

Treasurer's Lecture - Monday 9 November 2020

Sir John Major KG CH - The State We're In

On this day in 1923, Hitler failed to seize power in Germany; in 1938, it marked Kristallnacht and the Nazi assault on Jews; and, in 1989, the Berlin Wall fell. Each of these events impacted on the wider world – and that wider world will now impact on “The State We’re In”.

The future of that State requires plain speaking if we are to be honest with our nation. And, of course, with ourselves. The great powers of our age are the United States, China, and the European Union.

The world they straddle is fractious. The values of liberal society are stalled, if not in retreat. America and China are in a Trade War and an embryonic Cold War. Europe and America are far apart on many issues, but both deplore China’s authoritarian direction under President Xi.

Lesser powers like Russia – the Great Disrupter – and Turkey continue to subvert and to meddle. Free trade and globalisation are now widely questioned. Migration and radical Islam are an ever present problem. Populism continues to promote prejudice and racial intolerance. And, in many nation states, autocracy has grown – and democracy has fallen back.

Our world seems ill at ease, at a moment when harmony and collective decision-making seem more and more essential for our security and well-being. The post-War settlement is out of date. The United Nations is hamstrung by the rules of its own Security Council. The World Trade Organisation is paralysed, with no functioning resolution dispute procedure. The World Health Organisation is under-funded, under-powered and under attack. Despite all this, *no* nation seems prepared to lead the case for reform.

The financial crash of 2007 weakened many countries and the lives of billions of people; and, in the year of Covid, trillions of dollars have been diverted from growth as the virus has increased hardship on every Continent.

This is the wider context in which the United Kingdom must prepare for our future, whilst facing the added challenges of Covid-19 – and Brexit.

Our country has many virtues but, if we are to be successful in this challenging environment, we need to be cruelly honest with ourselves about what needs to be done to ensure our political and economic wellbeing.

If we’re complacent, we betray our own interests. If we see ourselves through rose-tinted spectacles, then we will deceive ourselves.

Complacency and nostalgia are the route to national decline. So I favour reality and optimism – but with the warning that false optimism is deceit by another name.

We are no longer a great power. We will never be so again. In a world of nearly eight billion people, well under one per cent are British.

We *are* a top second-rank power but, over the next half century – however well we perform – our small size and population makes it likely we will be passed by the growth of other, far larger, countries.

In recent decades, we have consoled ourselves that we “punch above our weight” in international affairs. I think that *was* true: but that was *then*, and this is *now*.

Our hefty international influence rested on our history and reputation, buttressed by our membership of the European Union and our close alliance with the United States.

Suddenly, we are no longer an irreplaceable bridge between Europe and America. We are now less relevant to them both.

COVID

At home, we must face Covid. Covid has already left many families bereaved and bereft. It has changed lives and work patterns, cost billions, increased national debt and annual deficits. It has destroyed public tolerance of austerity, and made tax rises inevitable – although not, if we are sensible, until the economy is more healthy.

The virus also presents a formidable obstacle to one of the Government’s better instincts. Their intention is to level up the regions and help individuals “left behind”. The pernicious effect of Covid will be to level *down*. The problem is not so much the gap between rich and poor, but that the poor may become so indebted and destitute they are unable to maintain themselves – or their families.

The classic response to tide people over – until the private sector returns to full capacity – is for social subsidy out of taxation. But billions upon billions have already been spent, and friction between the extent of need and the capacity to help is inevitable.

And there are many in need of help – businesses forced to shut down, the unemployed, the self-employed, the care sector, health, the arts, sport: the demands on the Exchequer are beyond anything we have known in peacetime. The Government deserves credit for what has been spent so far, to set against criticism for unmet needs. But I do find it surprising that – in the midst of the Covid crisis – the Government appears to be fostering disputes with the Judiciary, where all Governments should tread carefully; the Civil Service, upon whose help the Government depends; and the BBC, still the most respected broadcaster on the planet.

These are unmerited distractions from the issues the country needs them to focus on.

BREXIT

The core change in the New Britain being forged is – Brexit. It has been hidden behind Covid for a few months. It has not gone away. You have to be wilfully in denial not to see the damage already done, and not to be concerned at what it might mean.

Brexit divided England and Wales from Scotland and Northern Ireland. It divided political parties and families; the young and their elders; business and trade unions; and friend from friend. As its full impact becomes apparent in the New Year, old wounds may re-open.

