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No. 3/2016

The UK Referendum – and the Future of the European Project

by Guy de Jonquières, Senior Fellow at ECIPE

A BRITISH PRIME MINISTER whose party holds a minority of seats in the House of Commons is returned to office with a slender parliamentary majority. In an effort to bridge deep rifts in his party over Europe, he promises an in-out referendum on the issue and sets off for Brussels to negotiate better membership terms. Though the concessions he obtains are widely dismissed as meagre, and although almost a quarter of his cabinet campaigns to get out of Europe, the British electorate votes by more than two to one to stay in.

That referendum was in 1975, when Harold Wilson was Britain's Prime Minister. Today, David Cameron, his Conservative successor, must have pondered more than once on the uncanny parallels with the circumstances of his own decision to hold his own party together by committing it before last year's election to put Britain's future in Europe to a popular vote. And with many opinion polls suggesting that the public is evenly split on the issue, he must be hoping that the story ends the same way, too. But will it?

For all the apparent similarities, the differences between then and now are at least as striking. To start with, it was much easier to make a positive case in favour of closer European co-operation in 1975 than in 2016. Though the economies of Britain and most of continental Europe except Germany were still reeling under the impact of the first Arab oil shock, enthusiasm for further integration remained high in much of the region.

One reason was that the horrors of the Second World War and of the historic Franco-German reconciliation that underpinned the creation of the European project were still within living memory. Many leading pro-European members of Wilson's cabinet, such as Denis Healey and Roy Jenkins, later to become president of the Commission, had fought in that war and were

EXECUTIVE SUMMARY

It is on the pocketbook issues that Britain's Remain campaign has chosen to take its stand. For weeks, it has bombarded the public with warnings and research purporting to show that Brexit would take a toll on economic growth, living standards, public services and even property prices. International institutions such as the International Monetary Fund, the Organisation for Economic Cooperation and Development and the World Bank, along with government leaders around the world, have

chimed in with statements that Britain would be worse off outside the EU.

It is still unclear how far such arguments will sway the undecided voters who will determine that outcome of the referendum, in the face of Leave's focus on the more emotive issue of curbing immigration. It is also indicative of the difficulty of arguing a positive case for staying in the EU that so few in the Remain campaign try very hard to make it. Furthermore, Remain needs to overcome wider public disaffection with and mistrust of, not just EU institutions, but establishment politics at national level as well.

A similar popular mood is spreading across much of the rest of Europe. A UK vote for Brexit would strengthen the growing populist and nationalist forces in the EU that want their countries to leave it and even to dismantle the European Project altogether. What makes that challenge so powerful is that Europe's leaders, under rising pressure from insurgent parties at home, have few ideas about how to respond to them. There are fundamental problems at the heart of the European Project. But there is a serious shortage of realistic solutions, still less a political consensus on what they should be.

deeply influenced by the experience. Even some prominent Labour party anti-Europeans, such as John Silkin, then agriculture minister, acknowledged that integration was a good idea for the rest of Europe, but just not for Britain.

That generation has died out and with it fervour for the European ideal. In part, that is because integration has advanced a long way in the past four decades – above all through creation of the single market – arguably making it a victim of its own success. Old enmities, at least among the original member states, have faded, while younger generations have grown used to the easier travel, increased job mobility, cross-border shopping, cheaper communications and other benefits made possible by the demolition of border barriers. Against that, the huge economic and human costs of staving off the collapse of the Eurozone have raised serious popular doubts and cynicism about assertions that the solution to every big problem is “more Europe”.

CAMPAIGNING ON POCKETBOOK ISSUES

IT IS ON THE POCKETBOOK issues that Britain's Remain campaign has chosen to take its stand. For weeks, it has bombarded the public with warnings and research purporting to show that Brexit would take a toll on economic growth, living standards, public services and even property prices. Though some of its dire predictions have been criticised, even by neutral observers, as too alarmist, extreme or speculative, international institutions such as the International Monetary Fund, the Organisation for Economic Cooperation and Development and the World Bank, along with government leaders around the world, have chimed in with statements that Britain would be worse off outside the EU.

