A Brexit Proposal

By Christopher Bickerton and Richard Tuck

About the authors

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Foreword

As two people who supported Brexit and have always sought to make their reasons for doing so as open to public discussion as possible, we feel that it has become urgent to revisit some of the basic questions around Brexit. In this short pamphlet, we restate clearly what Brexit represents and why it is so important. We explain why its implementation is proving so difficult and we lay out a vision for a post-Brexit UK that can serve as a guide for the negotiations as they proceed into the most critical phase yet.

We decided to publish this work ourselves rather than in association with a think tank or with a political party. We both identify with the political tradition of the Left but, as it will become clear, our views differ markedly with what currently constitutes official British Labour Party policy on Brexit. Our aim is to contribute to the public debate on Brexit and, if possible, to move us beyond the current impasse.

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Introduction: Where we are now

Negotiations around the UK's exit from the European Union (EU) have reached an impasse. For months, the UK has been desperately holding onto its only trump card - the "divorce bill" settlement that would see the UK pay many billions of pounds to the EU in exchange for its exit from the block. On the other hand, the EU27 insist that only when procedures are place for an "orderly withdrawal" will they start discussing their future relationship with the UK. This means agreeing on the financial settlement, the rights of EU nationals currently living in the UK and – at the insistence of the Irish government – an agreement on how to manage the North/South Irish border in Ireland after Brexit.

At the European Council summit meeting in October 2017, the EU27 judged that not enough progress had been made to move to "phase two", namely talks on a new UK-EU relationship post-Brexit. Expectations are currently that movement to the next phase will occur after the European Council summit in mid-December. The EU may yet decide once more that insufficient progress has been made. But there is a realization that refusal by the EU27 to move forwards would - at that stage - be tantamount to pulling a plug on the negotiations. In which case, the impasse would give way to a major crisis.

The current difficulties have deep roots. For the EU27, the "phased approach" was agreed upon in April 2017 and forms the core of the 'Guidelines' given to Michel Barnier's team.[i] The EU functions as a community of laws and the 'Guidelines' are what heads of state and government have managed to agree to after protracted behind-the-scenes negotiations brokered by Council officials. Any change in the negotiation tactics adopted by Barnier can only come from rewriting those Guidelines. The monolithic appearance of the EU27 is not because all member states are enthusiastically signed up to a common approach. It is because they would all need to agree to any change, and efforts at rewriting collective texts often open up new lines of division. This same rigidity will apply

throughout all the Article 50 negotiations, making it very unlikely that the UK government can exploit disagreement within the EU27.

As well as being a community of laws, the EU also serves to transform political conflicts into manageable procedures overseen by legal experts. The EU is a depoliticizing and consensus-building machine. This is how the EU works for its own internal business and it is also what it is doing to Brexit, so that unity amongst the EU27 can be preserved. As one of Barnier's negotiators put it in a recent trip to London, for the EU Brexit is "a process to be managed".[ii] As a result, the EU is likely to ignore many of the wider ramifications of the negotiations, much in the way that it ignored the consequences of its association agreement with the Ukraine in 2014 until the Russian tanks rolled into Crimea.

This is a mistake. Even for the EU, Brexit is more than just a "process". The exit of a member state is without precedent and poses fundamental questions about the future of the EU. Though Council and Commission officials are taking the lead, national capitals are following the negotiations closely. The symbolism around Brexit is much like the symbolism around the Greek crisis of 2015. How one member state is treated becomes a lesson for all. It is possible that some wish to make an example of the UK, much in the way that an example was made of Greece in order to impress upon all Eurozone countries of the need to pursue austerity and domestic reforms. This may explain the readiness by Jean-Claude Juncker and his entourage to belittle British efforts. There are echoes here of the derision with which Greek efforts to table new negotiating points were met by the all-powerful troika a couple of years ago.

If the EU is really a community of consent, as its treaties claim, then exit is a legitimate decision and not one that should be so costly as to be virtually impossible. If the EU is a community of coercion, then we should expect that Brexit will be made as difficult as possible for the UK. Either way, Brexit *is* a measure of how member states of the EU treat one another. But so far, listening to Barnier and to EU leaders, there is little evidence that the EU27 are viewing the negotiations in this more reflective manner.