There is no consensus on Brexit, and never has been. It was a bitterly divisive policy, and uncorked a populism that may be difficult to quell.

The Referendum debate was unlike any I have known before. Emotion overcame reality. And, in the search for hearts and minds and votes, fiction defeated fact and fostered a belief in a past that never was – whilst boosting enthusiasm for a future that may never be. If that mode of politics takes root, it will kill all respect in our system of government.

In the Referendum, Britons voted to leave the European Union. I have never hidden my view, nor have I changed it. To my mind – and I am no starry-eyed European – Brexit is the worst foreign policy decision in my lifetime.

I have seen the EU from the inside and know its frustrations. But have no doubt we were better off *in* than we will be *out*. The decision to leave will damage our future in *many* ways, and the reassurances we are given are unconvincing.

Brexit was sold to our electors on false premises. Promises made will not – indeed, cannot – be kept. To leave the EU – to separate ourselves from our neighbours – was sold as “regaining sovereignty”, but it is, and will prove to be, a long and painful ball and chain on our national wellbeing.

After the Referendum, Brexiteers did not even bother to argue the merits of their case – why should they? – it was “the will of the people”. And once “the will of the people” was asserted as a repeated mantra – and the Brexit leaders claimed to speak *for all* “the people” – any opposition to Brexit became illegitimate, and any contrary view was howled down.

Free speech for those who supported remaining in the EU came at a price. They were pilloried as “Remoaners”: sticking to long-held principles and policies, and warning of clear dangers ahead was depicted as “sour grapes by sore losers”.

Even Judges were denounced as “Enemies of the People” for ruling on a Point of Law. Opponents of Brexit were cowed, and free speech was curtailed. It was shameful. *No* democracy should find itself in such a position.

Overseas, the outcome of the Referendum delighted our enemies and dismayed our friends. As our nation voted *against* its history and its self-interest, a bemused world looked on, wondering why we had chosen to become poorer and less influential.

Brexit was sold to the nation as a win-win situation. It is *not*. We were promised we would stay in the Single Market. We have *not*. We were told trade with the EU would be frictionless. It will *not* be. We were promised we would save billions in payments to the European Union: a bus was driven around the country telling us so. Not so: Brexit is *costing* billions – not *saving* them. We were told that our “liberated country” could cut back on bureaucracy and regulations. We now know they will increase – and dramatically. We were promised we would strike lucrative trade deals with America, India, China and others in quick time. Japan apart – we have *not*.

More recently – and for the first time in our long history – Ministers have proposed legislation giving them powers to break the law. This is a slippery slope down which *no* democratic Government should ever travel.

And, it was claimed, Brexit wouldn't increase support for Scottish independence or a united Ireland. It *has*. It defies logic that intelligent men and women making such extravagant promises did not know they were undeliverable – and yet they continued to make them. It was politics. It was campaigning. It was for a cause. It was also *unforgiveable*.

If that is how we are going to conduct our public affairs, then not only will our politics truly fall into a bad place, but our word as a nation will no longer be trusted.

POST-BREXIT TRADE

Trade has always been the life-blood of our prosperity. We were promised a comprehensive trade deal with the EU. We were told this would be “*the easiest deal in history*” because “*we hold all the cards*”. Apparently not.

As the politics changed, the promises were ditched. We can now look forward to a flimsy, barebones deal – or no deal at all. This is a wretched betrayal of what our electors were led to believe. It now seems that on 1 January next year, Brexit may be even more brutal than anyone expected.

Brexit is no friend of free trade with Europe. It *may* set up new tariff barriers. And it certainly *will*:

- set up non-tariff barriers;
- damage supply chains;
- add to regulations;
- demand new customs and security declarations;
- require Rules of Origin to prove where spare parts came from;

- require tens of thousands of customs agents to process new bureaucracy;
- create huge stockpiling dilemmas; and
- require new massive storehouses to hold supplies.

These costs and complexities are the certain legacy of Brexit. This is as a result of our negotiating failure – and it *is* a failure. Because of our bombast, our blustering, our threats and our inflexibility – our trade will be less profitable, our Treasury poorer, our jobs fewer, and our future less prosperous.

This is not hindsight wisdom: this outcome was not only foreseeable, *it was foreseen*. Unfortunately, in a brilliant mis-direction, all warnings were scorned as “Project Fear” and ignored. And, to add tragedy to farce, it was the people who were misled who will now lose out. The Government has not been frank about our negotiations with Europe.

