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0:01

I'm Matt Bellamy founding partner of Puck news and I'm covering the inside conversation about money and power in Hollywood, with my new show, the town I'm going to take you inside Hollywood with exclusive inside and what people in Show Business are actually talking about multiple times a week.

0:16

I'll talk to some of the smartest people, I know, journalists insiders, all of whom can break down the hottest Topics in entertainment, tell you what's really going on. Listen now, Today's episode is about the United Kingdom.

0:34

And we have to begin with the news.

Breaking news that Queen Elizabeth, the second, the longest reigning monarch in British history died on Thursday at the age of 96, taking the throne on February 6 1952.

She ruled for 70 years and 127 days, 70 years.

0:56

And 127 days is incredibly longer than the life expectancy of the average British.

Essen in 1952.

Now, this episode was always going to be about the United Kingdom and the British economic and political scene.

1:14

We set it up, we planned it just over a week ago, but mere minutes, literally minutes after this interview ended, the news of the queen broke, I know this is strange timing.

And for those grieving, the Queen's death do forgive us, please, for any sense of insensitivity, or for devoting, an episode to the UK without it being predominantly about this once in a century.

1:37

SRI news story.

The best way I think, to set up today's episode is to begin with my own personal curiosity. I have been fascinated for years by the UK's politics and its economy, and not fascinated in a good way.

1:55

I didn't understand brexit.

I didn't understand Boris Johnson.

And most of all, I didn't understand why the UK, which I had always considered a rich country had seemingly slouched through a decade. and a half of stagnation, its GDP per capita, today is literally lower than it was 15 years ago and I wanted to know more I think most of the snares of the show know that Russia's invasion of Ukraine has sent Energy prices soaring across Europe as the continent speeds into a winter of sky high costs and frigid bedrooms.

2:30

But few countries in Europe, have it worse than the u.k. right now, inflation is at 10%.

The British pound is falling by the month, the bank of England, projects, a deep and Lasting recession.

And according to the economist British consumers are facing one of the largest energy price shocks in Europe.

2:48

This comes after a 15-year period, as I said of total stagnation followed by brexit followed, by the clown show of Boris and now an energy crisis coinciding with the death of a 70-year monarch.

Today's guest is Duncan Weldon, Duncan is the Britain economics correspondent of The Economist and the author of two hundred years of muddling, through a history of the British economy in this episode.

3:14

Duncan and I discuss the news today of the European energy crisis and the longer Story.

The deeper story of Britain's remarkable, stagnation plus the path out of this mess and briefly, the effect of the Queen's death.

Death which to be clear was mere hypothetical when we spoke about it, the effect of the Queen's death on the politics of the country.

3:39

Thanks, as always for listening.

I'm Derek Thompson.

This is plain English.

4:05

Duncan Weldon, welcome to the podcast.

Thank you for having me.

So the mystery that I want to answer in the next 40 minutes or so I think is best represented by a statistic.

In 2007, the UK was richer than the u.s. its GDP per capita was roughly 50,000 dollars and now 15 years later by this The UK has not just stagnated.

4:30

It is poorer by 1/5 than it was 15 years ago.

Its GDP per capita is closer to forty thousand dollars and things are almost certainly going to get worse before they get better.

And this is stunning and confusing to me because the UK to me represents the birthplace of modern capitalism, the special relationship, the birthplace of the Industrial Revolution.

4:53

This is supposed to be a major world power.

And yet, if you take away, London statistically the UK is roughly as rich as Romania and I have no idea how this happened.

So I think we should do here.

Is it sort of twofold?

I love you to tell me what is happening in the u.k. right now and then I want to go back back back back.

5:14

As far as you'd like and I want you to tell me how you think we got here.

So does that sound like an appropriately?

Ambitious yet barely possible.

Plan it sends appropriately.

Ambitious, okay.

Okay, great.

So first off In your own words.

What is the state of the UK economy at the moment?

5:31

So let's look at right now, you know, the British economy today.

We've got inflation in double digits, just over 10%.

That's the highest inflation since 1982 about 40 years ago.

So the highest inflation in four decades.

At the same time, wage growth is running at about five and a half six percent.

5:53

So people are seeing their really gums full.

If you Look at the most recent forecast from the bank of England.

That's our Central Bank, you're real hassle disposable income, that's income of households.

