

Bank of England warns “no-deal” Brexit would be worse than 2008 crash

Labour pledges to rescue British capitalism

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The Bank of England (BoE) has published an analysis warning that the UK could face economic collapse and chaos as the result of a “no-deal” Brexit. According to the BoE’s “worst case scenarios,” gross domestic product could fall as much as 10.5 percent over a five-year period, the official rate of unemployment could nearly double to 7.5 percent, inflation could rise to 6.5 percent, house prices could fall by 30 percent, commercial property prices could collapse by up to 48 percent, and the pound could fall to parity with the US dollar.

Such levels of economic dislocation and collapse have no precedent since World War II and far outstrip the impact of the 2008 economic crash.

The worst-case scenarios are based on a “no-deal” Brexit with no transition period, meaning the UK would leave the EU on March 29, 2019 and be forced to revert to World Trade Organization rules for trading with Europe and the rest of the world. The worst case presumes that there would be custom checks on the UK’s border for goods, with the UK unable to reach new trade deals with the EU or other countries until 2023.

While the bank said these scenarios were “not necessarily what is most likely to happen,” its analysis comes less than four months before the UK’s scheduled EU exit, under conditions where the proposed deal between Prime Minister Theresa May and the EU has not yet been agreed by the British parliament. Tomorrow a five-day debate on the agreement will begin, with a vote to be taken on December 11.

As it stands, there is no parliamentary arithmetic under which May can get the deal through parliament

in the first vote, with all opposition parties opposed, including the Conservative Party’s de facto coalition partner, the Democratic Unionist Party, as well as some 90 mainly hard-Brexit Tory MPs.

Even the BoE’s scenario of a “disruptive Brexit” that nevertheless involves an “absence of border disruption and financial market disruption” envisages a major crisis, with a fall in GDP of 3 percent, a rise in unemployment to 5.75 percent, an increase of inflation to 4.25 percent, a decline in house prices of 14 percent and a collapse of commercial property prices to the tune of 27 percent.

The *Financial Times* notes that the time scales cited by the BoE in its analysis are optimistic, and economic disorder could happen far sooner. And, while mapping out scenarios of possible economic Armageddon, the BoE is careful to add the caveat that its Financial Policy Committee “judges that the UK banking system is strong enough to continue to serve households and businesses even in the event of a disorderly Brexit.”

Nevertheless, the Tories’ hard Brexit wing denounced the BoE’s report as the resurrection of “Project Fear,” as they described the Remain campaign in the 2016 referendum. Former Foreign Secretary Boris Johnson said the BoE had always “got it wrong.”

Jacob Rees-Mogg denounced BoE Governor Mark Carney as a “second tier Canadian politician who failed to get on in Canadian politics and then got a job in the UK.” He added, “I don’t think he’s greatly respected.” Calling for Carney to resign, he said the BoE head was “deeply politicized.” He continued: “It is unusual for the Bank of England to talk down the pound and shows the governor’s failure to understand his role... He is not there to create panic.”

Faced with such intractable divisions within the ruling Tory Party, the Tory house organ, the *Spectator*, alluded to the existential crisis facing British imperialism in a comment by James Forsyth. He wrote that ahead of the vote on the Brexit deal, there is “painfully little support for May’s plan... One cabinet minister is privately predicting that we are heading for the ‘gravest constitutional crisis’ in our history.”

Forsyth, however, described this assessment as “hyperbole,” as “the 17th century had several that were far worse.” He then acknowledged that “the next few weeks will put greater strain on the constitution than any other event in the past hundred years.”

It is extraordinary that Forsyth goes back to events nearly 370 years ago to draw any parallel with the Brexit crisis. The main event of the 17th century in England was the nine-year civil war (1642-1651), which culminated in the execution of Charles I in 1649 and laid waste to England, Scotland and Ireland, with total casualties of over 370,000, equivalent in Ireland to 41 percent of the total population. Even the Tories’ much preferred constitutional crisis, the “Glorious Revolution” of 1688, saw the invasion of England by William of Orange and the fall of the Stuart dynasty.

The assessment of the BoE was substantiated by the analysis contained in a cross-departmental government report. It concluded that a no-deal Brexit could mean the UK economy growing by 9.3 percent less over the coming 15 years as compared to staying in the EU. Even if parliament eventually backed May’s Brexit plans, the UK economy could be up to 3.9 percent smaller after 15 years, according to another set of figures.

In response, the Labour Party under Jeremy Corbyn and Shadow Chancellor John McDonnell is doing everything possible to ensure that the crisis facing British imperialism is safely managed and confined within the institutions of the bourgeois state. On Friday, McDonnell wrote to the permanent secretary to the Treasury, Tom Scholar, informing him that “as shadow chancellor, I’m working with my shadow ministerial team and a team of advisors led by Lord Kerslake, in an exercise to prepare our shadow Treasury team for government in the light of a possible early general election. We are working on preparations for an initial post-election budget, the commencement of a spending review and various reforms of the role of the

Treasury...”

His letter concluded with an assurance to British capital that nothing is being considered that will rock the boat: “In view of the current instability in government as a result of which an election could come at any time, I believe it behoves us to make suitable preparations now to ensure that there is a smooth transfer of power, obviously depending on the outcome of that election.”

Labour is also formulating a response whereby—general election or not—it will endorse a second referendum to reverse the Brexit vote. While Corbyn at this stage has not come out favouring a “People’s Vote” on May’s deal—as demanded by the Blairite wing of the party, who want the option of remaining in the EU on any ballot paper—McDonnell has made more accommodating statements.

Last Wednesday, he said that if Labour was not able to force a general election—Corbyn’s declared preferred policy—“we’ll be calling upon the government then to join us in a public vote,” adding, “that’s the sequence I think that we’ll inevitably go through over this period.”

On Friday, McDonnell also came down firmly in support of the inclusion in a second referendum of the option of remaining in the EU, saying, “It’s difficult to see Parliament deciding if there is to be a choice that they wouldn’t have at least some sort of Remain option on there. But it will be determined by Parliament if we get to that state.”



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