For the UK, the Brexit negotiations are of a quite different order again: they are existential as regards the future of the United Kingdom as a multinational political union, and they may lead to the greatest social,

political and economic transformation the country has seen a generation. The very fact that the UK government is negotiating exit from the EU also signals a rupture with the culture of consensus that had descended onto British politics and its public servants. This culture enabled successive UK governments to operate smoothly and successfully within the EU's complex decision-making machinery, albeit at some distance from the thoughts and concerns of ordinary citizens.

The present impasse is the expression of a profound clash of negotiating cultures: the depoliticized and consensus-seeking culture of the EU is now at odds with a more traditional diplomatic negotiation on the UK side, where negotiators cannot but think in terms of victory, loss and zero sum games. If neither side realizes that the impasse is a product of more than just a few procedural disputes, then a 'No deal' outcome is more likely than ever.

The final difficulty at present is party political and lies on the British side. However faithfully civil servants negotiate on the behalf of government, and however good their policy reports, their hands are ultimately tied by their political masters. The crisis of Brexit today is a crisis of political will.

Back in March 2017, when Theresa May sent the UK's ambassador to the EU, Sir Tim Barrow, to Brussels with a six-page letter for European Council President Donald Tusk, triggering the start of the Article 50 negotiations, the government's position was already weak. None of the most prominent Brexiters fared well in their bids to become leader of the Conservative Party, and with David Cameron's swift departure all that was left after the dramatic referendum outcome was a vacuum of political leadership. Theresa May had been a guarded figure during the referendum campaign, nominally supporting Remain but in reality not getting involved.[iii] This cautious politician was unexpectedly thrust into the limelight and asked to take the UK out of the EU.

Hoping to capitalize on what seemed to be a deeply divided and electorally hapless British Labour Party, May called a general election, two months after triggering the start of Article 50 talks. She failed to win a majority in the election and against all the odds voters turned towards the Labour Party, by a swing of almost 10 per cent. This was not enough to put

Jeremy Corbyn in Downing Street but it left May leading a minority government, with a cabinet fundamentally divided on what goal the UK should pursue in the Brexit negotiations. Many in the Conservative Party just want her out, though they are less sure of how to achieve this goal.

Theresa May is finding it extremely hard to push important concessions to the EU27 – on, for instance, the financial settlement – through her cabinet and to win support for the required Brexit legislation in the House of Commons. Added to this are a series of sexual harassment allegations that are spreading across Westminster and have already brought down one powerful pro-EU voice in the cabinet, Sir Michael Fallon, adding to May's difficulties in obtaining ministerial acceptance of Brexit on the EU's terms. An emboldened Labour Party has hardened its own pro-EU line, confirming its support for Remain but shying away from actually calling for a reversal of the referendum result. As the negotiations have soured, prominent Brexiter Conservatives have started to look for scapegoats. Some are accusing the "deep state", which includes universities and their centre-left Remain-voting academic staff, of peddling anti-Brexit messages to students in ways that are scuttling support for the negotiations.

Amidst all of this political chaos, and given the impasse reached by the negotiations, there is a real risk that the result of the UK's EU referendum of 2016 will be reversed. This could come from kicking the can down the road, achieved by introducing a long transitional arrangement that slowly takes on the appearance of permanence (there are many examples of so-called 'emergency measures' that become 'normalized' over time, within the EU and beyond).[iv] Or it may come from a second referendum on the terms of the final Brexit deal, the logic being that only a second referendum can trump the result of the first.

A reversal via the second route would have the trappings of democratic legitimacy but would in fact be the result of strong-arm tactics on the part of Remain supporters. One can only imagine how Remainers would have reacted to the call for a second referendum had they secured 52 per cent of the vote in favour of keeping the UK in the EU on the 23rd June 2016.

