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In Britain, Mrs. May stands fast.

Politics has certainly *seemed* to be the engine driving the market since the “Trump rally” began, around Election Day. Outlook has noted more than once that politics is almost the *only* thing that matters, in the very long term, for economic growth and health; but in most of the much-shorter terms (of a few weeks to a few years) it doesn’t really call the tune, no matter how splashy the political headlines. But across the Atlantic in Britain, politics has shouldered its way to center stage, and it deserves to be there. Britain’s shocking vote to leave the EU (Brexit) was a genuine, dramatic change of direction for the entire country and its economy.

British Prime Minister Theresa May is under intense pressure, and it’s going to last a good while. British voters resented the ever-growing losses of political freedoms at the hands of the EU’s unelected bureaucrats, and refused to believe that leaving the European Union meant economic destruction, despite a pretty tremendous clamor from experts up and down Great Britain that “Brexit” would mean economic suicide. In Outlook’s opinion, if Mrs. May keeps her nerve, and refuses to buckle under that pressure, Britain will emerge from the storm, in a few years, with an economy showing the kind of vitality and drive which long ago vanished in Europe, sentencing the continent to long, seemingly endless stagnation. Furthermore, there is quite a strong chance indeed that if Mrs. May holds fast, the vitality injected into Britain’s economy will eventually infect Europe itself. That, if it happens, will confound about 99% of the political and economic establishment on the Continent.

So it was mighty interesting, yesterday, to hear what Mrs. May said in a long-awaited speech on Britain’s plan for Brexit. The question was, “Would she hold fast?” She did. Britain, she confirmed, will entirely abandon The EU’s “single market;” and it will leave the Customs Union (which bars members from making their own trade agreements.) The meaning of those two points is this: Britain will not cave into the EU’s threats and demands. Mrs. May will suggest a separate free-trade agreement between the EU and Britain, because that would be very good for both. But if the EU’s leaders want to cut off their people’s economic noses, so to speak, to save their own faces—refusing to take such obviously beneficial actions in order to teach Britain a lesson, and intimidate any other EU nation which might copy her—Britain will not beg for mercy. Instead it will “be free to set competitive tax rates and change its own fundamental economic model.”

At heart, Mrs. May said, “We would love to work with Europe for the good of both of us. But if Europe would rather bully us, we will fight back. We will compete with Europe, and we will attract every business and industry which likes to work in lower-tax, lower-regulation environments.” (That would be nearly 100% of them, as Ireland’s long, successful example has shown.)

Of course, what Europe needs, as wanderers need water in the desert, are exactly those things: lower taxes, lighter regulations. Most of the EU has economically stagnated for 10 to 20 years, growing at the kind of staggering trudge which our desert wanderer would display, if forced to carry a camel on his back while searching for the nearest oasis. Europe’s leaders have had no economic hope to give their people for a very long time—because they passionately believe in (or say they do, anyway) heavier taxes and mountainous regulations. As Outlook has noted, there have been more political remarks accepting those truths, in Europe in the past couple of years, than we’ve heard in the 20 previous years. But old political practices die very hard. It will be a surprisingly good thing for Europe as well as Britain if Mrs. May

continues to stand fast. Doing so, she may very well help to kill those old European practices, and block any about-face by the EU to resume its old path, which led to nothing but stagnation.

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Outlook Capital Management, LLC
125 S. Wilke Road, Suite 200E
Arlington Heights, IL 60005
[847-797-0600](tel:847-797-0600)

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