

The British Conservative Party: What just happened? And what now?

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On 19th September I received a chatty email from a German friend of mine. He told me that he had been watching the Queen's funeral and, looking at the congregation, was reminded of just how many prime ministers the UK had had over the past few years. He also enquired as to what I thought we might expect from the latest one (at the time), Liz Truss, and he wondered whether Boris Johnson was now gone for good. Well, where to start!?! And what a moving target! Indeed, that email conversation seems like it took place years ago now... And of course, if our late Queen had lived just a few more weeks, then we would have seen yet another former prime minister at her funeral.

The details of what has happened since then have been well documented, but for those who have been living under a stone for the last few months (which is not a bad place to be these days, let's face it), the shortish version of the story begins with Boris Johnson's behaviour finally catching up with him. After repeatedly lying about his conduct during the pandemic and about the various 'parties' that did or did not take place in Downing Street during lockdown, the final crunch came in early July when he and his communications team maintained that they knew nothing about the past record of a minister who was accused of groping two men at a private members' club. Despite the PM's claims, in the hours after the allegation came to light, it quickly became clear that Johnson *had* been informed about the minister's previous conduct, that a formal complaint *had* been made in the past, and that Johnson *did* have knowledge of this. While it is likely that Johnson would have managed to navigate his way out of this particular corner had this been the only episode of bad judgement and untruths, clearly, it was not. Rather, it was the latest in a very long string of incidents, and it was the final straw for a number of ministers. First, the Health Secretary, Sajid Javid, resigned, and then minutes later, so did the Chancellor of the Exchequer, Rishi Sunak. By the next day, a dozen more ministers had resigned, and the numbers kept on growing. In the end, in the space of two days, nearly 60 members of the government resigned, and despite clinging to power like a mollusc, Johnson finally admitted that it was all over, and on 7th July he resigned.

Johnson's resignation precipitated a contest for the leadership of the Conservative Party, and the winner would then become the UK's new prime minister. In

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line with the party's internal rules, candidates would require a set number of nominations from fellow MPs to enter the leadership race, the field would be whittled down to two through repeated rounds of voting by MPs, and the final two would then go forward to face a vote by Conservative Party members. In the event, eight candidates secured the 20 nominations required to take part in the contest, and after five rounds of voting by MPs within one week, Sunak and Truss went forward to the membership vote. The two then battled it out for a further very long six and a half weeks, and eventually, in early September, the membership vote closed. In the end, although Sunak had been the more popular candidate amongst MPs, the party members chose Truss, and she duly became the party's new leader, and then the UK's new prime minister.

The death of the Queen just two days after Truss became prime minister meant that the first two weeks of Truss' leadership were rather stalled. She had assembled her cabinet, but the business of governing was put on hold until after the late monarch's funeral. But boy did Truss make up for it! Within a day of the funeral, the public already got a taste of Truss' outlook: she announced that she would scrap the limit on bankers' bonuses, and proposed to get rid of the 45 percent rate of tax that applies to income above £150,000. That, however, was just the start. Three days later, Truss' Chancellor, Kwasi Kwarteng, presented his so-called 'mini-budget' in which he announced that, in an all-out effort to boost economic growth, he would introduce some new tax cuts, bring forward others that had been previously agreed, and reverse a number of new levies or planned tax increases. Aside from the debate about the 'fairness' of these measures, the crucial element to all these proposals (which together amounted to an estimated £45 billion) was that they were 'unfunded' – i.e. they would be paid for by borrowing. What was more, this increased borrowing would be added to the extra borrowing already needed to fund the government's plans to subsidize energy bills. One estimate put the additional borrowing required at £72 billion.

The reaction was instant. While Kwarteng was still on his feet delivering his speech, the markets started to tumble, and the value of the pound plummeted. Three days later, the pound reached its lowest point against the US dollar in 50 years. Then, as the cost of borrowing continued to soar, the Bank of England was forced to intervene with a series of emergency measures to buy up government bonds in order to prevent a run on pension funds. At the same time, the impact of the 'mini-budget' started to be felt in the 'real economy', with the cost of fixed-term mortgages increasing dramatically, and many households facing very sizable hikes in mortgage repayments. (Three quarters of all mortgages in the UK are fixed-term and fixed-rate, but the terms are most often much shorter than they are in other countries – typically two, three or, at most, five years. Those people coming to the end of their fixed-term mortgages, and thus seeking a new product, were therefore most seriously affected. With new products having rates of over

6 percent, a typical household would be facing repayments of £6,000 more a year, compared to August 2020, and although such increases were not solely down to the impact of the ‘mini-budget’ but were also explained by generally worsening financial conditions, experts estimated that the ‘mini-budget’ accounted for about £3,300 of such an increase.)