Any reversal, or the kicking of Brexit into the long transitional grass, would harden and pathologize what are already very serious political and

social divisions in British society. Many millions of UK citizens would be left feeling, quite rightly, that their vote does not matter anymore and that democracy is a sham. At the same time, the current strong likelihood that the UK will leave the EU without any deal on its future relations with the block is not in anyone's interest. Moreover, this outcome is entirely avoidable. The principle hurdle facing the UK at present is not an implacable and immovable EU but the country itself and its own internal contradictions.

We have written this pamphlet in order to suggest a way to overcome these hurdles. We set out ways of addressing the most pressing policy problems facing Brexit in chapter three, and we detail our vision for the British economic growth model after Brexit in chapter four. Before turning to these pressing matters, we need to remind ourselves of why Brexit matters, and why it is proving so difficult to implement. We turn to this in chapters one and two.

Chapter 1: Why Brexit Matters

It has become a truism that in the referendum the majority of Leavers were motivated by hostility to EU immigration and, it is often insinuated, hostility to immigration as such. The fact that the establishment (which used to be known more accurately as the ruling class) split, with prominent mainstream politicians supporting Leave, is then characteristically explained by a combination of personal ambition and a rather cranky interest in constitutional niceties. The pervasive sense that Boris Johnson was only motivated by his own interests illustrates this, as it is hard to believe that Boris is concerned with niceties of any kind, and no other explanation can occur to the Remainers. They are bolstered in this account by the lack of any comparable split within the establishments of other EU countries, so that these British figures can be seen as odd outliers, with the European norm represented by the academy, the BBC, and - it increasingly seems to be the case - the Labour Party.

There is no doubt that immigration was a major theme in the campaign, but "taking back control" was actually as frequently voiced in polling as a reason for voting Leave.[v] It has turned out to be very hard for Remainers to understand or accept this, and it is usually redescribed by them as another, this time coded, way of expressing hostility to immigration. The two reasons are of course connected, since for many people outside the ruling class the nature of the EU only became apparent once they became concerned about immigration, but that does not mean that their anxiety about a general loss of control was not a real and free-standing anxiety. Why has it been so difficult for Remainers to see this?

To answer this question, we have to realise that "control" means something very different for the poor and less educated from what it means for people in or on the fringes of the ruling class. For us - and we count ourselves unequivocally part of the ruling class - political participation is easy. We mix with politicians, journalists, lawyers and civil servants. Our

views, however traitorous they seem to our equals, are taken seriously, and when we go to vote that is seen as only a small part of our political activity, and for many academic political scientists a rather pointless one, compared with the other things we can do. We can even expect to have the same kind of influence in Europe that we have in our own country - perhaps even more, since the European elites look so very like us.

But this is not what politics feels like to most people, and especially to those who are culturally and socially disadvantaged. For them, the vote is still what it used to be in the great days of expanding democracy. It is the key means of asserting some kind of control over their rulers. Before the expansion of the franchise they could have done everything they are supposed to do now - lobby, debate, protest etc - but the poor understood then that without actual power all that would come to nothing for people like them. For those who lack the access to the professional and political networks that nowadays operate the levers of power, the vote is the only means they currently have to influence government. They do not need to be able to articulate this clearly for it to be true, and to be felt to be true by them at some instinctive level.

Concern with constitutional niceties might be cranky for members of the ruling class, but for those outside the establishment these niceties actually matter. And when the British were told for the first time that whomever they voted into Parliament, nothing significant could be done about EU immigration unless Britain left the EU, they suddenly realized that the basic political structures in which they lived had been transformed, and that there was literally nothing they could do about it. They were at best petitioners waiting on the result of secret negotiations between their betters across Europe. Though fear of this was inevitably intertwined with hostility to immigration, the fact of powerlessness was *real*, and it presaged powerless in other areas in the future. This is the key thing Remainers, and especially Remainers on the Left, have to realize.

Brexit is therefore above all about sovereignty. Perhaps unsurprisingly, one's proximity to the ruling class can be measured by how disparagingly one talks of the notion of sovereignty. Scholars have become accustomed to describing it breezily as a 'convenient label', as 'hypocrisy' and as a byword for chauvinism and for the spitfire nationalism of a country unable to accept its place in the world.[vi] Broadsheet journalists

swiftly dismiss sovereignty as a "dream".[vii] Those who profess to believe in the term quickly add that what they really mean by it is "pooled sovereignty". This amounts to participation in international and regional organizations, but with scant regard for the distribution of power within them or their effect on the legislative and executive capacities of their own states.

