

Brexit & the EU

Trevor Evans, IPE Political Economy Forum, HWR Berlin, 15 July 2016

Referendum 23 June: Stay in EU?

- Overall No 51.9%, Yes 48.1%
- Regional Yes majority in London (60%), Scotland (62%) & Northern Ireland (56%)
- Class No vote by lower middle class and many working-class Labour supporters
- Age Young (18-23) yes 73%; old (over 65) yes 40%

Britain's European heritage

- Roman province, Nordic settlements
- Current state originated by Normans 1066 (Iceland 930)
- Germanic-French pigeon language emerged after Great Plague (1349-50)
- Civil war & republic (1649-53), but Settlement 1688 with Dutch constitutional monarch
- Union with Scotland 1707; no revolution, military defeat or occupation since
- Adaption of ruling class: intermarriage of landed aristocracy and rising bourgeoisie
- Challenge: Adjusting to end of empire (Celebration of WWII)

Britain's tortured approach to the EU

- Churchill (1946) encouraged establishment of United States of Europe ... without Britain
- British application to join EU blocked by de Gaulle 1963 & 1967: Britain too close to US
- Successful application by Conservative government (Heath) 1973
- Confirmed in referendum held by incoming Labour government, 1975

The awkward member

- Demands for special conditions (budget rebate) and opt-outs (labour market, euro ...)
- Promoted European single market (1985 – 1993)
- Eastern expansion (broadening not deepening) (2004)
- Key role in promoting neoliberal shift in EU
- Relatively strong economic growth prior to crisis but major regional imbalances
- Promotion of financial sector & City of London; main euro denominated markets

Political divergences: Conservatives

- Major divisions (last major split over Corn Laws, 1846)
- Business: overwhelmingly pro-EU
- Educated urban middle class: largely pro-EU
- Provincial middle and especially lower middle-class: strongly hostile to EU
- Cameron
 - o 'Renegotiation' and referendum to overcome inner-party strife
 - o Constant negative tone (Junker)

Political divergences: Labour

- Long opposed to EU for pro-business bias
- Major shift to support for EU in late 80
 - o Defence against Thatcher employment policies
 - o Delors appeal to Trade Union Congress 1998 to support EU's Social Dimension
- Blair desire to join euro in late 1990s blocked by Brown
- Unenthusiastic pro-EU referendum campaign by Corbin; probably made little difference

Political divergences: Liberals & UKIP

- Liberals: small, centre party, pro EU
- UKIP: Founded 1991 to oppose EU membership
 - o ability to mobilise working class insecurity against EU, anti-immigrant platform
 - o gained members since election of May

Sources of discontent

- Immigration (Britain allowed E Europeans immediate access on joining EU in 2004; 3 million EU nationals live and work in Britain, 800,000 from Poland)
- Wages: 10% decline 2008-2014; 3.9 million children living in poverty (28%) 2014-15
- Budget cuts: Spending target reduction from 45% GDP in 2010 to 36.5% in 2020
- Remoteness of power (London or Brussels) / Lack of democratic accountability

Consequences

- Complications of leaving: Unwinding 40 years joint legislation; trade negotiations
- Scotland: New referendum? Independence in EU?
- Northern Ireland: Recreating border
- Rethink? Unlikely ... but no one (in Britain) keen to start exit negotiations (no plans!)
- Key challenge: Access to European market vs. Free movement of people

Political impact

- Conservatives
 - o David Cameron, prime minister 2010-16, resigned
 - o Teresa May elected: Home Secretary 2010-16; tried to limit immigration
 - o Acceptance speech said will 'address inequality, give workers greater representation on corporate boards and limit tax cuts'; binned plans for budget surplus by 2020
 - o 'Exit will take years'; 'formal talks not until end of year'
- Labour
 - o Jeremy Corbyn: Unexpectedly elected by large majority of party members 2015
 - o Rejected by majority of Labour MPs but supported by unions & majority of members
 - o Challenge from within parliamentary party; new leadership election

Economic impact

- EU largest market for British exports (44%); Investment stop by many companies ('uncertainty')
- 'If tomorrow Britain is not part of the single market, the City (of London) cannot keep this European passport, and clearing houses cannot be located in London either' (de Galhau, Bank de France)
- US banks activating contingency plans to move from London
- Frankfurt & especially Paris trying to attract bankers
- Without Britain EU can pursue single capital market, more interventionist policies, new bank capital rules better suited to French, German & Italian banks

Impact on EU

- Elite project; hoped to gain popular support and extend political integration
- Decline in popular support since 2007-2008 crisis
- Flawed euro project
 - o Common currency, no common fiscal (or wage) policy
 - o Growth of imbalances: German surplus
- 'Five Presidents Report' (2015): proposes further integration; euro area finance ministry
- Departure of Britain seen as means of unifying bloc beset by rising euro scepticism
- Widespread euro sceptic movements, especially in France and Netherlands
- IMF euro area growth forecast for 2016 & 2017 reduced due to Brexit (8 July)

Germany

- Promoted export-led policies in EU which worked successfully for Germany
- Low official unemployment, but large sector of low paid (20% 'at risk')
- Inflexible adherence to ultra conservative fiscal dogma; opposes fiscal transfers & eurobonds
- Main threat to future of European integration

Italy

- Economic stagnation since joining euro
- New EU rules block bank rescue (small savers)
- Five star movement: call for Referendum; supports leaving euro