voter confidence in Labour on the economy, that they can be ***entrusted to address the structural problems in the deeply dysfunctional British economy*** whose consequences blight daily life – from industrial action to stubbornly high inflation, a severe cost of living crisis, low productivity and a crisis in the NHS.¹ The prospect of Bank of England interest rates approaching 5.5% by the end of the year to tame inflation may portend a recession in 2024.

A good showing in Scotland at the expense of the SNP will have helped, as would campaign footing engagement that provided voters with reasons to vote *for* Labour rather than merely voting *against* the Tories. As for personality of the party leader (the “passion thing”), Starmer will have succeeded the same way Joe Biden did in 2020 and, in the process, shown that pundits had underestimated him.

¹ British homeowners with mortgages are bracing for the Bank of England base rate to hit almost 5.5% before the end of 2023, after continued increases in the cost of food prompted a lower-than-expected drop in inflation in April.

The Office of National Statistics last Wednesday [reported](#) that inflation had fallen from 10.1% on a monthly basis in March to 8.7% in April, which is down from a high of 11.1% last October. Energy prices, while high (with average consumer electricity and gas bills almost double pre-invasion levels), have plateaued, but food and non-alcoholic beverage prices soared by 19.1% in the 12 months ended April (the second highest rate since 1977; the highest rate being the 12 months ended March). Moreover, core CPI (*i.e.*, excluding food, alcohol and tobacco) rose by 6.8% in the 12 months ended April, the highest rate since March 1992.

A study by the Centre for Economic Performance at The London School of Economics, “[Brexit and consumer food prices: 2023 update](#),” estimates that the close to 25-point increase in food prices between December 2019 and March 2023 would have been 8 points lower in the absence of Brexit. The Centre also estimates the per-household cost of Brexit for food alone since December 2019 to be £250, for an aggregate hit of £6.95 billion.

Starmer has set out [five missions](#) for his administration (emulating Tony Blair’s 1997 five-point [pledge card](#)?), based on three pillars: economic stability, national security and secure borders. The five missions are:

- Securing the highest sustained growth in the G7
- Making Britain a clean energy superpower
- Building an NHS fit for the future
- Addressing violent crime
- Breaking down barriers to opportunity

Securonomics

Labour’s key priority is economic growth. As Reeves set out in her [speech](#) at the Peterson Institute for International Economics in Washington, D.C. (which coincided with the release of a paper setting out Labour’s vision, [A New Business Model for Britain: Building Economic Strength in an Age of Insecurity](#)), Britain needs a new model to get past what she termed the “age of insecurity” turbo-charged by Brexit, the pandemic and Russia’s invasion of Ukraine. To this she added threats from a rising China, climate change and new technology upending how we live and work, and a recognition of the limits of globalization as we knew it (concluding it was “dead”). In short, the rules have changed.

Her prescription – focusing on the economic security of Britain underpinned by a proactive state acting in partnership with a vibrant market – calls for a “modern supply-side approach” to invest in public services. This she labels “securonomics.” She lavished praise on, and clearly aligns herself with, the Biden administration’s pursuit of economic strength, security and resilience through the CHIPS and Science Act and the Inflation Reduction Act, highlighting the benefits of government working in partnership with industry.²

Harkening back to the Truss-Kwarteng mini-budget debacle, she promised no unfunded tax cuts; all expenditures would be fully funded. The growth plan is to accommodate Labour’s second priority, namely implementing the British analogue to the US Inflation Reduction Act (which, incidentally, is highlighted in the New Business Model), the [Green Prosperity Plan](#). In September 2021, when the plan was first mooted (in coordination with Shadow Climate Secretary Ed Miliband), she had called for investment of £28 billion per year over ten years to fund a “green transition.” Presumably, that projected cost remains in place (though, in contrast to the IRA, whose green price tag of \$369 billion was front and center in the Build Back Together messaging, that number has raised eyebrows and may not be so front and center).

