



By: *Anatole Kaletsky*

Why reconsidering Brexit remains the only viable option for Labour?



In the next few weeks, Britain's ruling Labour Party will almost certainly select a new leader to replace **Keir Starmer**, the country's deeply unpopular prime minister.

But this prospect has not inspired hope of a political or economic renewal. Among British media and, more importantly, global financial markets, the consensus is that any revisions to the failing Starmer government's policies will only make things worse.

One is reminded of the arch-conservative Victorian-era prime minister Lord Salisbury, who asked: "Change? Change? Aren't things bad enough already?"

Yet there are good reasons to believe that the consensus is mistaken. For starters, all Starmer's potential successors now explicitly recognize that stronger economic growth is a necessary condition not just for fiscal solvency, but also for Labour's political survival.

Second, every contender implicitly understands (even if they do not openly admit it) that Labour's failure to bolster economic growth was predetermined by the original sin of Starmer's 2024 campaign.

After all, Starmer promised to transform the dismal economic conditions created by 14 years of failed Conservative governments, but not to abandon any of their most macroeconomically significant policies.

Specifically, his campaign manifesto included two foolish commitments that negated his chances of improving the United Kingdom's economic performance: a promise to stick to unrealistic fiscal forecasts without increasing any broad-based taxes; and an adherence to the Conservatives' "red lines" on the country's post-Brexit relationship with Europe.

Given that fiscal austerity and Brexit were the primary causes of the economic and political malaise that Labour promised to cure, Starmer was destined to fail. To succeed, his successor must abandon either or both commitments.

Throwing out the Tories' "red lines" on Europe would probably be a more attractive option than an increase in broad-based taxes. Economic rapprochement with Europe would immediately boost both the British economy and the new prime minister's domestic political support.

New entente with Europe

On this tenth anniversary of the Brexit referendum, the economic costs of leaving the European Union have become too obvious for anyone to deny.

Credible **estimates** of the damage range from a catastrophic loss of 8% of GDP to 1% at the lower end.

Even committed Brexiteers no longer question this, though they insist that relative penury is "a price worth paying" for the restoration of national sovereignty.

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In any case, the politics of a new entente with Europe could serve the next prime minister even more than the favorable economics.

According to the **latest polling**, 57% of voters now believe that Britain was wrong to leave the EU, reflecting what the country's most respected analyst of voter behavior, **John Curtice**, describes as a "decisive and consistent shift away from Brexit."

Nor has the disillusionment been strictly about economics. Brexit simply has not done what its champions said it would do.

Far from declining, net **immigration levels** almost doubled from 240,000 in 2016 to 431,000 in 2024, with the expulsion of EU citizens being far outpaced by non-European immigration driven by families and employers,

including the government itself.

The shift in public sentiment toward Europe has also been strongly amplified by a **demographic transformation** that will only continue to erode support for Brexit.

An estimated three million elderly voters (the key Brexit constituency) have died since the 2016 referendum, while 2.5 million young voters (who overwhelmingly oppose Brexit) have been added to the electoral rolls, and they will be further supplemented by 16-year-olds from the next election onwards.

Abandoning previous red lines

Even more politically important for the new prime minister will be the tactical arguments for an EU policy shift.

Since any genuine reset in UK-EU relations requires negotiations that would stretch far beyond the next general election, which must be held by August 2029, the new government can technically uphold Labour's 2024 manifesto promises for the current parliamentary term, even as it prepares to abandon previous governments' red lines.

The process could start with a serious debate about Britain's European future, including on such taboo subjects as the free movement of people and a potential return to full EU membership.

Simply announcing that such a review will be conducted after the 2029 election would be transformative.

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Economically, the possibility of a return to the European single market would galvanize business confidence and revive investor interest in British assets, including UK government bonds.

And politically, it would offer a vision that could unify progressive and internationalist voters who are currently split between Labour, the Greens, and the Liberal Democrats.

Tactical voting

This three-way split on the left has been a boon to Nigel Farage's hard-right Reform Party, whose 30% voter support—drawn mainly from fervent Brexiteers and anti-immigrant voters—has produced overwhelming victories in local elections under Britain's first-past-the-post electoral system.

With 83% of Labour voters, 84% of Liberal Democrats, and 82% of Greens saying they would like to **reverse Brexit**, Europe is the only plausible issue that could galvanize a majority of British voters to engage in "tactical voting": supporting whichever pro-European candidate has the best chance of beating the Tories and Reform in each constituency.



*When it comes to the UK-EU relationship, political expediency and economic logic point in the same direction
- Keir Starmer, Ursula Von der Leyen*

A recent analysis by Ipsos finds that a commitment to hold a referendum on rejoining the EU would increase the share of voters who would "consider voting Labour" from 31% to 45%, while reducing the share of those who would not consider Labour from 62% to 43%.

It would also "boost Labour's appeal among supporters of every other party," raising "the

share who would consider Labour by a consistent 13 to 16 points among every group—even among likely Conservative voters (from 26% to 41%) and likely Reform UK voters (from 18% to 31%).”

When it comes to the UK-EU relationship, political expediency and economic logic point in the same direction.

If the Labour Party’s new leader promises to reconsider Brexit, the resulting boost to business confidence and voter enthusiasm would do the rest of the heavy lifting.

After six consecutive failed governments and years of economic malaise, Britain might even find itself with its first successful prime minister in a decade.

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