How far such interventions have swayed public opinion is unclear. They may even have been counter-productive: opinion polls showed that UK popular support for Brexit rose after US president Barack Obama urged a vote for Remain when he visited London in April. But in any event, the Remain campaign faces at least five other sizeable hurdles.

The first is that it is hard to make a positive case for the EU when it is so obviously in a sorry state, rudderless and apparently overwhelmed by huge challenges that threaten to tear it apart. From within, it is beset by anaemic growth, high unemployment and recurring crises in the Eurozone, while much-needed structural reforms have ground almost to a halt. From without, it confronts Russian aggression and waves of refugees from terror in the Middle East and north Africa desperate to cross its borders. No wonder the Remain campaign has opted to emphasise what Britain risks losing by getting out of the EU, rather on what it stands to gain by staying in.

The second hurdle is that the nature of Britain's relationship with the EU is far too complex, and EU institutions too remote, obscure and opaque, for most voters – in Britain or anywhere else – to be able to form an informed judgement about the pros and cons of membership. That, and a long-established campaign in popular newspapers of – often exaggerated and sometimes wholly untrue – anti-Brussels stories means that the vast majority of voters know little about the EU and many may well be predisposed to think ill of it.

Often, such beliefs appear to have only a slender basis in fact. Complaints about unwarranted meddling by unaccountable Brussels bureaucrats in Britain's affairs are common, both among Leave campaigners and among the wider electorate. Yet ask critics of the EU, as I regularly do, to identify one of its regulations or policies that has adversely affected their lives and most people are stuck for an answer. (When there is one, it is often that the EU has devastated Britain's fishing industry).

When facts are few and resentment or anxieties simmer, emotion tends to gain the upper hand. Nowhere is it more evident than in the fourth factor in the Brexit debate: immigration. Having been heavily outgunned by the Remain campaign on the economic arguments, and having failed to present a clear or plausible picture of how Britain's economy would fare outside the EU, that is the principal ground on which Leave supporters have chosen to mount their battle.

In doing so, they have undoubtedly tapped into a deep seam of public unease. Opinion polls regularly show immigration to be people's number one concern, while immigrants are accused variously of stealing jobs, sponging off social security, competing for scarce housing or placing an intolerable strain on public services. Such worries have been fuelled by television coverage of refugees massing at EU borders or in camps at Calais and by scare campaigns about millions of

Turks allegedly poised to gain freedom to roam freely across Europe.

No matter that most of these fears are demonstrably false: that Britain is not part of the Schengen zone and that fewer immigrants come from the EU than from outside it; that reputable studies have shown that immigrants, as well as providing many staff for public services such as the national health system, are net contributors to the government's fiscal coffers; or that prospects of Turkey's membership of the EU are at best remote and that by quitting, Britain would lose any right to veto it; or, indeed, that complaints about immigration are often loudest in areas where it is lowest.

Nonetheless, by conflating immigration with EU membership, the Leave campaign's arguments do appear to chime with a widespread, though ill-defined, popular feeling that Britain is losing control of its own affairs and that grabbing back sovereignty from the grasp of an intrusive and overbearing EU is the way to regain it.

DISTRUST IN THE ESTABLISHMENT

BUT THE FIFTH HURDLE CONFRONTING the Remain camp is in some ways the most formidable. It is the growing popular suspicion of institutions and large organisations in general. Public trust in bodies such as the BBC, the police and even the revered National Health Service – once described as the nearest thing Britain has to a national religion – has been eroded by a succession of failures and scandals. Meanwhile, banks have been discredited by the global financial crisis and senior executives of big companies by what many less privileged people consider a combination of greed and mediocre performance.