They say we are merely asking for a Canada deal, but that’s not so. We are asking for a deal *without* tariffs or quotas and for *more* on haulage, on energy, on aviation – and we are a bigger trading rival than Canada and nearer to the EU. The Canada comparison is – to put it kindly – disingenuous. And to refer to an Australian deal is absurd. There is *no* Australia deal. It is a fantasy: a euphemism for no deal at all – and the Government should say so.

Its reputation will suffer if it is not honest with the British people about this. It is time to stop putting Ministers on the media who speak to a pre-prepared script and parrot misleading or pointless slogans. There are hopes of trade deals with America, China and India. They would be welcome but, once again, the promises are overdone.

One day, I am sure, we will get the much-heralded trade deal with America, originally promised for last Spring, then Summer – now, who knows? When it does come, it will benefit America far more than us. It may be symbolically important, but it won’t be an economic game-changer.

The promised trade deal with China is highly unlikely in any near timescale. Our ice-cold diplomatic relations with Russia rule out a trade deal with her, too. And, if we wish to have a trade deal with India, the Government must realise that we cannot seek it on a Monday, and restrict immigration from India on Tuesday – it is a poor optic and a worse negotiating strategy.

The macro arguments against Brexit: the economic and social damage, our weaker position in the world, and the loss of trade advantages, may seem remote. They won’t prove to be.

WIDER IMPACT OF BREXIT

And lesser issues will impact directly:

- the loss of freedom of movement in Europe;

- higher food prices;
- more expensive holidays;
- the withdrawal of EU driving licences;
- the cost of health insurance without the free cover of the European Health Card;
- the loss of the Pet Passport Scheme and the expensive – and time-consuming – effort to get approval for pets to travel;
- higher roaming charges for mobile phones;
- slower entry and more delays at European airports; and
- the loss of the *automatic* right to work, live or study in the EU.

Small irritations, some may say, but – collectively – a significant loss of freedom that will be an unwelcome surprise to many as Europe itself begins to “*take back control*”.

When the present phase of Brexit is over, it is important we negotiate a more comprehensive relationship with the EU than is likely to emerge from the present negotiations. We should seek bilateral agreements in areas of trade and policy which have not been agreed in these rushed negotiations. We should work with the EU to address global problems. And we should recognise that the nations of the EU are bound with ourselves in ties of common interest, history and future destiny.

To ignore this would be a dereliction of our national interests.

SCOTTISH INDEPENDENCE

One deeply troubling effect of Brexit is the risk of breaking up the UK by increased support for Scotland to leave the Union, and Northern Ireland to unite with the South.

Neither will do so immediately, but the combination of Brexit – and the unpopularity of our present Westminster Government in Scotland – has increased the likelihood of a breach. I remain a convinced Unionist. *Every* part of the UK is richer – and of more weight in the world – if they stay together. The most likely to leave is Scotland. If she does, it will not only weaken Scotland, but also undermine the rump of the UK. It will be a step into the unknown for us both. The problem is politics.

The *raison d'être* of the SNP is an independent Scotland while – for many Conservatives – Unionism is at the heart of their philosophy. It is a challenge to see whether that chasm can be bridged.

To keep the Union together will require consensus, consideration and consultation. The Government must engage, coax, encourage, and examine every possible route to find an arrangement that will obtain a majority for union. It will be difficult – and is made even more so by the posturing of English and Scottish nationalists.

In law, the Scots require the approval of the Westminster Government before they can legally hold a new independence referendum. But refusing one might help the separatist case, by adding to the list of grievances the Scottish National Party exploit with such skill.

The choice for the UK Government is either to agree the referendum can take place – or to refuse to permit it. Both options come with great risk. But the lessons of Brexit may offer a way ahead.

The Westminster Government could agree for an Independence Referendum to take place, on the basis of *two* referenda. The first to vote upon the principle of negotiations, and the second upon the outcome of them.

The purpose of the second referendum would be that Scottish electors would know what they were voting for, and be able to compare it to what they now have. This did *not* happen with Brexit: had it done so, there may have been no Brexit.

Many Scottish voices – and especially business – may support the logic of this: it may focus minds away from a short-term reflex opposition to a perceived English Government, and back to the mutual and long-term virtues of the Union.

NORTHERN IRELAND

Brexiters affected not to notice that Northern Ireland's support for the European Union pulled the Six Counties more into the orbit of the Republic of Ireland.