Sovereignty refers to no more than self-government and political autonomy. As a principle, it identifies who is in charge and therefore who is responsible.[viii] It should not be confused with autarky or with cutting oneself off. On the contrary, the very idea of an independent and self-governing state presupposes a wider society of states. This is why the principle of sovereignty developed historically at the same time as the development of an international society. The sovereign today is not the prince or the monarch, it is the people, which is why we use the phrase, 'popular sovereignty'. The people rule, usually through their elected representatives; the government and the bureaucracy implement their will. The people are sovereign and the government is the delegated power.

Membership of the EU fundamentally challenges this basic principle but not in the manner that many traditional British Eurosceptics think. Fulmination against the "Brussels super-state", regularly found in the pages of the *Daily Mail* or the *Daily Telegraph,* misses the point entirely, as we explain in more detail below. There is no EU super-state. Indeed, there is nothing even closely resembling one. Member states are at the heart of the EU and rule through the European Council. Crucially, however, the EU system empowers national executives, not domestic publics.

At every step of EU policymaking – from the COREPER meetings and working groups in the Council to the trilogues and early agreements organized under the rules of 'ordinary legislative procedure' – decision-making is kept well away from any direct consultation with domestic publics.[ix] The EU is the rule of governments. The role played by the people is secondary and usually on the terms set by governments and EU institutions. Instead of being the servants of the people, governments call the shots and the people are expected to acquiesce. This is why EU institutions and national ruling classes are so ambivalent about referendums: they stick a spanner in this well-oiled machinery.

The message of the Brexit vote was that the people no longer want to play this secondary role as a 'delegated power'. They want once again to be sovereign and to put government back in its place. The backlash against a perceived powerlessness is not a quixotic or esoteric position to take. Neither is it misguided nor evidence of ignorance about 'how the world works'. For vast numbers of the British public, it is their reality. The result was therefore as much a challenge to national politicians in the UK as it was to the EU, which is why the aftermath of the Brexit vote has been so dramatic and damaging for domestic British party politics.

Defending popular sovereignty is not an anti-European view to take. The one who articulated this vision of sovereignty most clearly was the Genevan-born philosopher, Jean-Jacques Rousseau. The French Revolution best incarnated the translation of the idea of popular sovereignty into practice. The call for popular control over decision-making that has come out of the Brexit referendum is a European idea. It is one of the deep ironies of the EU referendum that opponents of Brexit take this very European act as the apotheosis of British anti-Europeanism.

Chapter 2: The siren call of 'Remain', or why is Brexit proving so difficult in practice?

Brexit is testing to the limit the capacities of the British body politic to implement a decision made in a national referendum. Since the vote a year and a half ago, the shadow of Remain looms large. Prominent figures regularly invoke the hope of reversing the result. The pro-EU philosopher and public intellectual, A.C. Grayling, described Brexit as a "coup" based on a "gerrymandered electorate", a view which makes a reversal of the result almost a democratic duty and imperative.[x] However, to understand the appeal of Remain amongst certain elements of British society, it is not enough to refer to the unchartered waters and technical challenges of leaving a highly integrated and legally complex regional block. Nor is mere stubbornness doing all the work. The 'siren call' of Remain is a symptom of deeper features of British state and society. We need to understand these if we are to puncture the commonly heard desire to go back to 'the way things were' before the 23rd June 2016.

The United Kingdom as a member state

Many have described the UK as an awkward member of the EU. Since joining in 1973, it has remained on the fringe of the integration project, suspicious of the intentions of its partners and ever-ready to consider the whole project of 'ever closer union' as an anti-British plot dreamed up by the arch-enemy, the French. This 'Yes, Minister' view of the UK's place in the EU makes for good television comedy but it fails to correspond with the historical record. Since it joined in 1973, and particularly after a meeting in Fontainebleau in June 1984 settled the fight over the rebate to Margaret Thatcher's satisfaction, the UK has been a leading member state of the EU.

