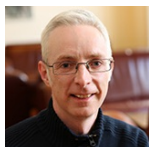


# British business has no party: it fears Brexit almost as much as it fears socialism



*For years, the binary between left and right when it comes to business matters in British politics meant that the Conservatives were predominantly supported by that sector. Contemporary British politics, however, has become very difficult for British business, writes **Iain McMnamin** (Dublin City University). Today, both main parties have taken up positions which are distressing for British business, which is now caught in a bind between the left-wing socialist politics of Jeremy Corbyn and the nationalist foreign economic policy of Theresa May, he argues.*

Politics used to be easy for British business. There was really only one relevant policy dimension (left versus right) and really only one party worth supporting (the Conservatives). The role of the state in the economy and the management of inequality had structured British politics since the first mass-suffrage elections. Although the distance between the two parties was constantly changing, the Conservatives have always been to the right of Labour on this dimension. This century of straightforward politics meant that the Conservatives received substantial donations from the business sector. These donations varied a lot over time, but the question has always been: “How much do we like the Conservatives?”, rather than “Do we prefer Labour or the Conservatives?” Sure, Tony Blair claimed that the Labour party was the “Natural Party of Business”, and attracted the support of some rich people, but even during New Labour’s pomp, the numbers of businesses donating to Labour were a fraction of those contributing to the Conservatives.



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Contemporary British politics is very difficult for British business. Now there are two dimensions. The left-right dimension has been separated from contestation of the extent to which the state will engage in frameworks of multilateral economic governance. Painfully, both main parties have taken up positions which are distressing for British business, albeit on different dimensions. For the first time in a century, there is no British party which is clearly pro-business. On the globalisation dimension, the Conservative Party has spent most of the last two years committed to a so-called “Hard Brexit” that almost inevitably involves reduced access to the largest market for UK business, along with disruption of long-established supply chains. On the old left-right dimension, the Labour Party has its most left-wing leader since at least 1983 and the radical left is increasingly prominent at all levels of the party. The funders of the Conservative Party need to make up their minds as to which is more frightening, the left-wing politics of Jeremy Corbyn’s Labour or the nationalist foreign economic policy of Theresa May’s Conservative Party.

In the new more complex and fluid policy space, donations to political parties can provide insights into the preferences of donors. I study 19,000 donations to the Conservative Party between 2001 and the end of 2017. I focus on how many businesses donate to the Conservatives on a given day, rather than how many donations (as one business can make several simultaneously) or their financial value (as large donations can skew the numbers). I take into account regular influences on donations, such as the popularity of the parties, which party is in government, the time since the last election, and whether an election has been called. My calculations imply that donations under Brexit were 81 percent of what they otherwise would have been and that donations after Corbyn were 142 per cent of what they otherwise would have been. These are massive effects: both policy shifts had a greater impact on business donations than a six per cent change in the Conservatives' poll rating relative to Labour. I also investigate the impact of different versions of Brexit by tracking the number of articles in the UK mentioning "Hard Brexit" or "Soft Brexit". Twenty-six fewer articles (one standard deviation) about Hard Brexit imply a sixteen per cent increase in donations. Nine more articles (also one standard deviation) about Soft Brexit imply a thirty-three per cent increase in donations. These figures are little bit more speculative, but also indicate the strength of business sensitivity to the globalisation dimension and its impact on the finances of the Conservatives.

The British case offers both reassurance and a warning to other business-funded parties considering a foray along the globalisation dimension. It is reassuring that the financial flood from Corbyn's election was greater than the financial drought attributable to Brexit. This suggests that the left-right dimension remains more salient than the globalisation dimension. A pro-business position on the left-right dimension may allow centre-right parties to limit the financial damage from anti-globalisation moves. It is a warning that Brexit would have been a severe financial constraint for the Conservatives if it were not for Labour's lurch to the left. Other centre-right parties cannot rely on their competitors to be so obliging.

*This post represents the views of the author and not those of the Brexit blog, nor the LSE. For more on this topic, you can read the [full paper here](#).*

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