After you can for Price Rises, after you account for changes in taxes and benefits is going to fall this year, it's going to fall next year.

6:17

If you put the two together, it's the deepest to year for since modern records began in the early 1950s.

So Households, it's fairly Grim.

So you know, we got the big inflation.

We've got a big hit to household incomes and the most recent forecast from both the government, the bank of England, sort of the consensus of private sector forecasters, is the economy is slipping into recession.

6:46

That's expected to last for most of next year, 2023.

So the immediate Outlook is to be honest, pretty Grim as we speak the queen right now.

Seems to be in critical condition and her children coming to her bedside.

7:02

How would the Queen's death change, the political and economic outlook for the UK in the near future?

In the medium term, it would be an incredibly sad moment and Incredibly big moment for the United Kingdom.

I don't think it's going to have a meaningful political impact.

7:20

I don't think in the medium term.

It has any lasting economic impact in the very short term.

Yeah it probably depresses consumer confidence.

Briefly probably leads to less spending but I think that's a short-term in backyard.

7:36

It's it's a huge moment for For for Britain as a country but I don't think it's a, it's economically significant one.

I think that in order to get our hands around the British economic crisis, we have to understand Europe's energy markets so connect the dots for me.

7:55

How did a war in Ukraine, become a uniquely, disastrous energy crisis for Europe and in particular the UK.

Yeah.

So you know if we look at what happened in 2021 globally, you know, as The world reopened from the pandemic as economies real, but demand for energy increased much faster than the supply of energy.

8:19

So, you know, by the end of 2020, one going into 2022, we were already seeing really high energy prices not just in Europe but globally including in the US.
But then the war in Ukraine happens in February.
Now, Britain is in a slightly different position to the rest of Europe.

8:39

Pin that Britain is actually not that dependent on Russian gas.
Germany is very dependent much of Europe is dependent.
Britain is not dependent, but Britain is part of a European gas market.
So it's sort of essentially irrelevant.

8:56

Whether or not you're actually using Russian gas, if the supply of gas going into Europe dries up, then the price of gas rises and that's it Britain as well.
So we've seen sort of magnitude of energy price rise in Britain and across Europe in the last few months, which we've not really experienced since the oil shock in 1973, but in many ways were so, you know, we're looking at, you know, for a household in Britain heating and using electricity in the house.

9:30

You know, the typical bill has risen from under 1,000 pence together.
That's about \$1200 a year ago.
To about 2,000 pounds now.
So it's already doubled before the government introduced changes in the last few hours, really?

9:52

We were expecting prices to rise to three and a half thousand pence, this winter and something over 5,000 pounds, next winter and that's just for houses.
If you look at businesses you know, they're often on a 6 12 18 month, fixed ERM deal for their energy costs businesses, who are coming off those fixed term deals.

10:15

Now I'll see their energy bills rise by four or even five times.
Just a colossal hit to incomes and to business cost base which has been really driving this inflation driving, this economic downturn.

10:31

And on top of all of this economic and political chaos, you have a new prime minister Liz Truss and she just today, Thursday, announced an energy plan that you on Twitter called the biggest fiscal policy announcement ever.

10:47

In British peacetime that certainly speaks to the quality of the crisis that the UK is facing.

Tell me a little bit about this new policy from prime minister Truss Well, I'll tell you as much as we can.

I'm afraid, we don't have a huge amount of details.

11:02

What Liz Truss has said, is that so domestic energy bills, the average Energy bill is currently just below 2,000 pounds.

It was due to rise to back 3,700 pounds.

She said, actually, it's going to be capped at two and a half hours bends for the next two years and the government will make up the difference.

11:23

You know, subsidizing the energy producers who are going to be selling at a lower retail price and Buying wholesale coupled with for the next six months, support for business Energy prices, the government today declined to give any sort of sense of costing of how much it would cost.

11:42

They said we'll get details later in September, you know, conservatively you're looking at something like 120 130 billion pounds, you know five or six percent of British GDP over the next two years.

11:59

You know, during the pandemic Britain had what we called the Phyllis, keep this idea that, you know, we said to employers who were closing down because of lockdowns, if you are kept your employees employed, but they weren't actually working, the government would pay 80 or percent of their wages.

12:21

That was a huge huge intervention.

That was until today the biggest piece time sort of fiscal intervention, we do.