Securonomics is neither a continuation of Rishi Sunak’s policies (though admittedly the pledge to cut government debt, halve inflation and boost the economy announced as part of a [five-pronged promise](#) made in January 4 is likely on life support as the administration contemplates an economy potentially tipping into recession) or Liz Truss’ debt-funded sprint in pursuit of growth, nor is it Tony Blair’s New Labour economics. If it has an intellectual patron, it is Joe Biden. At least in terms of domestic priorities, we know where Labour is headed.

² Reeves also referred to the “Powering Australia” plan put forward by the Albanese administration, the “Climate and Transformation Fund” announced by Chancellor Scholtz and President Macron’s vision of European “economic sovereignty.”

Britain's Place in the World

It was not a coincidence that securonomics was unveiled in Washington rather than earlier in the week in New York City. In her prepared remarks and Q&A that followed, Reeves referred to the recent speech given by Treasury Secretary Yellen on economic policy with respect of China and the [Brookings speech](#) given the following week by National Security Adviser Jake Sullivan that touched on broader economic policy considerations. Reeves did note in Q&A that the Sullivan speech did not mention Britain (Sullivan did touch on the recent talks between President Biden and European Commission President von der Leyen and the joint statement on investment in respective US and EU industrial capacity driving the energy transition and ensuring resilient supply chains).

Sullivan's failure to reference the UK points to a larger challenge, and one that the Reeves visit presumably is designed to address, as a first step. This was an opportunity for Reeves to present not only herself as the Chancellor-in-waiting but also the future administration of Keir Starmer.³ (Interestingly, in the New Statesman's [list](#) of the 50 most influential people shaping Britain's progressive politics (published May 17), Reeves was named #1, ahead of Starmer at #2. This reflects, according to the rankings, that the economy and the cost of living crisis are seen as the "defining political issues of our time." Reeves has the economic background to which Starmer defers and Reeves has taken the lead in meeting with corporate Britain⁴ to win the confidence of business and project fiscal credibility.)

But the challenge goes deeper than personalities. Today,

- globalization and trade are in fundamental flux;
- the world is shaking off the final vestiges of the pandemic;
- the geopolitical agenda is dominated by the vulnerability of the West to the energy shocks and inflation triggered by Russia's invasion of Ukraine, a US foreign policy largely fixated on China, and the imperative of finding global solutions to climate change, quantum computing and generative AI; and
- Britain is no longer part of, and therefore no longer plays its historical role of a trusted bridge to/referee within, the European Union.

It is fair then to ask, what is Labour's vision of Britain's place in the geopolitical landscape?

³ Martin Farr, [writing](#) in The Conversation (March), reminds his readers that "The most favoured rehearsal space for power is the international stage. Neither Sunak nor Starmer has an international profile, but a prime minister cannot help but acquire one." He recalls that the path for opposition leaders to gain recognition from a US president can be fraught, citing Neil Kinnock's 1987 trip to meet Ronald Reagan, during which the White House leaked that the meeting lasted ten minutes, long enough for the Labour leader to be upbraided for advocating a weakened defense posture.

⁴ As part of an effort to position Labour as the party of business, according to recent [reporting](#) in the Financial Times, over the past three years, Starmer and Reeves have met more than 1,000 business leaders, including meetings with senior executives at private equity firms and a January trip to the WEF in Davos (which Rishi Sunak opted not to attend). These meetings would have been unimaginable during Corbyn's leadership of the Labour Party, and Tory outreach since 2016 has been haphazard, reflecting the fraught relationship between the government and industry over Brexit.

