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How his 'Brexit' project explains Johnson's dithering on Covid-19

Paul Mason explains how Boris Johnson's initial response to the coronavirus came from his particularistic empire nostalgia

On 19 March, even as its health service came under growing pressure from the coronavirus, the British government flatly refused to take part in a European Union joint-procurement scheme for vitally needed ventilators. The reasons are shrouded in obfuscation: the prime minister, Boris Johnson, first claimed the United Kingdom was going it alone 'because it has left the EU', but later he blamed an administrative error.

By then, the UK was two weeks into its disastrous 'herd immunity' strategy, whereby it refused to impose movement restrictions and — as we now know — spurned the mass testing advocated by the World Health Organization.

Some people have assumed that — as with the US president, Donald Trump, at the same stage — Johnson was prepared to sacrifice lives on a large scale to save the economy. But it's even simpler and more cruel than that. The entire month of February was wasted to save his 'Brexit' project.

Breaking commitments

Though Downing Street made no official announcement on the coronavirus until 3 March, it was on Johnson's mind as a threat to Brexit exactly a month earlier. In a florid speech, set amid the splendour of Britain's 18th-century naval college in Greenwich, he announced the UK would effectively break the terms of the Political Declaration co-signed with the European Union in October 2019.

London would not honour its commitments to a 'level playing field', on social, environmental and employment regulations, and would not accept any form of joint jurisdiction, Johnson indicated. And if the EU didn't

like it, preparations for a no-deal Brexit would begin as early as June.

Far from mirroring and matching the regulations of its closest trading bloc, the UK would now become a country single-handedly committed to breaking up all trading blocs, aggressively reordering world trade — just as during its naval sway in the days of Robert Clive and Horatio Nelson.

Public experiment

Most people missed it at the time, but the entire narrative was framed around a response to the coronavirus.

'When there is a risk that new diseases such as coronavirus will trigger a panic and a desire for market segregation that go beyond what is medically rational to the point of doing real and unnecessary economic damage,' Johnson said, 'humanity needs some government somewhere that is willing at least to make the case powerfully for [...] the right of the populations of the earth to buy and sell freely among each other.'

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The UK was to be that country. And, in the name of avoiding 'unnecessary economic damage', Johnson then subjected the entire British population to an experimental public health strategy which — until it was corrected on the advice of Imperial College researchers — might have killed a quarter of a million people.

While other European countries imposed legal population lockdowns, testing tens of thousands a day, Johnson's initial aim was to 'take it on the chin' — allowing 80 per cent of the population to catch the disease. He feared — rightly as it turns out — that Covid-19 would be yet another nail in the coffin of trade and financial globalisation, and thus the negation of the premise of his Brexit project.

Threat unsustainable

Though the 'herd immunity' strategy has been abandoned, so far Johnson is sticking to the threat of a no-deal Brexit.

Yet a glance at the realities of the world economy show that it is unsustainable. Numerous 'sudden stops' are under way, both on the demand and supply sides of the real economy. In response there is capital flight from two key sectors: emerging markets and developed-country

commercial paper. And as investors scramble for short-dated government debt, as a cash equivalent, even the market for government bonds has been in turmoil.

According to the ratings agency Fitch, it is likely that global gross domestic product will fall by 1.9 per cent for the whole of 2020, with the UK and the eurozone seeing year-on-year declines of 3.3 and 4.2 per cent respectively. And these projections are being made before we know the extent of any secondary financial aftershocks.

The best-case scenario is a V-shaped recession, with GDP back to its pre-crisis levels only in late 2021. If central banks and treasuries cannot stave off financial chaos, a longer, U-shaped recession becomes likely. If, on top of that, austerity-addicted politicians decide to attack wages and public spending in the budget rounds of 2021, it is possible parts of the world will experience a Greek-style, L-shaped recession, during which some governments go bust.

Illusion shattered

In this context, proceeding with the December 2020 deadline — and the threat of a no-deal Brexit to be triggered in June — is self-destructive. But then again so was the refusal to collaborate on procuring medical supplies, and so was the 'herd immunity' strategy.

Johnson had convinced himself that—by disruptively leaving the single market — he could set a chain reaction going against the rise of protectionism and the emergence of trading blocs. Just two months later, that illusion has been shattered. The coronavirus has, if anything, accelerated the deglobalisation of the world which began after 2008.

At a purely physical level, given the likelihood that the virus will recirculate in waves for years, international travel is likely to be disrupted. As major powers scramble for the industrial capacity to produce ventilators, masks, tests and vaccines, there are calls everywhere for the creation of more secure and reliable local supply chains.

The absence of global leadership and co-ordination amid the coronavirus crisis signals that the exit from it may be competitive, insular

The same goes for food: the panic buying which swept the developed world's supermarkets in March reflected the rational fear of people at the end of global supply chains that these might break, or be vulnerable to political disruption, as the virus spreads to the food-producing regions of the world.

and in some cases autarkic.

