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UK POLITICAL UPDATE: CORBYN VICTORY PUSHES LABOUR EVEN FURTHER LEFT

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Sometimes political gambles backfire. A leadership contest that was intended to unseat Labour leader Jeremy Corbyn has done quite the opposite. With 61.8% of the vote (313,209 votes) Jeremy Corbyn handily beat his rival Owen Smith. The second landslide victory for Corbyn in a Labour leadership contest after he won last year with 59.5% of the votes has strengthened his position and popular mandate with the party. But Corbyn's appeal does not stretch much beyond party members.

The populist appeal: Corbyn's stronghold on the Labour party is quite remarkable considering that a majority of Labour MPs think he is incapable of leading Labour to victory at the next general election. He nevertheless continues to enjoy strong support from the unions and a growing populist membership. Unless party rules change (unlikely) to prevent current leaders re-running after a no confidence vote by Labour MPs, there is little chance Mr Corbyn will be dethroned any time soon. In fact, Corbyn was handicapped in this vote as many of those who rushed to join the Labour Party when his position came under threat were ineligible to vote this time around. A future leadership race is likely to end in an even bigger win for Corbyn.

A drubbing in 2020 might shake the Labour party out of its internal crisis. But by then it might be too late. Support for Labour at the national level has been gradually declining for several years. Labour won only 1 seat out of 59 in Scotland at the 2015 general election compared to 40 in 2010. Labour lost most of its Scottish seats to the pro-Scottish independence SNP. The EU referendum delivered symbolic losses for Labour as many traditional Labour strongholds in Britain's industrial north voted for Brexit against the party's recommendation. With Labour striding even further left under Corbyn, the party might see its support fall further at a national level as its more moderate supporters switch to the centre-right Conservatives or centre Liberal Democrats.

Economic impact of Corbyn? Realistically, today's result along with the likely continued infighting in the Labour party is of little significance to the UK economic outlook, or, the outcome for Brexit. Both of which will be dominated by the decisions of the leading Conservative Party.

Theresa May can have her cake and eat it: Under normal circumstances, without strong opposition on the left, a Conservative government might normally drift rightward unchallenged, especially on issues like welfare and government spending and taxation. Under the leadership of Theresa May this looks unlikely. May is more dovish on fiscal policy than her predecessors and she has pledged to focus government's efforts on supporting low income households – a traditional target for the left. This could tempt Labour moderates to switch sides. Meanwhile, if May can appease her Eurosceptic backbenchers by delivering on Brexit she will retain strong support from the party base.

Conservative government in 2020 looks likely: Unless Corbyn steps down of his own accord, he looks set to lead Labour into the next general election. As we pointed out [yesterday](#), Labour's national support is dwindling under Corbyn. While Corbyn has raised the momentum of his popular mandate within his party, Labour's chances of winning the next election are very slim indeed. If Conservative Party Prime Minister Theresa May maintains her pragmatic approach to Brexit while veering her party more to the centre on



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issues such as inequality she has an excellent chance of winning in 2020 to the Conservative Party into a third term in government.

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