As and that cost about 65 70 billion pounds.

So suddenly we're doing something twice as big as our previous biggest ever intervention.

12:39

Although we still don't really know how much is going to cost that depends on where wholesale Energy prices go.

And to bring in a little bit closer to home for American listeners 5 or 6% of GDP in America, would be the equivalent of a 1.2 trillion dollar policy.

12:56

That is a massive, massive Bill if you're looking at Doing something.

Well, we're a big numbers.

We're getting a big number.

We are in the range of Endeavors here, for sure.

I want to just draw this out just a bit because it's obviously not just the UK that is dealing with energy crises.

It's all of Europe.

13:11

That is dealing with the fact that Russia has shut down, its natural gas.

Exports to the continent that relies on Russia for up to 40 percent of its total gas consumption.

It's the u.s. to which is dealing with energy issues, California for example, dealing with the highest energy usage in its history.

13:28

After a Record-breaking Heat Wave.

It seems to me that the menu of options for dealing with an energy crisis is not that long.

It's basically four categories by my count and please tell me if you think I'm overlooking something obvious.

Number one, you can increase Supply which is, of course, important.

13:45

But that tends to take a while and the UK is trying to do that.

They're trying to increase Renewables.

They're trying to increase it to build a nuclear power plant for the first time.

In 25 years, they want Supply to come online, but that takes a long time.

Number two, you can reduce demand.

14:00

You can tell people to conserve, I don't know if you saw earlier this week.

This was very interesting so California facing that that wave of record-setting heat texted its residents to help conserve energy to avoid blackouts and hours.

After the text went out, you can see in graphs that energy use plummeted.

14:17

Did you see this?

I died.

I did last night took from that was this is you know, the way we're dealing with Antichrist as, you know, in terms of the public want to do the right thing they want to do.

I think in the same way they did in the pandemic, if you give some guidance on how to do the right thing, they will respond.

14:35

Sadly, the British government isn't there yet, you know, the British government isn't talking about, you know, the British commercial denying, there's a problem, you know, they've ignored as a problem in that they're fixing the price.

But they're not really looking at this fundamental imbalance of supply and demand.

14:50

Well, speaking of fixing the price, that would be number three on my menu of options.

You can fix the price.

For example, you can put a cap on what consumers spend and then you put the rest of the bill. Self and then finally, number four you can subsidize you can give consumers money, you can say you know hey we're sorry your bill went up a thousand dollars but every month we're going to give you five hundred dollars.

15:09

So it won't be as bad.

So is is the UK doing all of this except asking consumers to throttle demand?

Or is it really just one and three by my count, they are increasing Supply.

That'll be a long term.

15:24

Maybe multi-year multi-decade policy to increase renewable or Low emission energy and they're also saying, in the meantime, we are going to cap the amount that families and businesses.

Pay on a monthly basis for this skyrocketing energy.

15:40

And the reason that this plan is expensive is because we are footing the rest of the bill.

Yeah, I mean I think you know, if he's so step back flow but you know what, Britain and Europe have experienced is in economic terms in terms of trade shock and negative terms of trade shock.

15:56

But, you know, in straightforward language, is the kind of stuff.

We buy overseas has risen sharply in price, and the kind of stuff.

We sell overseas, hasn't risen by the same amount, so, you know, so step back, you know, Britain and this applies to most of Europe is simply poorer than we.

16:15

Expected it to be in February before the war in Ukraine happened.

And, you know, that's fundamentally.

The problem, the country is poorer because stuff that we need, which we have to import, which on a 24 to 36, month view, you can't really increase.

16:32

Domestic supply of is pricier because of Russia's actions because of the war, the policy debate Britain is sort of skirting around that.

It's skirting around the fundamental problem that the Tree is poorer and the real public, the real public policy debate should be about.

16:50

Okay, the country is poorer.

How do we go about allocating that cost?

That pain between different households between different businesses between the government's own balance sheet in forms of, you know, government borrowing, you know, the the message from the trust government.

17:09

So far, is very much, you know, hopefully, a can-do attitude and a few tweaks.

You know, make the pain go away, we can help make the pain, go away the real debate over the next few months is going to be how we allocate.

So this is the day's news that we're talking about and there is a lot going on.

