

## Anatole Kaletsky: Boris's Brexit

Political betting markets put the chance of a no-deal Brexit at roughly one-third. But an orderly, negotiated Brexit will be the favoured option for new Prime Minister, Boris Johnson, a political libertine whose only consistent principle has been inconsistency, **writes Anatole Kaletsky**



UK prime minister,  
Boris Johnson

### 'The tragicomedy of Brexit is approaching its climax'

Now that Boris Johnson has achieved his lifetime ambition to become the United Kingdom's prime minister, the tragicomedy of Brexit is approaching its climax. While the rest of the European Union has viewed this with barely disguised horror, there is good news and bad news in Johnson's apotheosis.

The bad news is that the "no-deal" withdrawal from the European Union that Johnson advocated to win the leadership of the Europhobic Conservative Party could cause a sudden stop in economic activity comparable to the disaster that followed the failure of Lehman Brothers in 2008. Although this business breakdown might initially affect only trade-related businesses in Britain, and produce some kind of UK-EU compromise within a few weeks or months, we learned in the 2008 financial crisis that even a brief interruption of normal commercial relations in one part of the economy can reverberate for many years.

*The good news is that Johnson is a far cleverer and more adroit politician than his predecessor*

---

The good news is that Johnson is a far cleverer and more adroit politician than his predecessor, Theresa May. And pessimism about Britain's prospects has become so widespread that any Brexit outcome other than a no-deal rupture would now be a positive surprise, causing an economic resurgence not just in Britain but across Europe. Yes, Britain is bound to suffer in the long run from any version of Brexit. But in any version of Brexit other than "no deal," the short-term damage would be offset by a rebound in business and consumer sentiment as the risks of total breakdown were suddenly replaced by the certainty of a lengthy transition period in which Britain's economic relations with Europe would remain almost unchanged.

In this scenario, policy changes on both sides of the Channel could outweigh even the structural damage of Brexit to Britain and its trading partners. The UK would benefit from a cyclical stimulus promised by Johnson in the form of higher public spending and tax cuts. The rest of Europe, especially Germany and France, would gain from the commercial opportunities from new EU policies likely to squeeze British competitors out of the single market in lucrative industries such as finance, media, pharmaceuticals, defense, and autos.

## **The likelihood of a no-deal Brexit**

What, then, is the probability of an orderly outcome and long transition period, as opposed to a potentially catastrophic sudden rupture?

Political betting markets now put the odds of no deal at 33%, and some financial analysts rate it as high as 50%. This is no surprise, given that Johnson devoted most of his leadership campaign to normalizing the idea of no deal. There are, however, at least three reasons why a no-deal Brexit remains very unlikely, despite Johnson – or perhaps because of him.

First, parliamentary numbers are stacked higher than ever against a no-deal outcome. All opposition parties are more united against Johnson than they were against May, while his effective parliamentary majority has been reduced to only two or three MPs. So, in principle, it would take only two Tory defectors to vote down Johnson's government and trigger a general election. With 40 Tory MPs having voted this month to weaken Johnson's negotiating tactics, there are clearly enough potential dissidents to topple his government should that be necessary to avert "no deal". And if an election were triggered before Johnson could re-unite his party by delivering some version of Brexit, he would probably lose, becoming the shortest-serving prime minister in British history. Provoking a rebellion among opponents of a no-deal Brexit is therefore a much greater risk to Johnson than upsetting the Europhobes who sabotaged May.

---

*Political betting markets now put the odds of no deal at 33%*

---

Second, Johnson has a means of avoiding a rupture that was not available to May. If he could persuade EU leaders to offer some minor cosmetic changes to May's withdrawal agreement, Johnson could almost certainly get Parliament to pass his "new" deal. This is because the hard-line

Euroskeptics determined to replace May with a “genuine” Brexiteer would now have no choice but to vote for Johnson’s deal or risk an election in which they might lose Brexit altogether. Meanwhile, many pro-Europeans in both major parties who had previously hoped to prevent Brexit will now support almost any negotiated agreement, just to avoid the no-deal nightmare.

## Everyone wants the saga to end

The main threat therefore comes from the EU side. Will European leaders give Johnson enough cosmetic concessions to turn “May’s pig of a deal” into “Boris brings home the bacon”? The answer is probably yes. EU leaders are almost as desperate as Johnson to end the Brexit saga – and Johnson really needs only one small concession: a change to the “Irish backstop” designed to guarantee an open border in Northern Ireland.

Because the border issue really matters only to Ireland, the EU will be guided by the Irish government’s interests. And it is hard to see why the Irish government would prefer the certainty of immediate damage to Ireland’s economic and security interests in a no-deal Brexit to a slight softening of the “Irish backstop” that would guarantee a long transition period in which nothing would change. As Pat Leahy, a prominent Irish Times commentator, recently noted: “Isn’t the possibility of Border checks in a few years’ time better than the certainty of checks on October 31st?” Better still from the Irish standpoint, during the transition period following an orderly Brexit, Britain would be eager to negotiate a permanent EU trade agreement, which would put Ireland in an even stronger position to insist on open-border conditions.