It has been one of the architects of some of the most significant episodes in recent European integration history - from the Single European

Act to the enlargement to the East and closer cooperation in justice and home affairs and foreign and security policy. To be a 'member state' is not just a juridical term that describes countries who are within the European legal orbit. It also means that belonging to the EU has become part of what it means to be a state; membership plays an existential role for the states concerned. As the British historian Alan Milward observed, the EU has not pushed states to one side or taken their place. Rather, it has led to a redefinition of the meaning of statehood in Europe.

The authority of a member state lies only in part in its relationship to its own national population. To this vertical source of authority (from the people up to the government), we have to add a horizontal source of authority, what comes from being part of a wider community. This is authority conferred by national governments upon each other and their respective officials as they participate in EU policymaking. Because the interaction is so intense – especially in times of crisis –national politicians and national officials often feel a greater sense of affinity and obligation to their European peers than to their own national citizens.

Over time, this horizontal source of legitimacy has reshaped European states, transforming them from nation-states into member states. An illustration of this change was David Cameron's efforts at renegotiating the UK's role within the EU. In his correspondence with European Council President, Donald Tusk, it was never clear if Cameron's goal was to change the relationship *between* the UK and the EU institutions, or whether he was trying to reshape the European project itself. Cameron wrote that his proposals could "benefit the European Union as a whole".[xi] His justification for wanting to reform economic governance was that given the future potential disparity between Eurozone and non-Eurozone member states, the integrity of the Single Market was at stake. He wrote that the UK is "seeking legally binding principles that safeguard the operation of the Union for all 28 Member States".

Cameron deployed the very same language about the integrity and unity of the EU28 used by Michel Barnier today in the negotiations with the UK over Brexit. Cameron's vision for a new kind of EU ran throughout his renegotiation efforts. Far from signalling any great hubris on his part, this simply tells us that in his mind and in the minds of the British team negotiating with Council officials, the boundary between British and

European interests was indeterminate. Indeed, it came quite naturally to think in terms of Europe as a whole when communicating what the British government wanted to achieve in the renegotiations. Seen in this way, what followed comes as no surprise. When the EU referendum campaign began in earnest, the renegotiation package - so painstakingly constructed during six months of European diplomacy and announced by Cameron after the European Council summit meeting of February 2016 - disappeared entirely from view. Cameron's 'new deal' with the EU was irrelevant because, from the British public's perspective, it had never really been about them or their concerns at all.

Brexit has fundamentally challenged the 'member stateness' of the UK. It has obliged politicians and officials - whose habits and practices have adapted to the consensus-building practices of the EU's institutional architecture - to dust off the old garb of the nation-state. This is the unfamiliar world where social demands form the basis of the national interest and where the 'will of the people' trumps any other competing obligations. Article 50 squeezes this process of state transformation into an impossibly short two years. Brexit has forced onto the British state a curious schizophrenia: it is two kinds of state at once, member state and nation-state, and the combination is proving destructive. As Ross McKibbin observed back in 2014, the EU has become "as much part of the structure of the British state as the Union with Scotland once was".[xii] Leaving an organization that has become the pillar of your identity, legitimacy and authority was never going to be simple.

The British Left and Europe
The continuing pull of Remain also stems from the conversion of the British Labour Party to the cause of EU integration. The official position of the Shadow Cabinet is currently to try to stay in both the Single Market and the Customs Union "indefinitely", and at the least for four years or so. It must be understood by everyone who wants real change in Britain that this is an absolutely disastrous position to adopt. Anyone who looks at the old left-wing parties across Europe can see quite plainly that they are in irreversible decline, and even the new radical parties that sprang up after the crash of 2008 such as Syriza and Podemos have an air of defeat about them. What happened in France this year is - as so often in the past - the

harbinger of events throughout the Continent: the French Socialist Party was all-but wiped out in presidential and parliamentary elections in May and June 2017. If the Labour Party continues down the road it has apparently now chosen, it will not escape the same fate.