Politicians are no less suspect in the public eye. Even though many members of parliament serve their constituents conscientiously, the legislature and the Westminster machine that has grown up around it, with its expanding numbers of special advisors, lobbyists and public relations advisors, appear to many voters to be out of touch with the grassroots, while those who devote their lives to national politics are considered self-absorbed and in it mainly for themselves. The sense of alienation is neatly captured in the popular term “the Westminster bubble”.

Those trends have conspired to breed instinctive scepticism of the opinions or advice offered by those in positions of authority or influence – members of what in Britain is known as The Establishment. Their utterances are increasingly greeted with suspicions that they are speaking out for self-interested reasons or because they have been put up to it. Leave campaigners have sought to capitalise on this mood of mistrust by suggesting, for instance, that banks warning that Brexit would compel them to move operations out of the UK are interested only in maximising profit, even though loss of single market “passporting rights” could leave many of them little choice.

Some of Leave's tactics have undoubtedly gone too far. Challenged by a television interviewer to name a single economist who supported quitting the EU, Michael Gove, a cabinet member and leader of the campaign, refused to give an answer (even though a handful of economists have spoken out in favour of Brexit).

Yet there is also evidence that the battery of establishment big guns wheeled out to support the Remain campaign's case may not be hitting their target – or that the general public has become so deafened by the barrage of arguments and counter-arguments from both sides that it has decided simply to switch off. A recent opinion poll found that people trust friends and family, academics and small businesses the most on Brexit issues and the heads of large businesses, civil servants and trades union officials the least – with politicians at the very bottom of the heap.

As politicians themselves, the leaders of Leave are clearly in danger of being tarred with the same brush. They have sought, with some success, to deflect that risk by presenting themselves as outsiders and underdogs battling on behalf of ordinary men and women. Their tactic has been either, in the case of the Tories, to run against their own party, thereby threatening a civil war in its ranks, or, in the case of the anti-EU and anti-immigrant UK Independence Party, to set one up from scratch.

In the end, the determining factor in most voters' minds when they go to the polls on June 23 seems unlikely to be the EU, about which most know very little and which even today fewer than a third of the electorate name as their most pressing concern. It will almost certainly be issues much closer to home.

The evidence suggests that many voters chose to vote “yes” in the 1975 referendum, not out of any surge of pro-European enthusiasm, but because they feared that voting “no” could bring down or fatally weaken the government, triggering huge upheavals and uncertainty in Britain. That fear was doubtless accentuated by the risk that leaving the then EEC would hand power to those leading the campaign to do so, a number of whom were regarded as holding extreme, radical or eccentric political views. David Cameron no doubt hopes the same perceptions will prevail this time.

That sentiment is captured in a nursery rhyme by the late Hilaire Belloc, a popular author of humorous verse, which concluded: “Always keep ahold of nurse, for fear of finding something worse”.

Analyses of Britain’s previous referendums find that public opinion has tended to move towards preserving the status quo as polling day neared. On the other hand, much of the electorate is clearly disgruntled, sceptical and fearful: only 11 per cent of people told a recent opinion survey that they believed the world was becoming a better place. If enough of that discontent and foreboding boils over into a protest vote and an urge to pull up the drawbridge, then it could swing the outcome Brexit’s way. In the end, the referendum may well come down to a contest, less between hard facts and reasoned argument, than between those two instinctive impulses.

BREXIT SENTIMENTS WILL NOT STOP AT THE UK BORDER

BUT WHATEVER THE ELECTORATE DECIDES, the tremors will not stop at Britain’s shores. If Brexit wins, both Britain and the rest of the EU will suffer a profound immediate shock and face, at best, a probably lengthy period of acute political uncertainty and complex wrangling that could easily degenerate into acrimony. Pressures from anti-EU parties in other member states to follow Britain through the exit may increase, with far reaching implications for their domestic politics.

But even if Britain votes to remain in the Union, and especially if the result is close, the reverberations seem unlikely to subside quickly, either. The Brexit debate has already served as an echo chamber and a rallying point for broader popular discontent and disaffection with the EU and its institutions, most notably in France, the Netherlands, Austria and recently even in that stalwart champion of European integration, Germany.

