The unexpected UK general election of 2017 was intended to be all about Brexit, one that will give the incoming government a mandate to negotiate the terms of the UK’s exit from the European Union (EU). But many other public policy issues have been at the forefront of political and public debate during the campaign. The Centre for Economic Performance (CEP) at the London School of Economics has focused on eight key areas, producing a series of briefings summarising the research evidence and evaluating relevant policy proposals in the party manifestos. This report brings together those briefings – which draw on the work of many CEP researchers and other economists – into one single Election Analysis.

The report begins with a look at what’s been happening to real wages and living standards. Stephen Machin notes that higher price inflation as a result of sterling’s depreciation following the vote to leave the EU, coupled with nominal wage growth stuck at a norm of 2% a year, means that once again the UK faces falling real wages, threatening family living standards.

Planned public spending on education and healthcare has been a prominent topic of debate during the campaign. Alistair McGuire concludes that the planned uplifts in healthcare expenditure promised in the party manifestos, whether or not coupled with further efficiency savings, may or may not address all the needs of the NHS. And they need to be maintained against a background of hospital deficits, labour force shortages and failing performance.

In the briefing on education and skills, Sandra McNally explains that on current trends, funding per pupil in primary and secondary schools is set to fall significantly. While all parties promise a change in total education expenditure, the increase is actually far more modest when put in the context of rising pupil numbers. What’s more, the educational funding outlook for young people aged between 16 and 18 is much worse.

The education and skills briefing also discusses higher education. Gill Wyness says that Brexit represents a threat to student numbers, though opinions vary on the potential impact on the sector. It is probable that numbers of students from the EU will decline, since they are likely to face fee increases and will lose the right to access fee loans. The damage to the UK’s reputation as a place that welcomes foreign students could also result in further declines in student numbers from both the EU and elsewhere in the world.

Turning to the overarching question of Brexit itself, Swati Dhingra and Thomas Sampson show that leaving the EU with no deal in place for future trading arrangements would be the worst-case scenario for the UK economy. Even leaving the Single Market and the customs union would mean the UK experiencing higher trade barriers, lower trade and reduced living standards.

In the aftermath of the vote to leave the EU, all of the main political parties have highlighted the importance of an ‘industrial strategy’ with the aim of improving economic growth and achieving more balance in how its gains are distributed across people and places. Anna Valero points out that a
A successful modern industrial strategy should combine economy-wide policies – such as ensuring schools are adequately resourced and stimulating investment in infrastructure or research and development (R&D) – with more focused sector or place-based policies that seek to address specific market failures that hold back growth.

Henry Overman picks up the challenge of place-based policies in his briefing on the regional divide. Despite numerous efforts to do something about the big variations in economic performance across the cities and regions of the UK, little has been achieved in reducing long-run differences. This is unsurprising since the economic processes that drive spatial differences are poorly understood by policy-makers, and evidence has historically played little part in the formulation of policy.

Jonathan Wadsworth focuses on another big post-Brexit challenge: the apparent public desire to reduce immigration. It is clear that any reductions in UK immigration from the EU are likely to lead to lower living standards for the UK-born. This is partly because immigrants help to reduce the deficit: they are more likely to work and pay tax; and they are less likely to use public services as, on average, they are younger and better educated than the UK-born. Universities and sectors of the economy that employ science professionals and workers in processing and elementary occupations would be most under pressure from attempts to reduce immigration.

Finally, Ralf Martin explores the global threat of climate change, which has not been particularly high on the election agenda except in as far as it relates to energy prices. The Great Recession and the sluggish economic recovery that has followed it were instrumental in meeting the legally binding targets for reducing carbon emissions that the UK has set for itself. But without more drastic policy interventions, it is unlikely that future targets will be met – unless the more extreme forecasts for the damage that Brexit might cause to economic activity are realised.

ENDS

Notes for editors:

'#GE2017Economists: The Research Evidence on Key Issues for Voters in the 2017 UK General Election' is the latest in CEP’s #GE2017Economists series.

Objective, brief and non-technical, CEP Election Analysis is a series of background briefings on the policy issues in the June 2017 UK General Election.

This series discusses the research evidence on some of the UK’s key policy battlegrounds, including education, health, immigration, industrial strategy, living standards, regional policy and Brexit.

These analyses are provided by some of our expert researchers and draw on some of our past and current research.

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