This was exacerbated when the Prime Minister's renegotiation of Theresa May's Withdrawal Deal left Northern Ireland more integrated with the Republic than the rest of the United Kingdom. It was sold as a triumph, but it was a surrender.

These developments accompanied a third reality: the Nationalist population in Northern Ireland is growing faster than the Unionists, and is close to a majority.

The conjunction of these events is to increase the future possibility of a border poll – already sought by Sinn Fein – to vote upon a united Ireland.

I doubt that such a poll would be won at present. Not all Nationalists will vote for unity. The Republic would find it hard to absorb the weak economic structure of the North.

The time for a poll is not yet come. But it will. And if – when it does – the Northern Irish vote for unification, then those who ignored the warnings that Brexit posed will have to answer for the dismantling of a further part of the United Kingdom.

THE RULE OF LAW

And, here in Middle Temple, one issue cannot be ignored. The Rule of Law. Earlier I referred – in passing – to the provisions in the Internal Markets Bill that empower a Minister to disregard aspects of the Treaty the Prime Minister agreed earlier this

year. This action is unprecedented in all our history – and for good reason. It has damaged our reputation around the world.

Lawyers everywhere are *incredulous* that the UK – often seen as the very cradle of the Rule of Law – could give themselves the power to *break* the law. Moreover, at a moment when we need to maximise our commercial activities, this Bill has had a corrosive impact on the reputation of English and Welsh jurisdiction. This may have a practical cost.

International dispute resolution can be conducted anywhere overseas and the Bill could erode the present pre-eminent position of the UK and, perhaps, especially London. Was this considered when the Bill was drafted? Was there consultation with the legal profession? If not, why not? And if there *was* consultation – why was it ignored? Similar concerns apply to the clause that seeks to exclude Judicial Review in delegated legislation.

I cannot believe it is compatible with the Rule of Law to protect executive Acts from judicial scrutiny: put simply, Ministers *must* be subject to legal restraints. They *cannot* be above the law. And all individuals must have access to the law. Our delivery of justice must be seen to be fair and impartial – access to the law must not depend upon the size of your bank account.

Magna Carta promised:

“To no one will we sell, to no one deny or delay right or justice”.

And yet, an individual – if denied legal aid – may not have the resources to right an injustice. That can *deny* justice: it *cannot* be right. Nor can it be right to denigrate our Judiciary. They are *not* the “Enemies of the People”: they are the *guarantors* of our liberties under the law. It is the responsibility of Parliament to uphold these liberties if they are threatened by *any* source: not to do so would be to curtail an essential freedom. I have set out some concerns about the present state of our country. But I wouldn't wish to be misunderstood.

Throughout my life I have travelled widely and – in the last 20 years – almost incessantly. In all my travels I have found nowhere I would wish to live, other than here in the UK. That said, I believe we have a duty to make life better for this – and future generations – to whom we will be passing a difficult legacy.

In hard times, there is often an inflection point that changes minds, and compels policy that otherwise could not be easily implemented. The combination of hazards before us may be such a moment.

To make it so, policy should be set to pave the way to a fairer, better, safer, and – in time – more prosperous future. We will all have to bear burdens for such aspirations to become a reality, but that is both our privilege and our responsibility. The very core of well-being is an expanding economy, efficient health provision and quality education.

The Government's "levelling up" strategy is essential. So is – sooner rather than later – a credible system of social care for the elderly. For future employment, we will have to focus increasingly on vocational education, and give such skills the respect they deserve.

It is essential we remain a *United* Kingdom – and reinforce the values that have built our reputation. If we cannot again be a great *power*, we *can* be a great *example*. If we cannot *compel*, we *can influence*.

We can build up our soft power to sustain our profile. We can use our diplomacy to raise issues that need multi-nation action. We can be "*Global* Britain" in more ways than trade. But, to be so, we must reject the narrow nationalism that some have imported into our politics.

We must put aside the notion of "British exceptionalism": it is a fantasy baked into the minds of those who do not know how the world has changed.

But – we *can* be exceptional. All this – and more – can be achieved.

We like to think of ourselves as the land of hope and glory. "Hope" is essential – most especially during the darkest of times. But I am ambivalent about the "glory".

I will settle for a land that is *united* and *prosperous*; which rises above challenges – as it has done so often in the past; whose word is trusted both near and far; and whose people are seen to be decent, fair and compassionate to all. In *every* corner of our United Kingdom that remains the instinctive heartbeat. And it is one which I hope will always prevail.