## Reasons to be against a no-deal Brexit

This leads to a third reason for betting against a no-deal outcome: Johnson’s own statements and political style. While Johnson has repeatedly promised to leave the EU in October “with or without a deal,” he has also put the chance of no deal actually happening at “a million to one against,” because he is confident of a successful EU negotiation.

Why has the world accepted Johnson’s promise of “with or without a deal” as gospel truth, while dismissing his prediction of an agreed Brexit as irrelevant wishful thinking? Focusing on personal ambitions and downplaying promises, which has usually been the best way to predict Johnson’s actions, suggests the opposite conclusion.

---

*If Johnson goes for a no-deal Brexit, he risks disaster whatever happens*

---

If Johnson goes for a no-deal Brexit, he risks disaster whatever happens: an economic meltdown if he manages to bypass parliamentary opposition and delivers the promised rupture, and a premature general election if Parliament blocks it. If, on the other hand, he genuinely tries to negotiate an orderly withdrawal agreement, Johnson could still deliver a symbolic Brexit by his October deadline, but also secure the transition period that Britain desperately needs.

The resulting rebound in business confidence would then allow a generous budget of tax cuts, public spending giveaways, and Keynesian fiscal stimulus, paving the way for a general election next spring that Johnson would be almost certain to win with a big majority. For a political libertine

whose only consistent principle has been inconsistency, an orderly, negotiated Brexit would surely be the favored option, regardless of the reckless promises to Europhobes that put him in power.

[This article was originally published on Project Syndicate on 24 July 2019](#)

## Author

### **Olivia Grace**

Editor

[olivia.grace@ing.com](mailto:olivia.grace@ing.com)

### **Julian Geib**

Junior Economist, Global Trade

[julian.geib@ing.de](mailto:julian.geib@ing.de)

### **Zoltán Homolya**

Economic research trainee

[zoltan.homolya@ing.com](mailto:zoltan.homolya@ing.com)

### **Amrita Naik Nimbalkar**

Junior Economist, Global Macro

[amrita.naik.nimbalkar@ing.com](mailto:amrita.naik.nimbalkar@ing.com)

### **Mateusz Sutowicz**

Senior Economist, Poland

[mateusz.sutowicz@ing.pl](mailto:mateusz.sutowicz@ing.pl)

### **Alissa Lefebre**

Economist

[alissa.lefebvre@ing.com](mailto:alissa.lefebvre@ing.com)

### **Deepali Bhargava**

Regional Head of Research, Asia-Pacific

[Deepali.Bhargava@ing.com](mailto:Deepali.Bhargava@ing.com)

### **Ruben Dewitte**

Economist

+32495364780

[ruben.dewitte@ing.com](mailto:ruben.dewitte@ing.com)

### **Kinga Havasi**

Economic research trainee

[kinga.havasi@ing.com](mailto:kinga.havasi@ing.com)

### **Marten van Garderen**

Consumer Economist, Netherlands  
[marten.van.garderen@ing.com](mailto:marten.van.garderen@ing.com)

**David Havrlant**  
Chief Economist, Czech Republic  
420 770 321 486  
[david.havrlant@ing.com](mailto:david.havrlant@ing.com)

**Sander Burgers**  
Senior Economist, Dutch Housing  
[sander.burgers@ing.com](mailto:sander.burgers@ing.com)

**Lynn Song**  
Chief Economist, Greater China  
[lynn.song@ing.com](mailto:lynn.song@ing.com)

**Michiel Tukker**  
Senior UK & Eurozone Rates Strategist  
[michiel.tukker@ing.com](mailto:michiel.tukker@ing.com)

**Michal Rubaszek**  
Senior Economist, Poland  
[michal.rubaszek@ing.pl](mailto:michal.rubaszek@ing.pl)

**This is a test author**

**Stefan Posea**  
Economist, Romania  
[tiberiu-stefan.posea@ing.com](mailto:tiberiu-stefan.posea@ing.com)

**Marine Leleux**  
Sector Strategist, Financials  
[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Jesse Norcross**  
Senior Sector Strategist, Real Estate  
[jesse.norcross@ing.com](mailto:jesse.norcross@ing.com)

**Teise Stellema**  
Research Assistant, Energy Transition  
[teise.stellema@ing.com](mailto:teise.stellema@ing.com)

**Diederik Stadig**  
Senior Economist, Healthcare & Technology  
[diederik.stadig@ing.com](mailto:diederik.stadig@ing.com)