Brussels seems finally to be picking up those rumblings. Indeed, they were acknowledged publicly by Donald Tusk, president of the European Council, in a remarkably candid speech this month in which he called for the abandonment of “utopian dreams” of further integration and a concentration on practical measures such as reinforcing borders and creating a banking union.

However, while his call may reflect a recognition that the EU has lost its way, it hardly offers a clear new roadmap. A serious EU drive to strengthen borders would require a degree of co-operation that member states have so far appeared unwilling to subscribe to, while creating a true banking union would involve compromises on sovereignty and national interests that would face strong political resistance, not least in Germany.

Those obstacles do not just reflect intransigence and narrow national self-interest on the part of the governments of member states. Even if their leaders found a way to overcome them and forge agreements, the sullen public mood and the rise of insurgent populist parties make it questionable how easy it would be to sell them to their legislatures and electorates at home.

Nor would intensified EU co-operation, even if it could be achieved, be likely to provide a solution to Europe’s underlying problems. Britain’s Brexit debate suggests that, although the EU has become the focus and target of popular discontent, it is not the sole of even principal cause and may, rather, be a lightning rod for a much broader and deeper public malaise.

Within a number of the EU’s constituent countries, many of the same criticisms levelled at the EU – remote, arrogant, unresponsive and unaccountable – are also directed at national political establishments. And for many of the same reasons: above all, surges in immigration and stagnating living standards that governments have not only been helpless to prevent but are often blamed for encouraging. Furthermore, such protests are not unique to Europe. As the surging popularity of Donald Trump in the US shows, the trend is increasingly evident in western democracies more generally, as disgruntled voters turn to maverick outsiders and self-styled “strongmen” for answers that traditional political mechanisms have failed to deliver.

That is a dangerous slope. Though the new populism is often dressed up in the language of liberation, a fairer deal and returning power to the people, too often it has led to exactly the reverse: repression, dogmatism, intolerance, crude nationalism and the erosion or emasculation of independent state institutions: in other words, it is striking at the fundamental principles and values for which the European Project purports to stand. That has been the pattern in Turkey, in Hungary and in Poland since “strongmen” leaders have been elected to power there. Many Americans fear the US may go the same way under a President Trump.

Whether those trends would take hold in Britain in the event of Brexit is perhaps more questionable: the country’s long history of democracy and its hatred of tyrants would probably act as brakes – though, of course, in the US, where those same factors apply, some observers fear they would not be enough to constrain a Trump White House, any more than they checked the rise of Louisiana’s demagogic governor Huey Long until it was abruptly ended by an assassin’s bullet in 1935.

There is a growing sense in the west that the ground that once felt firm beneath the feet is now starting to tremble unpredictably, and with it popular confidence in the old ways of doing politics. If it is to be regained, custodians of the established political order need to demonstrate that it can be made to work again by attuning themselves more closely to the public mood and responding, not with empty crowd-pleasing slogans, but with effective answers.

That task will fall, first and foremost, to member governments. It will mean restoring not only their own credibility and authority at home, but that of EU institutions. Though often perceived by voters as anonymous, remote and unaccountable, they are ultimately the creation of national governments, whose ministers are collectively responsible for their decisions and policies.

It is fashionable in some quarters to seek solutions in reforms of those institutions. Desirable, indeed necessary, as that may be, it is not enough in itself nor will it be easy. Enhancing popular legitimacy while simultaneously increasing efficiency is a notoriously difficult balance to strike. In any case, for all the calls for reforms, there is a serious shortage of realistic ideas, let alone a political consensus, on what they should actually consist of.

Yet the time for the EU to chart a new course is limited and the risk of further drift – if not, indeed, of disintegration – is increasing. Just possibly, a British decision to withdraw might be the jolt the rest of the EU needs to set about taking urgent corrective action. But even if the British electorate votes in favour of continued membership, Brussels and national capitals need to recognise that it is highly unlikely to signal a return to business as usual. —