The government responded to the turmoil by speedily enacting a series of policy U-turns. First Kwarteng reversed the decision to scrap the 45p rate of income tax. Yet this was clearly not enough, and as it looked like the decision to lower corporation tax would also have to be reversed, Truss made Kwarteng (who had now been nicknamed ‘Kami-Kwasi’ by sections of the media as well as by some fellow Tory MPs) the sacrificial lamb and sacked him. A new Chancellor of the Exchequer – the long-time senior minister Jeremy Hunt – was installed and subsequently reversed nearly all of Kwarteng’s proposals. It became abundantly clear that Hunt’s appointment had been foisted upon Truss by senior members of her party in order to address the crisis, and that effectively what has become known as the experiment of ‘Trussonomics’ was dead in the water. The accusations that she had thereby lost all authority and was effectively in office but not in power grew, and it looked increasingly certain that it was only a matter of time before she too would be forced to resign.

That time was to come quickly as, on 19th October, Truss’ Home Secretary – Suella Braverman – was forced to resign for breaching ministerial rules, and penned a stinging resignation letter in which she suggested that she had the integrity to know when to go (and thereby suggesting that Truss did not), and wrote that she had serious concerns about the direction of the government. Then in a separate event that same day, the House of Commons descended into chaos when the government tried to assert its strength by forcing a confidence motion on an energy bill. The content of the bill was not what mattered; rather it was the fact that the government was threatening MPs with expulsion from the parliamentary party if they did not support its position. For many this was just too much, and amidst chaotic and unpleasant scenes, and with the government then seemingly backtracking on whether or not the bill was a confidence motion, dozens of MPs abstained, thereby indicating their refusal to back the government. The next day, after a mere seven weeks in power, Truss resigned as prime minister and, by doing so, provoked the second party leadership contest in less than four months.

In a bid to make the process of choosing the next party leader a short one, and in the hope of instilling some unity into the party, the body of the Conservative Party that sets the internal party rules – the 1922 Committee – indicated that the bar for nominations would be set much higher than it had been in July, and that

any candidate would need 100 nominations from fellow MPs. They would also have to gather these within four days.

At this point my friend's question about the possibility of Boris Johnson making a comeback became frighteningly pertinent. Johnson was away holidaying in the Dominican Republic but within hours of Truss resigning he was on a plane back to London. While he still commanded a significant level of support both within some sections of the electorate, and more importantly among Conservative Party members, the extent of his support among fellow MPs was less evident. Although he still clearly retained loyal backers in the House, other MPs were aghast at the prospect of him returning to No. 10. And most importantly, while not vehemently opposed to him, a good number of other MPs just could not justify bringing back someone who had been ousted just three months previously and who is still facing a parliamentary enquiry into whether or not he misled (i.e. lied to) parliament over what he said about his rule-breaking during the Covid lockdown.

In the event Johnson never put his name forward for the contest, although both he and his backers claimed that 100 fellow MPs had indicated that they would support him. Instead, on the evening before the deadline for nominations, Johnson announced that he would not be standing. That then left two runners in the race: Sunak, who had announced his candidacy just hours earlier, and Penny Mordaunt, who had declared not long after Truss resigned that she would run. Sunak already had the largest support among MPs, and this grew considerably as many of those who had indicated they would back Johnson now lined up behind him. Finally, in the minutes before the deadline, Mordaunt pulled out of race and announced that she too would be backing Sunak in the interest of party unity. Supporters later reported that she had narrowly missed being able to gather 100 nominations. Sunak was therefore declared the only candidate, and the new leader of the party. The next day Truss officially stepped down as prime minister, and Sunak became her successor.

