

Three potentially costly miscalculations

Blog post by Chief Economist Gregor Irwin, 11 October 2018

The Democratic Unionist Party has threatened to vote down the budget if it does not like what the UK government proposes for the Irish backstop in the Brexit negotiation. The response from Downing Street has been partly bluster - claiming that under the terms of the Fixed-term Parliaments Act, voting down a budget won't cause the government to fall - and partly to call the DUP's bluff, based on the belief that the DUP has more to fear from a Labour government under Jeremy Corbyn than anyone else.

The first claim weakens the government's position and makes the bluff irrelevant. These are the latest in a string of miscalculations by number 10. If you throw in a third - the decision to hold the budget early, on October 29th, before the Brexit negotiations reach their climax - it adds up to a potentially lethal combination for Theresa May's Brexit strategy and her premiership.

This is what number 10 strategists should be focused on. They are right to note that the Fixed-term Parliaments Act makes it harder to bring down a government. But that does not change the fact that voting down a budget would stop a government from governing. This, in fact, gives the DUP - or a small group of Brexit rebels in the Conservative Party, for that matter - considerably more leverage than they would otherwise have. It allows them to force out a prime minister, without forcing an election.

This is the scenario they have created for themselves. The chancellor, Philip Hammond, announces his budget in parliament on October 29th. Parliament then votes in a series of motions to put the budget into effect, with an effective deadline of ten sitting days. That takes us right up to the point when the negotiations with the EU are expected to reach their climax, at an informal European Council which is expected to be called (if all goes according to plan) for mid-November.

It would take fewer than ten Conservative rebels, or the votes of the DUP, to vote down that budget and fatally wound the May premiership. They could demand - and most likely receive - her resignation, forcing a leadership election and a change of prime minister, without a general election. There would be no need to submit 48 letters to Graham Brady (the chair of the 1922 Committee of Conservative backbenchers). No need to worry that May might still muster the support of half of the Conservative members of parliament to secure her position. She would be gone. And it would then be a matter for the Conservative Party - in parliament and the more Eurosceptic mass membership - to appoint the next prime minister.

If and when the penny drops, how might number 10 respond? Postponing the budget is one humiliating possibility. Caving in to the demands of the DUP and Conservative Brexit hardliners is another. Trying to push on, without passing a budget is a third, but that seems barely credible. Or perhaps they might just put their heads down and hang on in the hope that the DUP, and their most ardent Brexit critics on the Conservative back benches, are still bluffing after all.