And the next deglobalisation will be of finance. Up to now the fiscal stimulus unleashed by many countries has failed to show up in deficit figures and debt projections. In the UK's case it is hard to see anything smaller than £200bn being added to public debt. In the USA, Wells Fargo estimates the crisis will enhance the federal debt by USD 2.8 trillion. As for the eurozone, the final figure depends on whether the peripheral countries overcome the resistance of Germany and the Netherlands to debt mutualisation.

Qualitative change

Once we emerge from this recession, the world will have changed in a qualitative way. The combined government debts of the G7 countries will be way above their pre-crisis average of 118 per cent of GDP. Some central banks will have begun to 'monetise' those debts — buying gilts directly from their treasuries — thereby placing pressure on the free flow of capital across borders, and on some currencies.

For Britain voluntarily to trigger a no-deal crisis in this situation would be madness. Even the emergency supplies which ministers take delight in personally delivering in front of the cameras are drawn from stockpiles amassed in preparation for a no-deal Brexit.

The absence of global leadership and co-ordination amid the coronavirus crisis signals that the exit from it may be competitive, insular and in some cases autarkic.

China is using its early recovery to pursue overt diplomatic and trade leverage with countries signed up to its Belt and Road Initiative. Russia is using the crisis to attempt to destabilise eastern Europe, its state media continually blaring the message that the EU is collapsing. The United States, which has unleashed the biggest and most direct fiscal stimulus, and whose central bank is for now playing a global leadership role, is simultaneously engaged in a medical supply-chain land grab, using every ounce of its geopolitical muscle.

Project dead

Domestically, Johnson's project is already dead. The whole point of hard Brexit was to deregulate the labour market and reduce social protections and environmental standards, while scapegoating 'migrants' and 'Europe' for everything that went wrong. It is not clear whether, in the aftermath of the crisis, Johnson will even survive the inevitable public inquiry into

the decisions made.

As for the Greenwich speech, the world it was made in has disappeared. It was always an illusion that the UK could somehow kickstart a second wave of globalisation on its own. Realistically, it might have done so as the sidekick to a US government similarly inclined. But Trump wants to do the opposite — and it is hard to see any US president emerging from the trauma of the epidemic with the willpower to revive an open, multilateral global order.

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The UK Treasury has given up trying to predict the negative economic effects of a hard Brexit: its guidance to its own forecasters at the Office for Budget Responsibility at the March budget was perfunctory. In November 2018, however, it predicted that, 15 years after a hard Brexit, Britain's GDP would be 9.3 per cent lower than if it had stayed in the EU. The short-term effect of no deal, modelled around the same time by the Bank of England, was a drop in output of 3 to 7 per cent in a single year.

Even by a crude process of addition — let alone the multiplier effects of consecutive crises—it is obvious that a hard Brexit on 31 December could turn a sharp, six-month recession into a two-to-three-year slump.

Labour's task

Keir Starmer, who now assumes control of the Labour Party, knows the hard Brexit project was always designed as a political trap. If he acts in the interests of the country and the electorate, by insisting on a deal which maintains a level playing field with access to the single market, Labour will be pilloried for 'sabotaging Brexit'. Yet if he calls for a one-year delay, yet again the right-wing rhetoric of 'betrayal' will be deployed.

Starmer has said that rejoining the EU is off the agenda for the foreseeable future. Given his strategic task is to reconnect the party with communities where there is deep xenophobia and Euroscepticism, that is sensible.

But in a world order facing disintegration, geographical facts prevail. The EU is the UK's main trading partner; after nearly half a century of participation, European integration is imprinted on its laws, customs and culture; and, as the world becomes insecure, its security relies on the security of Europe. So long as the EU coheres as a single market, Britain's

safest place is within its orbit.

Starmer's internal critics, on the socially conservative 'blue Labour' wing and on the economic-nationalist left, want the party to forget about Brexit. Unfortunately that's not possible.

Labour needs to call immediately for a one-year delay to Brexit, and for the repudiation of the UK's February 2020 negotiating document, in favour of a comprehensive trade agreement leaving it in close partnership with the EU, while keeping migration as open as possible.

Finally, it is worth noting the difference between the UK's global role today and that which it played in 2008. The then prime minister, Gordon Brown, convened a G20 summit which produced real and lasting post-crisis co-ordination, both of stimulus and regulation. Johnson may have luxuriated beneath the Greenwich murals depicting Britain's former greatness, but Brown actually did something.

And that is the final part of the critique Labour must put in place: a global fiscal stimulus, monetary co-ordination and a transnational industrial mobilisation are all essential to beat this virus.

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