Boris Johnson's conduct between the Thursday lunchtime when Truss announced her resignation and the Sunday night when he declared he would not be entering the leadership race spoke volumes, and once again laid bare many of the things we already knew about him. Firstly, as one Conservative Party grandee said, Johnson simply had no plan. Indeed, the fact that he was still on holiday when Truss announced she would go points to a lack of preparation. Everyone knew that Truss would be going and that it was simply a matter of time (the BBC's political editor said that 'even the dog on the street' knows this), so if Johnson had been seriously minded about regaining the leadership of the party, then he would have been on that plane two or three days sooner. He might also have put in place a leadership campaign team, like the other two runners did from the get-go. Instead, as commentators noted, he returned to the UK seemingly expecting to be

greeted by hordes of grateful supporters all clamouring for his comeback. The fact that there were no such throngs, and that many previously supportive MPs said that they simply could not entertain the idea of him coming back so soon, and when still under investigation, must have dealt him something of an ego blow. Equally, away from campaign planning, he had nothing to propose in terms of policies to dig us out of the financial mess in which his successor, Truss, and her team had landed the country. Instead, he met Sunak on the Saturday to try to persuade him to stand down and get behind his comeback, and then he did the same with Mordaunt on the Sunday. Both declined his kind offer.

Johnson's exit from the leadership race therefore simply came down to him avoiding the humiliation of not gathering sufficient nominations from fellow MPs, and recognizing that he just could not win. But as ever, he never said this, and neither was there any contrition in what he did say. Instead, in announcing that he would not be standing, he maintained that he did have the 100 nominations required, that there was 'a very good chance' that he would be successful in an election by party members, and that he was 'well placed to deliver a Conservative victory in 2024', but that 'sadly' he had come to the conclusion that 'this would simply not be the right thing to do'. The idea that it was his behaviour that had sparked the whole sorry story, and that had led to Truss' election by party members, clearly didn't seem to cross his mind, and nor did any concerns about what any comeback might mean for the party or country. In short, yet again, it was all about Boris.

And that brings us to the root cause of the damage inflicted upon the economy over the past month or so, and indeed the last few years, and the huge problems that the Conservative Party now faces. On the surface it may look like the problems reflect appallingly thought-through economic policies, which, incidentally, were not even submitted to the independent Office for Budget Responsibility for review, thereby reflecting ongoing disregard for experts and orthodoxy. Yet, the issues are much more wide-ranging and ingrained and stem from a whole swathe of the Conservative Party, including its members and indeed many of its supporters, embracing what can only be described as fantasy, or delusion, or to use a favourite term of Michel Barnier's: 'cakeism' (the concept of having one's cake and eating it). The first serious outbreak of cakeism was over the Brexit referendum, while the second took place this summer.

The Leave campaign had promised that we could indeed have our cake and eat it. By 'bringing back control' we would be able to free ourselves from the EU's shackles and embrace new-found opportunities for economic growth (apparently through something called 'Global Britain'), and we would also be able to manage our borders and control the number of immigrants entering our country. Experts who actually know about these things and who warned of the likely consequences of

Brexit, especially of a ‘hard’ Brexit, were, to use Boris Johnson’s own words, ‘doom-mongers’ and would be ‘proved wrong’. And yet, six years after that referendum, the predicted consequences are there for all to see. The economy has shrunk significantly, and while that is of course also explained by the pandemic, economists estimate that the UK’s withdrawal from the EU had, by the end of 2021, led to drop in GDP of over 5 percent, a huge fall in investment, and a sizeable reduction in the trade of goods. To put this in perspective, a 5 percent drop in GDP equates to about £120 billion, which of course would be pretty handy right now.

But despite it being rather obvious that this disaster would be coming down the line, cakeism took root in the Conservative Party. Those MPs who had warned about these dangers and who had opposed the so-called ‘no deal’ Brexit bill were unceremoniously ejected from the parliamentary party in September 2019, and went on to either stand down at the election three months later, or fought it unsuccessfully as independents. In essence then, the gene pool within the Conservative parliamentary party shrank markedly after the 2019 general election, and with many experienced and able politicians leaving, so did the overall competence levels of the party’s MPs. Ministerial appointment also now increasingly rested on loyalty to the party leader rather than on ability.

Liz Truss’ election to the leadership of the party in September of this year, and indeed the rhetoric of many of the other candidates in the race (with the partial exception of Sunak), underlined the fact that cakeism was still alive and well in the party. Indeed, the economic policies announced by Kwarteng in the ‘mini budget’ were hardly unexpected. Long inspired by certain right-wing economic think-tanks, Truss had been outlining them all summer long during her campaign. And yet, despite Sunak’s warnings about what would happen, and despite all the other coverage of the proposed plans, the party membership voted overwhelmingly for Truss. In short, the party once again embraced a fantasy – this time one that promised we could have a huge boost in economic growth at the same time as massive tax cuts.