From the perspective of UK-US relations, the challenges are compounded by a transatlantic dialogue that has been exclusively within the purview of the ruling Conservative Party since May 2010. To the extent Labour was on anyone's radar screen, it was the Labour Party of Jeremy Corbyn and the attendant shift to the far left. Brexit was viewed by those who chose to focus on it as a self-inflicted wound of epic proportions that no one could explain. Whatever symbiotic relationship there was between Boris Johnson and Donald Trump did not carry over to the Biden administration. When US policymakers did focus on Britain following the referendum, it was on Northern Ireland, and the fate of the various proposals to avoid the re-imposition of a hard border between Northern Ireland and the Republic of Ireland (and scuttle the benefits of the Good Friday Agreement) – the Backstop and ultimately the Northern Ireland Protocol (and Windsor Framework). Liz Truss' embrace of trickle-down economics and disparaging remarks did not help, but those were likely soon forgotten as her short-lived premiership imploded.

All to say, there is a clean slate.

The Brexit Conundrum

Despite polling that shows support in Britain for the Brexit project is fading and support for a closer relationship with the European Union is on an upswing,⁵ there is little evidence at this point to suggest that Britain's relationship with the European Union will figure prominently in the election campaign. Speaking on the Financial Times' Political Fix April 21 [podcast](#), Financial Times public policy editor Peter Foster captured it as follows: "Brexit is everywhere, but nowhere. Neither political party really wants to get into a Brexit discussion, particularly the Labour Party." But the divisions that Brexit represented remain ever present, and Labour presumably is worried about being tarred as the party that tried to stop getting Brexit done, if the subject gains too much visibility.

While Reeves has referred to Brexit as a "botched" deal and called for repairing the damage through "practical reforms," Labour has consistently, since Shadow Foreign Secretary David Lammy's June 2022 speech on the sixth anniversary of the referendum (["Labour's vision for](#)

⁵ Yesterday, Best for Britain released the results of its survey of attitudes towards Brexit and the European Union, which found that 63% of adults now believe Brexit has created more problems than it has solved and 53% believe the UK government should seek a closer relationship with the European Union (see [reporting](#) in yesterday's Observer). Even in the five highest Leave voting constituencies, those wanting a closer EU relationship now outnumber those who want the opposite by more than 2:1 (see Best for Britain [post](#)).

[Statista](#) reports 56% believing it was wrong to leave the European Union, 31% saying it was right to leave, and 14% having no view. Since July 2022, the share of people who regret Brexit has consistently been above 50%.

On May 17, in an interview with BBC2, former UKIP Leader Nigel Farage admitted Brexit had failed, but blamed the Tories for that failure. Interestingly, one driver of "Bregret" may be the conviction that Brexit has not delivered the outcomes that Leave voters wished for – namely lower immigration. Last Thursday, the Office of National Statistics [reported](#) net migration in Britain in 2022 of 606,000, a 24% increase over the previous high of 488,000 last year. Of the 1.2 million arrivals, most were non-EU nationals (925,000), including refugees from Afghanistan and Ukraine, immigration from Hong Kong and students on study schemes. The figures prompted a backlash against Rishi Sunak, as Brexit promised control over the UK border, though technically that would only curtail immigration from the European Union. Just one more "technical" detail glossed over by the Leave campaign in 2016.

[Britain in the world after Brexit](#)”), made clear it does not foresee seeking re-admission to the European Union, and similarly it has made clear that it does not foresee participating in a single market and/or customs union with the European Union.

In an [interview](#) with CNN’s Christiane Amanpour last week, in response to a question about the “Voldemort of British politics” – Brexit, Reeves was clear, there is no “going back.” When pressed, the rationale is “stability is so important. What we need to do now is to make the situation work for British businesses and ordinary families.” Reeves cited the provision in the [EU-UK Trade and Cooperation Agreement](#) (Article 776) (“TCA”) that provides for a five-year review of “the implementation of [the TCA] and supplementing agreements and any matters related thereto”⁶ Article 776 does not provide any guidance as to what this process should be – whether it is a technocratic exercise of reviewing the implementation of the TCA as drafted or a mechanism to revisit key issues that were largely left for another day.⁷ In any event, the predicate for any negotiations with the EU (as part of the Article 776 process or outside it) presumably would be a comprehensive plan for what needs to be fixed.