**Diogo Gouveia**

Sector Economist

[diogo.duarte.vieira.de.gouveia@ing.com](mailto:diogo.duarte.vieira.de.gouveia@ing.com)

**Marine Leleux**

Sector Strategist, Financials

[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Ewa Manthey**

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

**ING Analysts**

**James Wilson**

EM Sovereign Strategist

[James.wilson@ing.com](mailto:James.wilson@ing.com)

**Sophie Smith**

Digital Editor

[sophie.smith@ing.com](mailto:sophie.smith@ing.com)

**Frantisek Taborsky**

EMEA FX & FI Strategist

[frantisek.taborsky@ing.com](mailto:frantisek.taborsky@ing.com)

**Adam Antoniak**

Senior Economist, Poland

[adam.antoniak@ing.pl](mailto:adam.antoniak@ing.pl)

**Min Joo Kang**

Senior Economist, South Korea and Japan

[min.joo.kang@ing.com](mailto:min.joo.kang@ing.com)

**Coco Zhang**

ESG Research

[coco.zhang@ing.com](mailto:coco.zhang@ing.com)

**Jan Frederik Slijkerman**

Senior Sector Strategist, TMT

[jan.frederik.slijkerman@ing.com](mailto:jan.frederik.slijkerman@ing.com)

**Katinka Jongkind**

Senior Economist, Services and Leisure

[Katinka.Jongkind@ing.com](mailto:Katinka.Jongkind@ing.com)

**Marina Le Blanc**

Sector Strategist, Financials

[Marina.Le.Blanc@ing.com](mailto:Marina.Le.Blanc@ing.com)

**Samuel Abettan**

Junior Economist

[samuel.abettan@ing.com](mailto:samuel.abettan@ing.com)

**Franziska Biehl**

Senior Economist, Germany

[Franziska.Marie.Biehl@ing.de](mailto:Franziska.Marie.Biehl@ing.de)

**Rebecca Byrne**

Deputy Global Head of Editorial and Supervisory Analyst

[rebecca.byrne@ing.com](mailto:rebecca.byrne@ing.com)

**Mirjam Bani**

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

[mirjam.bani@ing.com](mailto:mirjam.bani@ing.com)

**Timothy Rahill**

Credit Strategist

[timothy.rahill@ing.com](mailto:timothy.rahill@ing.com)

**Leszek Kasek**

Senior Economist, Poland

[leszek.kasek@ing.pl](mailto:leszek.kasek@ing.pl)

**Antoine Bouvet**

Head of European Rates Strategy

[antoine.bouvet@ing.com](mailto:antoine.bouvet@ing.com)

**Jeroen van den Broek**

Global Head of Sector Research

[jeroen.van.den.broek@ing.com](mailto:jeroen.van.den.broek@ing.com)

**Edse Dantuma**

Senior Sector Economist, Industry and Healthcare

[edse.dantuma@ing.com](mailto:edse.dantuma@ing.com)

**Francesco Pesole**

FX Strategist

[francesco.pesole@ing.com](mailto:francesco.pesole@ing.com)

**Rico Luman**

Senior Sector Economist, Transport and Logistics

[Rico.Luman@ing.com](mailto:Rico.Luman@ing.com)

**Jurjen Witteveen**

Sector Economist

[jurjen.witteveen@ing.com](mailto:jurjen.witteveen@ing.com)

**Dmitry Dolgin**

Chief Economist, CIS

[dmitry.dolgin@ing.de](mailto:dmitry.dolgin@ing.de)

**Nicholas Mapa**

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.ing.com)

**Egor Fedorov**

Senior Credit Analyst

[egor.fedorov@ing.com](mailto:egor.fedorov@ing.com)

**Sebastian Franke**

Consumer Economist

[sebastian.franke@ing.de](mailto:sebastian.franke@ing.de)

**Gerben Hieminga**

Senior Sector Economist, Energy

[gerben.hieminga@ing.com](mailto:gerben.hieminga@ing.com)

**Nadège Tillier**

Head of Corporate Sector Strategy

[nadege.tillier@ing.com](mailto:nadege.tillier@ing.com)

**Charlotte de Montpellier**

Senior Economist, France and Switzerland

[charlotte.de.montpellier@ing.com](mailto:charlotte.de.montpellier@ing.com)

**Laura Straeter**

Behavioural Scientist

+31(0)611172684

[laura.Straeter@ing.com](mailto:laura.Straeter@ing.com)

**Valentin Tataru**

Chief Economist, Romania

[valentin.tataru@ing.com](mailto:valentin.tataru@ing.com)

**James Smith**

Developed Markets Economist, UK

[james.smith@ing.com](mailto:james.smith@ing.com)

**Suvi Platerink Kosonen**

Senior Sector Strategist, Financials

[suvi.platerink-kosonen@ing.com](mailto:suvi.platerink-kosonen@ing.com)

