

Talking politics in the windy city

Blog post by Chairman Peter Mandelson, 20 March 2017

During a trip to Chicago earlier this month, I reflected on the differences between my time in office and the present. Despite economic gains from globalisation, failures in politics and in policy have led to a crisis of confidence in global cooperation. This has made the identity-based, pessimistic politics promoted by populists more attractive. But it also poses a challenge to the centre left and the centre right as they try to reset their policies and appeal to the moderate majority of citizens.

Anyone who hopes for continued rules-based trade liberalisation - and without exception, every business I spoke to in the US hopes for this - must hope this reset of policy is successful. It will need to be at least as ambitious as Roosevelt's New Deal or Johnson's Great Society, but that success will not be without costs for businesses, who in my view should begin preparing now.

My speech to the Chicago Council on Global Affairs outlined the reasons to expect a significant realignment of politics, which will in turn require a re-examination of the contribution and responsibilities of businesses.

This policy rethink will lead to changing expectations of employment models, particularly in countries like the UK or many US states, where high labour market participation has, in aggregate, been built on insecurity for too many individuals. Whilst I believe technology is the key to future prosperity, we should not embrace unconditionally the 'disruption' that technology can cause, as we empathise more explicitly with those whose lives and jobs are being disrupted. Meanwhile, there will be a growing recognition that 'fairness' is perhaps a more important criterion for tax policy than competitiveness, particularly when it comes to assessing liabilities for cross-border businesses. Further control and protection of customer and employee data will also be critical, including where control of data creates unfair market power. There is already dangerous pressure for 'easy answers' in this area, with a risk that the state micro-manages the market for data and forces 'data localisation'.

The UK Government, this week, has taken the protectionist step of starting withdrawal from the EU single market. This is a step that, in my view, was not a necessary consequence of last June's referendum, but it also brings me to the biggest source of disruption of all: a significant weakening of political will among historical champions of free trade. Mainstream politicians must find and remake arguments for cooperation in aligning regulation, for reducing friction at borders, and for allowing skilled people to move around to provide services.

Should Britain leave the EU without negotiating a future trade deal, future generations will be lumbered with the economic burden of border tariffs, duplicating functions to comply with differing market rules and, as a result, their ability to grow and innovate stymied. This is not a zero-sum game between the EU27 and the UK - rather, Europe risks leaving the field open to global competitors, American as well as Asian ones, to eat into their share of markets.