Back to the “conspiracy of silence” I cited in an earlier briefing note (available [here](#)). Some have characterized the choice that Starmer faces on speaking about Brexit as being hugely informed, in the [words](#) of Guardian columnist Rafael Behr, by a “depleted willingness to confront hard choices” that flows from “years of Brexit malpractice.” Financial Times columnist Stephen Bush gets to the same place, [arguing](#) that Labour is suffering from timidity. Foster [suggests](#) that Labour should engage on Brexit and not be cowed by the risk that the Tories will accuse Labour of undermining Brexit. After all, he says, one could engage, for example, in conversations in the northeast of England where car manufacturing has suffered and speak in terms of rethinking Brexit for the sake of attracting investment and jobs (without raising free movement of people).

Silence on the issue raises the question, as [noted](#) by Foster, of how much flexibility Labour would have if they win while not having spoken in detail about what the future relationship with the European Union should be. The reality is that, in the absence of joining a customs union, export industries and the ability to participate in integrated supply chains will continue

⁶ Reeves called out, as she has in the past, various topics that should be ripe for agreement: a veterinary deal to ease border checks to help the food and beverage sector, relaxation of restrictions on music and theatre companies touring the EU, mutual recognition of professional qualifications and an agreement on financial services. Presumably, a Labour government would not seek to diverge on standards from the European Union even though Britain retains the power to do so.

The New Business Model cites the twin objectives of being open to trade and reducing dependence on supply chains as the basis for charting a relationship with Europe. Brexit is to be fixed using the TCA review process to “reduce trading friction on food, agricultural, medical and veterinary goods, and strengthen mutual recognition of professional standards and qualifications. . . .” Interestingly, no mention of financial services.

⁷ Last November, the Tony Blair Institute for Global Change published a proposed policy agenda for restoring a better functioning and strategic partnership between the United Kingdom and the European Union, entitled [Fixing Brexit: A New Agenda for a New Partnership with the European Union](#). The agenda contemplates a three-part package of actions items, restoring trust with the European Union, developing a new domestic Europe strategy and revisiting the TCA.

to suffer. The problems caused by rules of origin and similar constraints will not disappear over time.

Alastair Campbell, Tony Blair’s director of communications and strategy, citing the need to “repair the damage and put something better in the place of the things doing the damage,” [has called on](#) Labour and the Liberal Democrats to address the Brexit failures head on.

But Janan Ganesh, in his piece in the Financial Times, “[Starmer must wait before breaking the Brexit omertà](#),” believes this strategy is wrong. He accepts the need for a fundamental rethink of Brexit, but argues that Starmer should wait. Time cures all. It is one thing for Leave voters to believe they made a mistake, but it is another to tell them they did. Citing Thatcher’s move against the unions in 1979, Ganesh attributes her success where Ted Heath had failed on the same quest in 1974 to allowing a chronic problem to become acute before offering the solution that five years earlier had been rejected by voters.

Concluding Thoughts

Admittedly, the general election is a at least 12, and possibly 17 or 18, months away, and a Labour win, while likely based on current polling, is not inevitable. Labour has a host of tasks to address as it prepares for the campaign and, concurrently, for assuming the reins of power, should it be able to form a government. In contrast to the United States, in Britain there is no transition period. If Labour wins a majority, it will form a new government the following day; a hung Parliament will mean forming a coalition.

The world is a complicated place, and in some respects far more complicated than in 1997 when Tony Blair became PM and, similarly, more complicated that when David Cameron entered Number 10 in 2010. From a transatlantic perspective, Labour has a year perhaps to settle on, and articulate, a vision of Britain in the world. And to complicate the challenge, it may have to consider a two-track vision as a contingency (hopefully to not be needed) should Donald Trump succeed in returning to the White House.

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