



By: **Daniel Lacalle**

From Failing on the Brexit Promise to Socialist Stagnation



Many people blame Brexit for the UK's problems. However, the stagnation of the British economy and its challenges are the same as those faced by most European neighbours, especially France and Germany.

If the UK had remained in the EU, the economic outcome would have been similar, as it has not removed any of the barriers to growth that still affect its former EU partners.

The UK's problem has not been Brexit but the failure to deliver on the promise to remove excessive regulation, high taxes, and misguided immigration policies. In other words, the true problem is socialism, not Brexit.

It's also important to remember that when we talk about socialism, we must consider the Huerta de Soto's **definition** of "any system of institutional, methodical aggression against the free exercise of entrepreneurship".

The UK suffered from a form of conservative socialism, and much of the blame lies with Sunak and May, the Conservative leaders who broke their promises and kept the high taxes, regulatory obstacles, and trade barriers of the European Union.

Liz Truss dared to **present** a pro-growth, supply-side plan that would have lifted the UK from the dire stagnation situation it was in.

However, the mainstream sabotaged her and blamed her for a bond rout that had nothing to do with her budget and everything to do with the consequences of the inflationist policies of central banks and governments before her.

At the same time that UK bonds were experiencing a decline, Japanese and French bonds also plummeted as inflation expectations shifted from being considered "transitory" to "persistent."

However, nobody in the mainstream said anything about the French, Japanese, or current Labour Party budgets nor demands for resignations because those are poster boys of the new religion of neo-Keynesian statism,

which must be imposed at any cost.

As expected, Truss was forced to resign, and the Sunak administration **implemented** anti-growth policies, raising both taxes and public spending.

What happens when Conservatives abandon their principles of low taxes and deregulation? Voters faced the unappealing option of conservative socialism or more socialism. And they got socialism.

Starmer's budget: worst in decades

The budget **presented** by Keir Starmer's government in 2025 is the worst in decades. With public spending soaring, confiscatory taxes, and a horizon of unchecked deficit and debt, the country has witnessed a mass exodus of millionaires, a worrying rise in unemployment as of June, and disastrous fiscal management.

Starmer has enacted a deeply interventionist fiscal policy marked by a massive tax hike—over £40 billion in new taxes—which stifles investment and penalises the private sector.

The Labour government's budget increases public spending by £69.5 billion, or 2.2% of GDP, per year from 2025 to 2026. Two-thirds of this spending goes to current expenditures.

Once it became evident that deficit, and debt would spiral, the yield on the UK 10-year government bond surged and is trading around 4.68% as of July 18, 2025. Yields have fluctuated within the 4.5%-4.7% band and represent a notable jump from previous periods.

The fiscal disasters in France and Japan were ignored, while Truss was forced to leave

UK bond yields are at the highest level since

2022 but with three times lower inflation than when Truss was forced to resign. However, nobody resigns, because socialism must be whitewashed at all costs.

Liz Truss was sabotaged and forced to resign for presenting a pro-growth budget that cut taxes and encouraged economic expansion. The social-democratic Keynesian consensus pushed her out because bond yields rose.

Those same people remained silent when bond yields spiked in France and Japan at the same time and look the other way now when yields adjusted for inflation are in much worse territory.

Let us make things clear. Bond prices plummeted worldwide in 2020–2022 due to the inflationist policies of central banks and governments, not Truss's budget.

Unfortunately, Keynesian orthodoxy shields those who raise taxes and spending and attacks anyone cutting taxes. Thus, the fiscal disasters in France and Japan were ignored, while Truss was forced to leave.

The 2025 wealth exodus

After Sunak's disastrous approach, who, despite being Conservative, implemented policies more socialist than many European social-democrat governments, Starmer now leads the UK into an even greater collapse of sovereign bonds. Yet, no one resigns; the newly established dogma of predatory statism must be protected.

“Wexit”: The Wealth Flight

In 2025, the UK faces the largest exodus of millionaires in the world, with an **estimated** 16,500 people with wealth exceeding one million dollars leaving the country this year, according to the Henley Private Wealth Migration Report.

This “haemorrhage” is double that of China, which ranks second. The cause: regressive tax changes, legal uncertainty, and a perception of

diminished economic freedom following the harsh budget.

This outflow, dubbed “**Wexit**” (wealth exit), erodes the tax base and damages investment, driving away highly qualified professionals across finance, technology, and law.



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Labour Market Weakness

Recent labour data show severe deterioration. In June, the UK's unemployment rate **rose** to 4.7%, the highest since 2021. The latest available statistics show that only part-time contracts drove employment growth in June, with permanent, full-time jobs barely increasing.

The number of job vacancies **fell** to 727,000, the lowest since the pandemic. The inability to create quality jobs and weakening economic activity are direct consequences of fiscal irresponsibility.

A Triple Crisis of Confidence

Starmer's budget, far from reassuring markets and strengthening social stability, has opened a triple front of mistrust. UK 10-year bond yields have **surpassed** 4.5%, which is higher than at the worst point in 2022 and even worse when adjusted for inflation; capital flight is eroding the investment outlook, endangering tax revenues, while rising unemployment and stagnant wages are increasing social discontent.

The sad conclusion is that the UK voted to eliminate EU barriers and taxes, but the worst forms of socialism have prevailed while all the old obstacles remain. Now, Starmer is adding more burdens to growth.

As it stands, the United Kingdom suffers the worst of the EU and has seen none of the Brexit promises. Falling competitiveness, stagnation, capital flight, and poorer social and economic outcomes are direct consequences of abandoning supply-side policies and extending interventionism.

The UK does not have a problem with human capital, entrepreneurship, or financial market strength. It has a political problem. The UK could have lifted itself from stagnation with higher growth and more investment, and now its government seems content with stagnation and excruciating taxation.