
The Roots of Brexit

1992, 2004, and European Union Expansion

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The Union Jack and the European Union flag are seen flying in the British overseas territory of Gibraltar, historically claimed by Spain, June 27, 2016, after Britain voted to leave the European Union in the EU Brexit referendum.

In their quest for the Conservative leadership, two rival Eton schoolboys have managed to take the United Kingdom out of the European Union—the first by calling for a referendum in 2013 in order to consolidate his hold over the leadership, and the second by joining the leadership of the Vote Leave campaign in order to hasten his rival's downfall. As Alex Salmond, the former leader of the Scottish National Party who knows a thing or two about referendums said, the point of a such a poll is to change things: it was daft of David

Cameron to mount one when he planned to fight for the status quo. And it was cynical of Boris Johnson to use the opportunity for political gain. In this lamentable drama, both have much to answer for.

However, the two had help from many quarters, not least the halfhearted support for the Remain campaign from a Labour leadership ambivalent about the neoliberal capitalist engine that the EU has become and nervous about seeming to support immigration when so many of their traditional voters do not. Nigel Farage, the man-in-the-street leader of the United Kingdom Independent Party, contributed a willingness to play the race and immigration cards when the more delicate political tastes of some Conservatives held them back from doing so.

In a contest that saw a 52 percent vote to leave (and turnout was high at 72 percent), the vehicle for victory was a virulent populist nationalism, stirred up by a campaign laden with wild and inaccurate claims that 80 million Turks were on the brink of gaining EU membership and that a British contribution to the EU of 350 million pounds (\$460 million) a week might otherwise be spent on the National Health Service. The Thatcherite Tories who have long disliked the EU saw the main issue as one of restoring British sovereignty, but focus groups revealed that few ordinary voters had any idea what sovereignty means. In fact, the majority of Brexit voters cared much more about immigration.

Kraj	Waluta	Kupno (we buy)	Kupno (we sell)
	USD	3,9000	4,035
	EUR	4,3600	4,4
	CHF	4,0000	4
	GBP	5,4500	
	AUD	2,8800	2,9800

KACPER PEMPEL / REUTERS

Rates of currencies, including British Pound, are displayed after Brexit referendum on an electronic board at a currency exchange in Warsaw, Poland June 24, 2016.

In that respect, the roots of the referendum result lie in two historical developments—one in 1992 and the other in 2004. The 1992 Maastricht Treaty mandated the creation in 1999 of an EU monetary union, but the agreement left the EU without the institutions for sharing risks among the member states needed to help the union weather crises. When the Greek economy went into a tailspin, an EU in disarray had to cobble together a series of half measures through torturous negotiations that severely damaged its reputation for competence and has still failed to restore growth on the continent.

Of course, the creation of the euro was not unique as far as EU processes go. European negotiators often settle for a compromise that takes integration one step further, knowing that side effects from the inadequacies of that compromise will force future institution building. That process has created

a unique transnational entity. But the euro's travails left British voters (and many other Europeans) with the impression that the EU is a defective enterprise incapable of delivering prosperity. This sentiment took the wind out of the sails of the Remain campaigners, who found it difficult to make the case for Europe as a noble aspiration on an island long suspicious of the continent. In the context of the euro crisis, claims that leaving the EU would damage the British economy rang hollow.

For those of us who have long thought that European influences bring out the better angels in the British nature, this is a sad moment.

The ground for this referendum result was also laid in 2004, when the EU agreed to accept eight east-central European states as members. Seen as an effort to guarantee democracy there, this was a generous move that won the European Union the 2012 Nobel Peace Prize. But because the EU's "four freedoms" include the right to free movement of workers, hundreds of thousands of workers flowed from the east into the United Kingdom, attracted by its universal language and open markets. Ironically, the British government had been a strong advocate for EU expansion, partly because an EU with a larger membership would be more like the free trade zone it favored than a political union. In recognition of this stance, Polish business leaders awarded Tony Blair, prime minister of the United Kingdom at the time, a golden statue. But when it joined the EU, GDP per capita in Poland was \$12,830, compared with \$33,640 in the United Kingdom; and by 2015 there were 790,000 Poles working in the United Kingdom, more than the entire population of Krakow.