17:28

There's there's the queen and there's a new prime minister and there are there's the energy crisis, but I think it's really important to take the Long View here because the UK's problems did not begin with the war in Ukraine.

They did not begin with the pandemic.

This is something more chronic.

17:44

So if we We want to understand how the 21st century has seemingly gone.

So, wrong for the UK.

Duncan, where do you think we should begin to tell this story?

Okay, so, you're completely right, we're going for this immediate crisis.

18:00

Now, this big hit the household incomes, this likely recession, this High inflation, but what makes it almost doubly painful.

Is this doesn't come off the back of 10 or 15 years of good economic performance.

It comes off the back of 10 or 15 years of Really many regards disastrous economic performance.

18:19

You know, in the 10 years until 2008, Britain was the second fastest growing country in the G7 group of leading economies measured by GDP per capita.

Second fastest, in the decade before the crisis behind, only the u.s. in the 10 years afterwards, it was the second slowest ahead of only Italy.

18:43

So, you know, something changes.

Now yeah sure you get a financial crisis in 2008 and Britain as a country with quite a large financial sector as a share of our economy is almost, you know, uniquely amongst the leading economies exposed that you expect a hit, but it never quite recovered from it.

19:04

If you look at sort of output forehead, the traditional measure of productivity, Britain's productivity growth, just falls off a cliff in 2008, never quite gets back.

To put it in context for American listeners who may not be aware of this real wages, you know wages accounting for changes in prices changes in.

19:25

Inflation are currently roughly where they were in 2008 Britain, we've had 15 years, a decade and a half of no real rise in living standards and that's something that's not happened to Britain since the Industrial Revolution at the turn of the 19th century.

19:44

No Wenzel Jared plus year territory of a problem.

If you look at what's really happened in Britain over the last 10-15 years, okay?

You had the financial crisis you then had a government elected in 2010 at that point of conservative-liberal.

20:01

Democrat Coalition.

And I should be absolutely clear.

That liberal Democrat means something quite different than Britain to it does in the United States.

We had this conservative liberal Democrat Coalition, which pursued Policies of trying to get down public debt, trying to close the government's or deficit.

20:23

You know, they had their reasons for doing that, but it meant there wasn't much demand in the economy.

It meant that growth was quite weak and then in 2016 we had a referendum on our membership of the European economic Community.

We voted to leave for the next three and a half four years.

20:40

It was completely unclear.

What, leaving the European Union, meant the, you know, Various ways, you could leave the European Union, which have different economic effects.

We have three or four years of extreme economic uncertainty whilst politics became really volatile.

20:58

And that was three or four years of businesses.

Particularly International firms, canceling Investments or beliefs / spawning them because they weren't clear what Britain's trading relationships or regulatory setup would look like.

We finally got brexit, we only got some certainty on what the deal looked like.

21:19

It wasn't a great deal for the economy, but at least when you want to look like and then we were hit by the pandemic, I'll just step back for a second and say, you know what I find really fascinating about the British economic debate over the last decade, decade and a half has been, you know, in Britain, much as in America.

21:39

There have been many books written worrying about all the robots.

Going to take all of our jobs.

Are knowledge workers going to be replaced by AI in the same way, industrial workers have been replaced by industrial robots, whatever.

I've never quite understood.

21:57

Why this has been a popular sort of genre of economic journalist, genre of economic journalism in Britain, because Britain has had precisely the opposite problem.

We've had 10 years of, you know, really quite fast, jobs growth, all for corporate investment figures and week productivity.

22:15

I'll give you a, I'll give you a stat on this, which I find really striking that, you know, if you go back to 2003 in Britain between 2003 and 2013 15 years, the number of what we call automatic car wash automatic roller car washes you know a proper car washing machine.

22:36

You might see on a petrol station for Cultura.

I'll put an American a gas station, forecourt declare declined by fifty percent the number of Hand car washes or four or five men with a bucket and some soap increased by 50 percent, by 2018, 80% of the car washes in Britain were not, you know, an automatic car washing machine.

23:01

It was a bunch of guys and it was usually men with a bucket and a sponge.

You're in Britain.

The problem we've had is that we've been taking the robots jobs, 40, and growth has collapsed. Is it amazing in an amazing point.

And it's interesting to think that behind the UK's economic stagnation.

23:22

There's productivity stagnation and behind that productivity stagnation.

