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EXPERT COMMENT: Is Brexit a new 'Magna Carta' as Wetherspoon's boss suggests?

[Ignazio Cabras](#), Professor in Entrepreneurship and Regional Economic Development at [Newcastle Business School](#), Northumbria, writes about Brexit for The Conversation.

Full disclosure: I voted for the UK to remain in the European Union. Mainly because I am an economist in the UK and have a vested interest in a prosperous British economy. I am also a passionate beer lover and have published a number of academic papers measuring the economic and social impact of pubs and breweries in the UK. So the enthusiasm of Tim Martin, chairman of pub chain JD Wetherspoon, for Brexit is of particular interest to me and, in particular, his declaration that it is a "new Magna Carta". There are just a few problems with his claims.

Martin has frequently criticised the negative forecasts provided by numerous financial institutions in the [run-up to](#), and [the aftermath of](#), the referendum. Christine Lagarde, Mark Carney, and George Osborne who are were described by him as either dishonest or having a poor understanding of economics. Martin is of the firm belief that democracy and prosperity go hand-in-hand, and therefore the UK economy will benefit from leaving what he describes as an undemocratic EU.

It is very early days to tell what kind of impact Brexit will have on Martin's business. Nonetheless he [has claimed](#) that Wetherspoon's trade "strengthened slightly in recent weeks [following Brexit] and we consequently anticipate a modestly improved outcome for this financial year", despite the dire economic warnings.

A closer look at [Wetherspoon's latest accounts](#) shows that, for the financial year to July 24 2016, the company reported increases for both like-for-like sales (3.4%) and total sales (5.5%). But the full-year operating margin, a measure of a company's efficiency, is expected to decrease to around 6.4% [from 7.5% last year](#).

Wetherspoon sold 29 pubs and has closed 11 since the start of the financial year. Just 13 new pubs were started by the company, with another 16 “expected to open” within the same time period. No surprise therefore that the company is forecasting £13m of exceptional, non-cash losses in this financial year, mainly associated with pub disposals and closures. So it is not exactly a financial success story.

The picture is gloomier when you look beyond the books. Like other pub-chains, Wetherspoon maximises profit for its shareholders by renting estates and selling beer [at the highest possible prices](#). This business model has been under pressure since the last financial crisis, however, with almost all pub chains [incurring losses](#). This has led to significant disinvestment, ownership changes [and several pub closures](#).

Plus the tenants of pub chains tend to struggle financially, with many generating a profit well below minimum wage. The Institute for Public Policy and Research think tank [reported](#) that 46% of publicans tied to a chain, earned less than £15,000 a year, in contrast to only 22% of non-tied publicans.

Economic uncertainty

Despite the situation in the industry, Martin strongly believes that Brexit will restore democracy in the UK, and his business and more generally the country's economic prospects will improve. I am not sure what type of democracy Martin is referring to. The UK is a constitutional monarchy in which political, financial and economic decisions are proposed by an elected government and approved upon debates taking place in an elected parliament. This was the same situation it had before the EU referendum and I am eager to believe that the fallout from Brexit will not undermine or alter this democratic system.

But the economic uncertainty brought by the vote is likely to affect Britain at least until the new government triggers [Article 50](#) and formally makes its intentions to leave the EU clear. Financial markets don't like uncertainty, and

neither do consumers or households. This is something Martin should worry about for his business, as it will reduce many people's willingness to drink and dine out.

The assumption that democratic systems always outperform non-democratic ones also needs to be carefully considered with regard to economics. For instance, I would be curious to know Martin's opinion of how [China's economic growth](#) has outpaced most Western democracies over the past 30 years.

Naturally, growth does not always goes hand-in-hand with economic prosperity, which may also take into account wider advancement across society, including citizens' quality of life and well-being. Take the NHS, whose funding was a matter of fervent debate during the referendum campaign. Many advocated Brexit in order to redirect more public money to support it. Yet the health systems of countries such as [Oman](#) and [Cuba](#), which aren't exactly democratic, score exceptionally well in comparison with other democratic countries.

So concepts such as economic growth, prosperity and democracy need more careful scrutiny. We can only hope that Martin is proved right about his positive attitude towards leaving the EU. In terms of the impact it has on wider British society, Brexit could be of Magna Carta proportions. And whether this will be good or bad will be the topic of millions debates in pubs across the UK – and far beyond.

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