Aside from being beset by delusion and believing in fantasy, the Conservative Party also faces a huge ideological and political paradox. On the one hand it wants to assert the country’s sovereignty and independence, loosen our ties with other nations, and ‘control’ our borders. But on the other hand, the central plank of the party’s economic policies is growth. Yet as outlined above, growth is heavily dependent on trade, on inward investment, and on international economic cooperation. Indeed, one of the main reasons we joined the then EEC in the first place was because our economic growth was so dire. This tension is also played out with regard to immigration. That is, while MPs, party members and voters may insist that controlling immigration is a priority, the UK is facing a huge labour

shortage, especially in low paid and semi-skilled sectors. Social care is in crisis for lack of staff; the hospitality industry is crying out for employees; haulage firms are struggling for drivers; and crops have rotted in the fields because there is no one to pick them.

In the short term at least, there is little sign that the party knows what to do to tackle this paradox, or these tensions, between its defence of the UK's cherished sovereignty and its economic values. The party cannot turn round and say that Brexit was a mistake, or even that perhaps a 'softer' version of it might have been preferable. After all, the mantra is that Johnson 'got Brexit done' even if the economic consequences are dire, and even if the mess over the Northern Ireland Protocol is yet to be addressed, and Sunak's first appearance at Prime Minister's Questions showed that the party clearly still very much sees Brexit as one of its biggest achievements. Equally, it is pretty inconceivable that there will be any acknowledgement that immigration (or at least some types of immigration) is actually helpful. While, in fairness to her, Truss had indicated that extra visas might well have to be issued to tackle labour shortages in certain industries, the recent re-appointment of Braverman as Home Secretary – a woman who recently said it was her 'dream' to see a flight take asylum seekers to Rwanda – indicates that any softening on immigration is highly unlikely.

The party therefore has serious issues to address. In the short term it needs to fix the mess that Truss & Co created. Then it needs to attempt to rebuild its long-standing reputation as the party of 'sound money' and fiscal competence. That is likely to take a very long time because the blow that has been dealt to the economy is massive, and this time the repercussions are being felt in the 'real economy', by regular people. What is more, even if high inflation and rising interest rates are also down to other factors, including the energy crisis and the conflict in Ukraine, it seems unlikely that voters will take much time to differentiate between the different sources of the trouble. In short, the economy is in a serious mess, this lot were at the helm, and they have made it a lot worse. And if that were not enough, the additional bad news for the Conservative Party is that the Labour Party, in its post-Corbyn form, is being seen as increasingly competent and more ready for government. Therefore, the mountain that the Conservative Party needs to climb in order to have even a whiff of a chance of winning the next election (which must come before January 2025) looks Himalayan.

Having said all that, however, predictions that the Conservative Party is on its last legs and might now wither away and die are almost certainly misplaced. For a start, as we are often reminded, this is one of the most successful parties (if we measure this in election victories) in the world. Secondly, the party has been here before. That is, as our colleague Tim Bale noted in a *Financial Times* piece (21 October), it has torn itself apart a number of times in the past, be it in the early

Twentieth century or in the last decade of the Millennium. It recovered then, and even if it takes a few electoral cycles, it will undoubtedly recover again this time, especially if Sunak does prove himself to be more capable than his predecessors. And thirdly, the party continues to benefit from the fact that England – and sadly for our Scottish and Welsh compatriots, it is England’s numerical dominance that matters here – is essentially still a conservative (small-c) nation. As one friend put it: even if England were all but destroyed by a massive meteor, a hand would emerge from the rubble brandishing a blue rosette.

And from an electoral competition perspective, Labour knows this. Tony Blair knew it in 1997, and Keir Starmer knows it now. As such, while there might well be some gradual rapprochement with the EU over trade barriers and the flow of goods, and/or some tweaking of immigration rules, and/or some more progressive taxation if the Labour Party were to win the next election (which does still remain an ‘if’), it is unlikely that we will see any wholesale mindset or system change. That seems just not to be in our DNA, and instead we excel in ‘more of the same’. Right now then, it is therefore hard to see how we will do anything other than simply stagger on with labour shortages, a lack of skills, low investment, underfunded public services, and anaemic levels of economic growth. We are thus likely to remain the ‘sick man of Europe’ for some time to come. But then this doesn’t really matter too much because, remember: we don’t like Europe anyway.