There might even be a kind of technophobia a fear of investing in the kind of technologies that would make the typical British worker more productive.

Like, for example, at gas stations, I'm really curious to know how this happened because if I was going to think of any country with a longer Legacy of techno Philly, Of welcoming productivity growth.

23:49

I would think despite, some of the chapters of the luddites in British history of the UK, this is where the Industrial Revolution started.

This is where in many ways, the malthusian Trap ended and the extraordinary story of decade over decades Century, after Century, productivity growth really exploded.

24:07

So, tell me maybe coming out of World War Two, how do we understand UK economic, See how did the British Empire become the country that you're now describing?

Yeah, I mean I feel take if you want to go back even a century before WWII, you know, Britain is the first country to have the Industrial Revolution in Britain.

24:31

Britain is the first country to hit, take off, whatever you want to call it.

The first country to really industrialize the first country to get this.

Well, pick up in productivity growth, driving living, standards higher.

So, you know, by 1850 middle of the 19th century.

24:47

Britain is the richest country in the world, because it's gone.

First.

Now you're on a broad level.

The last 150, 170 years of British economic history is one of relative economic decline because if you go first you hit the top first and eventually ever countries will catch up.

25:05

It's not that there's something in the water in Britain, which makes Britain and more productive country.

Do other countries were always going to catch up but zooming, you know, forward to the aftermath of the second world war, the 1950s, the 60s, the 1970s and bring those three decades after the second world war were all on one level.

25:28

Good Beckett in that.

If you look at the growth rates, Britain achieved in that time, they were higher than what came before they were higher than what had come sense, but they were slower than the kind of growth rates being achieved in Continental Europe.

25:44

So, you find yourself in a sort of national debate about relative economic decline.

So, Countries like France countries like Germany countries like Italy find themselves with higher GDP per capita than Britain from the late 60s until the early 1970s.

26:03

And you know, Britain finds itself in this funk, this National debate about why are we falling behind that really changes in the 80s and the 90s from the 1990s, into the 2000s.

Britain is suddenly a fast-growing country, this Gap Is opened up with our Continental European, a reverses.

26:25

Its partially, a result of the changes Margaret.

Factor makes a in the economy, the ATM, very big structural changes in the economy.

I think it's probably more importantly, because in 1973 Britain joins, what is then the European economic Community which later becomes the European Union, Britain from the 1940s to the 1970s have become An increasingly insular economy.

26:55

It really starts to open up.

Once you get yourself into this rather deep free trade agreement with Europe in that suddenly exporters have access to a larger market and imports are either 32-bit.

So you know, firms are exposed to much more competitive pressure, you know.

27:14

Bad firms are driven out of business, it takes 10 or 15 years to show up in the numbers in the way that any real big.

Edge of productivity does.

But you know, Britain then accelerates and we have a very good 90's and 2000's and then as we've been discussing a fairly miserable last 15 years.

27:33

What's a good way to think about the Legacy?

If that's your ISM on the one hand, it's incredibly controversial, both in the US, and in the UK, as this sort of icon of neoliberalism that didn't care about the Common Man.

And yet, at the same time, it achieved this growth and productivity that at a sort of Bottom Dollar level is an important thing to have in the overall calculation of wage growth.

27:56

So how do you cash out the influence of of Thatcher is from the US and in the UK?

Yeah, man.

So I think mostly, I think, you know, so the influence of being part of a more open economy, joining the European economic Community is under played in the productivity change, we had in the 1980s and 1990s compared to, you know, raw Factory.

28:21

I mean you know, on the other hand, some of the changes that fracture pushed through having the long run been beneficial or at least were beneficial in the 90s and 2000's to our economy. I think actually rather than questioning, the nature of the changes that are pushed through the British economy in the 1980s.

28:42

It's worth stepping back and asking whether the pace of those changes was appropriate so you know Margaret Thatcher's hope.

Thing was there is no alternative.

We just have to do this, we have to close our coal mining sector, we have to essentially close their most of the British steel industry.

29:01

The economy has to adapt.

Now in the long run, there is certainly you know a strong case that Britain's comparative advantages by the 1980s.

And the 1990s did not lie in heavy manufacturing and coal mining and primary primary activities like that.

29:21

The pace of change arguably, did not have to be so fast, and I think there is a strong case that the pace of change was so fast that even if there were long-term benefits it caused more short-term pain than was necessary.

