

Next UK government must address 'long-term scars' of Brexit and austerity – study

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London (DNA) - A decline in effective national governance and the "long-term scars" caused by austerity measures and Brexit have stifled economic growth and undermined social cohesion in the United Kingdom, according to a study.

Researchers concluded that an incoming government must make up for "lost" decade and a half since the global financial crisis in 2008, with urgent structural changes required to prevent "severe problems" impacting citizens' quality of life.

With the General Election in the UK approaching on July 4, polls suggest Labour is on course for a return to power for the first time since 2010.

But researchers at the University of California Los Angeles (UCLA) and the Hertie School, a university in Berlin, Germany, have warned the next government will face "several interlocking crises" caused by past failings, with a decline in the quality of governance identified as the key cause.

The report highlights that the UK's governance has repeatedly been among the highest performing countries globally. But it identified "signs of stagnation and erosion", with a particular focus on a lack of state capacity to address pressing social and economic challenges.

The research evaluated the last 14 years of Conservative rule using the Berggruen Governance Index (BGI). This assessment views quality of life in a population as resulting from the interaction between the strength of democratic accountability and the capacity of government to function effectively.

Researchers said the UK began the new millennium with high levels of government performance, but identified factors which were said to have subsequently weakened democracy and state capacity. These included a lack of investment in infrastructure and growing regional inequalities which "resulted in a palpable political backlash", particularly since the mid-2010s.

Political scandals, such as lockdown rule-breaking in Downing Street during the pandemic and breaches of parliamentary standards by MPs, "amplified public discontent", leading to near-record low levels of trust in many UK public institutions, the report said.

It added: "The immediate result of frequent scandals and low economic performance will likely be the repudiation of the Conservative Party on a historic scale at the polls on July 4th."

"However, the (likely) incoming Labour government will have a daunting task ahead as it seeks to restore public trust and rebuild an economic model for long-term growth."

Labour has prioritised economic growth with a range of pledges. These include a promise to abide by strict rules on taxation and public spending to provide stability, reforms to the planning system to boost housing and infrastructure, and investment in clean energy jobs.

However, the Institute for Fiscal Studies, a leading think tank, has accused both Labour and the Conservatives of engaging in a "conspiracy of silence" and ignoring "difficult choices" on spending at a time of high taxes and struggling public services.

Despite the challenges, the Berggruen Governance Index still ranks the UK's governance among the highest of the 145 countries assessed. The UK's scores for quality of life and democratic accountability have remained largely consistent between 2010 and 2021.

However, the score for state capacity, or the quality of government, has seen a more substantial decline, with a five-point drop over the period.

The report suggests this is due largely to an "interplay" of austerity and political dysfunction, with the economic stagnation after 2010 leading to a focus on polarising issues such as Brexit and migration.

These debates dominated over more complex and pressing domestic issues, leading to structural

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reforms being sidelined to "get Brexit done", the report said.

Consequently, the UK had less disciplined leadership and a weaker governance structure when the pandemic began in 2020, it added.

Researchers concluded that later leadership scandals such as Liz Truss's mini-budget, which have further undermined trust in government, "could likely not have been possible without these two factors in place".

Identifying the economic causes of the UK's governance challenges, the report said the UK has not recovered from the global financial crisis in 2008.

Austerity measures introduced by the Conservatives after 2010 substantially increased regional inequality while lower investment "sapped the UK of long-term sources of growth", the report said.

The backlash against this approach contributed to the outcome of the 2016 referendum on EU membership which "still haunts the UK economy and political system to this day", it added.

Analysis by the World Bank show the UK lagging well behind the EU average for capital formation, which is one measure of investment, every year since 2020.

"This chronic lack of investment is one obvious explanation for the UK's infrastructural woes such as crumbling transport and a lack of affordable housing near employment centres," the report said.

This has coincided with the UK also having "extremely low" productivity growth and stagnating gross domestic product, which the researchers warn could "accelerate" pressure on the UK more broadly if the next government "does not adopt a course correction and grow the economy".

The lack of significant growth since the financial crisis has also left the UK with relatively high interest payments due to the scale of fiscal deficits, the study shows.

The report said that while regional inequality partially drove the vote to leave the EU, it has also been exacerbated by the results of that decision, with EU funding to poor regions "drying up" after Brexit.

In conclusion, the research said: "Post-2010 austerity and the decision to leave the EU have left long-term scars on the UK economy and are wearing on the country's social cohesion. "

It called for the reasons behind the erosion of state capacity to be examined, and for the UK to "finally must take regional planning seriously".

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