**Thijs Geijer**

Senior Sector Economist, Food & Agri  
[thijs.geijer@ing.com](mailto:thijs.geijer@ing.com)

**Maurice van Sante**  
Senior Economist Construction & Team Lead Sectors  
[maurice.van.sante@ing.com](mailto:maurice.van.sante@ing.com)

**Marcel Klok**  
Senior Economist, Netherlands  
[marcel.klok@ing.com](mailto:marcel.klok@ing.com)

**Paolo Pizzoli**  
Senior Economist, Italy, Greece  
[paolo.pizzoli@ing.com](mailto:paolo.pizzoli@ing.com)

**Marieke Blom**  
Chief Economist and Global Head of Research  
[marieke.blom@ing.com](mailto:marieke.blom@ing.com)

**Raoul Leering**  
Senior Macro Economist  
[raoul.leering@ing.com](mailto:raoul.leering@ing.com)

**Maarten Leen**  
Head of Global IFRS9 ME Scenarios  
[maarten.leen@ing.com](mailto:maarten.leen@ing.com)

**Maureen Schuller**  
Head of Financials Sector Strategy  
[Maureen.Schuller@ing.com](mailto:Maureen.Schuller@ing.com)

**Warren Patterson**  
Head of Commodities Strategy  
[Warren.Patterson@ing.com](mailto:Warren.Patterson@ing.com)

**Rafal Benecki**  
Chief Economist, Poland  
[rafal.benecki@ing.pl](mailto:rafal.benecki@ing.pl)

**Philippe Ledent**  
Senior Economist, Belgium, Luxembourg  
[philippe.ledent@ing.com](mailto:philippe.ledent@ing.com)

**Peter Virovacz**  
Senior Economist, Hungary  
[peter.virovacz@ing.com](mailto:peter.virovacz@ing.com)

**Inga Fechner**

Senior Economist, Global Trade  
[inga.fechner@ing.de](mailto:inga.fechner@ing.de)

**Dimitry Fleming**  
Senior Data Analyst, Netherlands  
[Dimitry.Fleming@ing.com](mailto:Dimitry.Fleming@ing.com)

**Ciprian Dascalu**  
Chief Economist, Romania  
+40 31 406 8990  
[ciprian.dascalu@ing.com](mailto:ciprian.dascalu@ing.com)

**Muhammet Mercan**  
Chief Economist, Turkey  
[muhammet.mercan@ingbank.com.tr](mailto:muhammet.mercan@ingbank.com.tr)

**Iris Pang**  
Chief Economist, Greater China  
[iris.pang@asia.ing.com](mailto:iris.pang@asia.ing.com)

**Sophie Freeman**  
Writer, Group Research  
+44 20 7767 6209  
[Sophie.Freeman@uk.ing.com](mailto:Sophie.Freeman@uk.ing.com)

**Padhraic Garvey, CFA**  
Regional Head of Research, Americas  
[padhraic.garvey@ing.com](mailto:padhraic.garvey@ing.com)

**James Knightley**  
Chief International Economist, US  
[james.knightley@ing.com](mailto:james.knightley@ing.com)

**Tim Condon**  
Asia Chief Economist  
+65 6232-6020

**Martin van Vliet**  
Senior Interest Rate Strategist  
+31 20 563 8801  
[martin.van.vliet@ing.com](mailto:martin.van.vliet@ing.com)

**Karol Pogorzelski**  
Senior Economist, Poland  
[Karol.Pogorzelski@ing.pl](mailto:Karol.Pogorzelski@ing.pl)

**Carsten Brzeski**  
Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

**Viraj Patel**

Foreign Exchange Strategist

+44 20 7767 6405

[viraj.patel@ing.com](mailto:viraj.patel@ing.com)

**Owen Thomas**

Global Head of Editorial Content

+44 (0) 207 767 5331

[owen.thomas@ing.com](mailto:owen.thomas@ing.com)

**Bert Colijn**

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

**Peter Vanden Houte**

Chief Economist, Belgium, Luxembourg, Eurozone

[peter.vandenhoute@ing.com](mailto:peter.vandenhoute@ing.com)

**Benjamin Schroeder**

Senior Rates Strategist

[benjamin.schroeder@ing.com](mailto:benjamin.schroeder@ing.com)

**Chris Turner**

Global Head of Markets and Regional Head of Research for UK & CEE

[chris.turner@ing.com](mailto:chris.turner@ing.com)

**Gustavo Rangel**

Chief Economist, LATAM

+1 646 424 6464

[gustavo.rangel@ing.com](mailto:gustavo.rangel@ing.com)

**Carlo Cocuzzo**

Economist, Digital Finance

+44 20 7767 5306

[carlo.cocuzzo@ing.com](mailto:carlo.cocuzzo@ing.com)