29:37

Other European countries, underwent a similar transition away from that manufacturing, primary industry, heavy model and did it less painfully.

You know, we talked about About you know, Britain as a country which was the first to industrialize.

29:55

It was also in some ways the first to D industrialize Britain is a much less industrial economy that was and it's really striking that you know if you look now so far you know we are now a country where about fewer than five percent of workers work in manufacturing where manufacturing share of GDP is the smallest it's beaming you know over a century but Most bolts very, very industrial country.

30:24

You know, if you look at the mid-1960s that's the real peak of industrialization and bread.

At that point, it was a huge part of our economy.

So even though sort of the manufacturing employment share and the manufacturing GDP share in Britain, today is quite similar to that of France or Italy or Spain, a bit below Germany.

30:45

We started off at a much higher point in the 60s.

So that process of deindustrialization in was much more painful in many ways, particularly for communities outside London.

In this context, the industrialization refers to the decline of manufacturing share in employment and in overall GDP, is that correct?

31:04

Yeah, absolutely.

I want to because this is an issue that is very germane to American politics and American economics, right?

Net?

The u.s.

Joe Biden illustration, just passed the new Chips act.

There's a lot of energy around this idea of new industrialism.

Should we bring back chips?

31:20

Should we bring back manufacturing jobs that we mistakenly or to quickly offshore to other countries around the world where labor is cheaper?

Is the UK having a similar debate, a debate about whether or not we were the first to D into industrialized then you were the first to D industrialize.

31:40

Maybe we should be the first to reindustrialize.

She's the first to recognize the errors of pulling back in this way our is, is that a debate that is underway in the u.k. right now?

That's the bait that's been underway in the UK for the last 30 or 40 years.

But I think, you know what, I sometimes, like frustrating about the UK economic debate is, it's a, it's an economic debate, which often feel sort of disconnected from what the UK is good at.

32:08

So, you know, you asked policymakers what you will be doing to boost growth that they they start sort of reeling off this list of things.

Britain is bad at and saying, how can we be better at them?

And I sort of feel like the Way to look at it.

What you should be saying is what is Britain good at and how can we be even better at that?

32:26

How can we play it to our comparative advantages?

You know, that's not just finances.

It's it's the wider service sector its creative Industries.

It's a huge wave of high-end services and it's part of manufacturing.

32:42

In a British car industry is actually having a really good time Aerospace and defense Pharmaceuticals all of this I still feel, you know, you know, the policy of age should be more focused on here, is what we're good at.

How do we get better at it rather than how do we be more like, I don't know Germany or Italy or whoever is the sort of you know, comparison of the day what we're bad Earth.

33:09

See you told this this 80-year history of the British economy, you're coming out of World War Two, which is arguably in many ways and apogee of British power.

There's a Slowdown in the rate of growth in the next few decades that slowdown reverses itself and then 1980s 1990s with the Legacy and policies of Margaret Thatcher and a certain opening up to the global economic Community.

33:34

There's a run-up in the first decade of this Century in the 2000s, I think largely A runoff that by from my understanding of it has a lot to do with the real estate industry, home prices go crazy. And the first seven years of the of the of the 2000s or just really extraordinary for UK GDP growth, you have this crash in 2007 2008.

33:54

The global financial crisis is particularly rough for the UK because the UK's Powerhouse, London is a financial Powerhouse and as goes the financial community, so goes London, and in the 15 years since then you've had a kind of lost Last decade and a half.

34:11

We have to talk a little bit more.

I think about brexit.

This is both a I think interesting question and maybe a stupid question.

What was reading about?

Do you think what is brexit about today?

That's at that.

34:26

That is indeed a very tough questions.

How I put see you in 2016 we get this referendum on.

Should Britain be a member of the European Union or not and it was tough referendum because everyone knew what staying in the EU.

34:45

Looked like no one quite knew what leaving looked like there was this huge menu of different options as to how you left.

But we had a question on yes or no You know, the consensus view of most pundits of the betting markets of financial markets was that remaining in Europe would win, probably quite handily in the end.

35:06

Leave one 52-48 it was closer than we sometimes.

Remember and you know much of British politics of the last seven years has been about what did that leave them mean.

You know the popular view is that that level was sort of a rejection.

35:24

Of the economic consensus as been existed.

