

Brexit - A last testament

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One month to go now, before the fateful decision will be made on 23 June 2016, to Remain or to Leave, that is the question – after four years of thinking about it by Prime Minister Cameron’s government.

At least the question has been thoroughly studied and aired in all its dimensions, so much so that it suffices here to try and distil what we have learned.

1. Cameron started by commissioning an encyclopaedic search for evidence showing which EU competences might better be repatriated to the national level. None was the answer, because most of the EU’s competences are shared with member states, and the sharing was overall found to be quite sensible. There is some trimming of detailed regulations to be done (cut ‘red tape’), and President Juncker’s Commission agrees.
2. The room for further opt-outs and other special deals for the UK was very limited because of the extent of special deals it has already obtained (euro, Schengen, budget rebate, etc.). At the strategic level, the UK is in what it likes (the single market, foreign policy and deliberations over main political orientations) and out of what it does not like (enjoying the ‘best of both worlds’).
3. The combination of these first two points meant that Cameron’s so-called renegotiation of Britain’s place in the EU was bound to be a marginal affair, as was seen in the agreement reached at the European Council in February 2016.
4. However, one issue on Cameron’s agenda emerged as a major flashpoint, namely intra-EU migration, where there is strong pressure within the UK for limiting immigration from elsewhere in the EU, which has surged ahead in recent years for two reasons: first, the 2004 and 2007 enlargements, and second the state of the UK economy, which is much closer to full employment than many of the other EU economies. At least here there is a real argument, with immigration pushing up housing prices and straining some public services. On the other hand, access to the European labour market is really needed both for low-skilled workers (in agriculture, construction, home help, etc.) and the high-skilled (in the City and the ‘creative’ services sectors), without which the UK economy would be pushed back to stagnation. But any fundamental renegeing on the free movement of people proved to be the red line that other member states were not willing to cross. And, as a result, the negotiated outcome contained some restrictions only on some secondary non-contributory social benefits for immigrant workers.

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5. Members of the Leave camp, for their part, have failed to produce any serious agenda for how they would handle the economic and trade policy implications of secession. Their rhetoric is about continuing to have access to the EU market and making better and faster free trade deals with the rest of the world. But there is a flood of informed comment and studies showing that this is not plausible on either account. The only questions under serious discussion are the degree to which the UK will lose access to the EU's goods and services market, and how long it would take for the UK to restore bilaterally the EU's existing preferential trade deals with around 100 countries and for it to replicate the deals currently under negotiation by the EU (with the US, Japan, India, Australia and New Zealand) once they are concluded. President Obama came to London to give his answer ("you'll be at the back of the queue"), effectively speaking for the others as well.
6. There has been an impressive wealth of serious studies on the macroeconomic consequences of secession in the short, medium and long term (UK Treasury, Bank of England, London School of Economics, OECD, IMF), all of which point to significant damage to the UK economy. The Leave camp is reduced to vacuous arguments, like "economists are always making incorrect forecasts", or that "these are politically driven results". Moving from the realm of studies to the real world, however, the prospects of immediate and tangible damage come into focus, with the uncertainty factor hitting the exchange rate, drying up foreign investment, and thus cutting the financing of the huge current account deficit and pushing the exchange rate further down. The prospects of recession, inflation and declining living standards are therefore realistic, starting on 24 June 2016 with what the Chancellor of the Exchequer is calling a 'DIY' recession. For the longer run, it looks like the UK could be throwing away all three 'crown jewels' of its economy, namely the City, the services sector more generally, and its prime location for foreign direct investment targeting the EU market.
7. On foreign and security policy aspects, there has been an unprecedented unison of statements by European and other world leaders deploring the prospect of UK secession. All the UK's best and oldest friends say 'don't' for your own sake, and also because the EU, for all its faults, still stands as a major instance of an advanced international order, combining peace, prosperity and democracy like no other region in the world. It won the Nobel peace prize for this achievement in 2012.
8. On top of all, Brexit threatens disintegration of the UK itself, with the prospect of a second referendum on Scottish independence, and possible destabilisation of the fragile peace in Northern Ireland. What do the English Brexiteers say about that? Nothing, it seems, as they press their heads deeper in the sand. They don't want to know.
9. Why then, in the face of an overwhelming mass of serious economic and political arguments, does around half of the British population seem to support Brexit? Several factors can be cited: a decided political and cultural preference from the very start in the 1950s for free trade over greater political integration; the delayed accession, which resulted in initial features that were unfavourable to the UK, e.g. the Common Agricultural Policy; a long-term anti-EU bias of the tabloid press; perceived failures of the euro and Schengen zones (even if the UK was never a member of either of these); an objective increase in EU legislation (but much of which relates to the single market, which the UK wants); the immigration point; and the rise in nationalist populism (as in much of Europe and the US), coupled now at the last minute with the blatant political opportunism of populist-in-chief Boris Johnson.

10. What does the next generation want? It is devastatingly clear. Some 74% of 18-24 year olds want to Remain, while 25% want to Leave (ORB poll, The Independent, April 2016). Middle-aged parents are in the middle, and the grandparent generation wants to Leave. How to interpret this huge and alarming division of society by age? It seems that young British people actually value the EU for the complete freedom it affords them to travel, study, work, seek career and family opportunities throughout the continent, and to socialise with other European cultures. They have grown up taking these freedoms for granted. Grandparents should be prompted by these findings to give more thought to what they bequeath to their grandchildren and future generations and to respect their preferences in drawing up their last testaments.