Most studies show that immigration has been beneficial for the United Kingdom, which would otherwise have a shrinking population. It generates economic demand and jobs that

might not otherwise exist. Across the regions of the United Kingdom, increases in immigration do not seem to have reduced the employment opportunities or pay of British-born workers. But perceptions are everything in politics and, fed by hysterical stories in the tabloids, most people think the United Kingdom has three times more EU migrants than it does.

WHAT NOW?

For now, it is difficult to say what will come next, not least because the Vote Leave campaign was riddled with contradictions. With respect to the country's relations with Europe, the Leave side claimed that the United Kingdom could secure access to the single market while retaining control over immigration. But in line with its arrangements with Norway and Switzerland, the EU is likely to make full access to that market contingent on the right to free movement of labor and perhaps some continuing contribution to EU budgets. Faced with surveys that show considerable support for similar referendums in other member states, EU leaders will realize that if a state can vote to exit and then negotiate a good deal, the very existence of the EU will be threatened. Perhaps that is why Cameron and Johnson have said they will hold off invoking Article 50 triggering an exit from the EU until the fall, thereby delaying any unpleasant revelations about what is on offer until after a new Conservative leader is chosen and any general election contingent on that has been held.



TOBY MELVILLE / REUTERS

A bus carries commuters as it travels over Waterloo Bridge in London, Britain, June 24, 2016.

In terms of domestic politics, the Leave campaign was an unholy alliance, initiated by a Conservative political elite interested in gaining sovereignty in order to deregulate the economy—despite support in the business community for the EU—but its margin of victory was provided by traditional Labour voters interested in more jobs, higher wages, and better public services. Brexit is unlikely to deliver what they want. Credible estimates suggest that in the short term, it will depress investment and growth. In the longer term, only the most rabid free marketeers can believe that further deregulation in an economy already dominated by flexible markets will generate new jobs. The total number of migrants from the EU in the United Kingdom is unlikely to decline much, since three-quarters of them have been in the United Kingdom long enough to qualify for permanent residence. Future flows may fall, but many small businesses in the service sector could go under as they struggle to fill the low-wage jobs on which their existence depends. Perhaps we will

return to the days when Australians rather than Europeans served much of the beer sold in London pubs.

According to most estimates, the net gain to the United Kingdom of no longer contributing to the EU budget will be barely a third of the sums claimed by the Vote Leave campaign; and there is real uncertainty about how those funds will be spent. A large proportion of the EU funds sent to the United Kingdom went to the country's most depressed regions. Unless those are replaced from public coffers, the adverse effects of Brexit may be greatest in precisely those regions that supported it most strongly.

The referendum vote was won on a wave of public anger sweeping through the northern cities and countryside left out of the prosperity that integration into a global economy brought to London. Their anger could become all the greater when people discover that Brexit was largely a costly gamble with their futures. The Scottish Nationalist Party already intends to use the vote as the basis for another referendum on Scottish independence that it may well win, thereby leaving Cameron as the prime minister who broke up the United Kingdom. The Labour Party is not in much better shape, facing the dilemma of how to hold together an electoral coalition composed of sociocultural professionals who favor immigration and closer ties to Europe and working-class voters who are apprehensive about both. This referendum has brought to the surface deep divisions within the United Kingdom that will not be easily resolved, because rather than dividing the main parties, they cut through the middle of each of them.

For those of us who have long thought that European influences bring out the better angels in the British nature, this is a sad moment. At the time of the United Kingdom's last EU referendum in 1975, when two-thirds of the electorate voted to remain, Prime Minister Harold Wilson, himself no fan

of integration, is reported to have said that he voted for membership because a loss would lead to the “wrong people” running the United Kingdom. Today, it is unclear who will now run the country or in what direction they will take it. It is not easy to put the genie of populist nationalism back into its bottle, and the contradictory promises of those who have won this referendum may well come back to haunt them.

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