It was people saying this is not what we want.

Now, there are two ways, there are two ways to read.

That one is, as a sort of revolve terms of, for want of a better term Left Behind economic communities, who, you know, have hadn't taken part in the boom before that had suffered from the aftermath of the financial crisis.

35:51

The austerity, the government sued, But I'm always a bit cautious about that narrowed, because when you look at the raw numbers of the voting actually, you know, the people most likely to vote for brexit were generally older voters.

36:08

Homeowners were more likely to vote for it than renters, or people in the social rented sector.

All the people like to vote for it.

And it sort of feels, you know, less like a Revolt of the economically left behind and more like a Revolt of Older relatively prosperous filters here.

36:29

I always think, you know, so your stereotypical brexit voter if you were to watch sort of the Vox pops on British television than 2017. 2018 was a man with a northern English accent in a working men's club.

36:46

But actually, you are more likely to find a brexit voter in are seven, English Golf Club.

They use a very different Graphic that was sometimes portrayed but once to go back to your question after that long Preamble we didn't quite know what brexit meant, you know, British politics from mid-2016.

37:06

All the way until the end of 2019 was about trying to answer that question.

And you know what?

We ended up calling harder forms of brexit or softer forms of brexit in the end.

We went for quite a hard one and I'm curious to know how you see brexit as an Prelude to the economic crisis, the UK is going through right now.

37:28

So to put a little bit of Preamble on that question, I was looking at oecd figures about the economic effect of brexit and just to give you a brief flavor, although to give start listeners would be flavor.

You already know a lot of this trading goods and services, the shared of GDP declined more in the UK than any other rich country.

37:46

The UK immigration population has fallen behind other advanced.

Economies foreign direct investment in the UK has fallen as well.

How Did all of this.

How did the material Legacy of brexit leave the UK in potentially a worse position going into this energy crisis.

38:03

Yeah, so yeah, I think it's supposed to say, you know, had this energy crisis hit while we were still a member of the European Union, we'd still be feeling a lot of bad, you know.

I don't think brexit has transformed that but I think it has made it worse, you know.

So the consensus view of most economists in Britain is that brexit as probably reduced the size of our economy by something between three and four percent of GDP in the long run, again a big number and that's coming to ways.

38:31

So the first Way, was that uncertainty from the vote until the deal was done?

When we just had free and a half years of being completely unclear?

What our trading relationship with our biggest trading partner would look like.

And lots of investment was force pwned or canceled or whatever, you know, since then I take the Fairly conventional economists view on this that we used to have an almost frictionless trade pop trade border with our largest richest and nearest.

39:03

Writing Palmer where nearly half of our exports go to, and now we put frictions in their border and the friction is very bisector.

So if you're involved in sort of fresh curds, agriculture, meet, whatever, the frictions are quite severe.

39:18

If you're involved in the service industry, they're quite bad.

If you're involved in, pure goods, manufactured goods, whatever.

It's worse than it.

Used to be, but better than some other sectors, but, you know, you put frictions in there.

Trade, you put frictions on a trade border.

39:35

What's going to happen?

There's going to be less trade and that's what we've seen with, British exports failing to recover from the pandemic in the way many of our peers have and also, you know, it's made it harder to import Goods into Britain which just generally makes the economy, a bit less Dynamic, a bit less competitive, none of this helps with productivity in the long run.

39:57

It's interesting to think about the popularity of brexit being extremely similar demographic.

The popularity of trump.

This is an overplayed similarity to a certain extent but you're talking about a high income low education voter to a certain extent and that is precisely the demographic that came out surprisingly for Trump in 2016 putting together a couple of these things.

40:19

The fear of openness behind the leave vote.

The fact that you have people replacing robots, rather than allowing robots into the workplace to make workers more productive.

This other phenomenon of D growth tourism, which for whatever reason seems to have a pretty deep root in the UK.

40:41

This is a philosophy that says that the best way for us to reduce the effects of global warming is not so much to decarbonize the grid, but rather to pull back economic growth.

Rather purposefully and essentially except significantly worse living standards forever for the purpose of Of saving the biosphere, all these things happening in the UK leads me to a question that I hope it's an over simple.

41:10

But where do you think this fear of growth this fear of openness in British politics comes from? Yeah.

So you know what?

Well I wrote a book called The Last 200 or so years of British history and your much of that's about political economy and when you look at political economy in the history of it in Britain it's about different sort of economic vested interest groups fighting over the spoils of the economy.

41:36

So you start with, you know, new capital versus agricultural land owners, then you get into the rise of the industrial working class and then your agriculture drops out of it and much of the 20th.

Entry is about some of the industrial Workforce versus the owners of capital.

41:54

I think what's happened in Britain in the last 15-20 years, is the rise of something quite new and almost post.

Economic voting block, by which, I mean people who are generally either retired or at least near retirement, who generally own their own home, or at least have a very small mortgage, they've nearly paid off.

42:18

Who, you know, generally have quite a secured pension income from, you know, having lived in the era of defined worked in the era of defined, benefit, pensions whatever.

So, suddenly you've got this big block of Voters and, you know, Britain, Britain, you know, really is an aging economy.

42:35

The average age of the, the median age is rising.

We're becoming an older Country.

And suddenly you've got this big block of Voters who are sort of insulated from what's Happening.

The labor market, they're insulated from interest rate, shocks their interest.

42:55

They're insulated from peski, The Wider economy and they can vote.

Not on the basis of economic interest much as how I've generally understood.

Most of which politics, since we got universal suffrage, 100 years ago, but instead, I'm, you know, other things, whether that's not liking immigration or whatever it happens to be and, you know, all of these lists.

43:18

It's that civil servants and Britain come out with think tanks come out of ways to boost economic growth whether that's increasing immigration or reforming our planning law.

So we can build more houses and infrastructure, you know, in certain parts of the country or supporting our universities or whatever it happens to be.

43:40

These are things.

This group tend not to like, so we have seen this this rise of this big voting Bloc I know we end up in a position in 2019 when Boris Johnson and the conservative party won.

43:57

You know, a big majority in the House of Commons re-elected, very strongly and yet, most people of working age did not vote for them.

You know, I do, I'm pretty sure that's the first time that's happened.

This sort of post economic older economically, insulate voting Bloc.

44:15

I think they, whether they're antique Romeo that they're not Anti-growth in the way that some greens are there.

Auntie growth because of inconveniences them, but it's more it's more a sort of a luxury that they don't so much have to care about economic outcomes.
As many other voters do.

44:32

It's such an interesting point is really something that I'm totally fascinated by the idea that for some people who are rich enough and secure enough, growth is a luxury that they don't need. The future is a luxury that they aren't interested in.

44:48

Investing in and there's a political scientists.

Ronald engelhardt who wrote that as societies get richer.

This is what generally happens.

Voters care.

Less about economic material issues and they care more about what he called post material issues, social, and cultural issues.

And so it's as if like with Rising well-being, we climb Maslow's hierarchy of the top of the pyramid.

45:09

We have shelter, we have food, we have close, we get to the top of the pyramid and we start to get like boozy with altitude sickness and start screaming at each other about the culture war and this is this is the Electorate that I see taking over in parts of the the American, right?

And it's clearly incredibly powerful in Britain which is older and has an older electorate that has a with a really really high turnout rate.

45:33

Let's end with a question on the near future of the economy.

What do you think is next for the UK?

How bad could things?

Get things are going to be a little bit better than if you'd asked me that question a few days ago.

So we now Had this list truss and you prime minister's announcement on capping energy bills.

45:54

So what we're now looking at is energy bills which are sort of Incredibly painfully high for households and firms, but still an order of magnitude smaller than they would have been read as cap.

I think it is still likely.

46:09

Britain is going to fall into recession next year.

It's still likely.

We're going to have, you know, quite Grim High inflation for at least the next five or six months, but things are not going to be quite as bad as they would have been if the government hadn't

stepped in and limited these energy price rise, In the same way governments across Europe are currently doing.

46:32

Duncan Weldon, thank you so much.

Thank you.

I'm Jerry Thompson.

That was plain English.

Thanks very much to our producer, Devon manzi.

If you have any questions comments ideas for future episodes, please shoot us an email at plain English at Spotify.com.

46:49

That's plain, no, space English at Spotify.com.

And don't forget to check out our new beautiful Tik Tok.

Page, you can find us at ex plain English underscore.

Yes, that's it.

Plain English underscore and we'll see you on the tick-tocks.

47:08

Thanks very much.