The EU does not wish to become a super-state, but that is in part because with regards to markets in general it prefers that states do not involve themselves *at all*. The EU is a structure designed to facilitate the activity of corporations, and to some extent individuals, and to restrict the scope of state power. This can easily be read, particularly by Tories, as an attack on the old states of Europe in the interests of a new one, but in fact it is the latest stage in the long history of capitalism's attack on politics *as such*, a history in which Margaret Thatcher was a major player. One of the great paradoxes of Britain's relationship with the EU is that the EU in many ways fulfils the dreams of the Thatcherites. And yet, it is the Labour Party's attachment to the EU that today is driving the support for Remain even after the 2016 referendum.

To grasp the origins of this attachment, we have to return to the original decision to enter the Common Market. When a large part of the Labour Party opposed entry into the EEC in the 1960s and 1970s it knew what it was doing. In the great discussion inside Wilson's Cabinet at Chequers on 22 October 1966 which effectively committed the Labour Party, and therefore British governments of whatever political complexion, to continue to seek entry to the EEC, the central concern was (as Richard Crossman put it in his diary):

> whether the Commission in Brussels would really deprive us not only of some of our sovereignty but of some of our power to plan the economy? Would investment grants be allowable or not? Would we still be able to see that new factories are put in Scotland rather than in South-East England?[xiii]

This was the heart of the matter for the socialists in Wilson's government. A few months later Crossman noted that:

> Today Barbara [Castle] made a tremendous speech saying that entry would transform our socialism and make us abandon our plans. In a sense she's completely right. If anybody wanted, apart from myself, Britain to be a socialist offshore island, entry to the Market would

mean the abandonment of that ideal. Up to the July freeze [on wages, for the last six months of 1966] it was still possible to believe that we in the Wilson Government would strip ourselves of the sterling area, withdraw from East of Suez, and take the Swedish line of socialism... but now it is felt by almost everyone that it's too late.[xiv]

People like Crossman and Castle understood that the choice Britain was about to make was between continuing in a kind of imperial role, and reconfiguring itself as a Scandinavian social democracy.

That the choice took this form had been made perfectly clear in a staggering memorandum two years earlier by Con O'Neill, at the time Britain's Ambassador to the EEC. Without membership

we can decline again to what was for so long our proper place: but if we choose this course I feel we must be prepared for the decline to be rather rapid. In particular, I feel that unless we succeed in creating a satisfactory relationship with Europe we may have declined in a relatively short time into neutrality ... a greater Sweden.[xv]

A majority of Wilson's Cabinet fell for this; but given that by the end of the century Britain had officially withdrawn its troops from "East of Suez", had abolished the sterling area, and had devalued the pound, it would seem that - as so often - the advice from the Foreign Office had been wrong in every particular. Who on the Left now, looking back, would not have preferred Britain to be a "greater Sweden" for all those years, rather than enmeshed in the expensive and futile task of "punching above its weight" (something most skilled boxers advice against)?

Brexiters have often been accused of nostalgia for Britain's vanished greatness, but it was the pro-Europeans who were transfixed by a fantasy that Britain could avoid being (in O'Neill's revealing words) in "our proper place", and the anti-Europeans who were - and still are - the true realists. Labour when it returned to opposition in the Heath years saw this, but Wilson again fell for the temptation to endorse membership in 1975; the opposition from a broad swathe of the party was still considerable, however, and in the early 1980s succeeded in making Brexit (though the term had not yet been coined) official party policy. This was, and should still be, the natural position for a left-wing party to adopt.

In the last decade or so of the twentieth century, the Conservative and

Labour parties have swapped places on Europe. This is often explained by the impact of Jacques Delors's famous speech to the TUC in 1988, which promised that the EEC could be used to promote workers' rights: fear of Delors, it is said, drove Tories to Euroscepticism, while his promises drove Labour to increasingly unquestioned support for the EEC. There is some truth in this, but Delors's promises were quite quickly revealed as empty, and by the time of the Major government the Tory establishment could once again feel quite comfortable with membership. By the year 2000, one would have expected the old verities to have reasserted themselves, and most Tories to be in favour of the EU and most members of the Labour Party to be against it.

That this did not happen can best be explained on the Tory side by the fact that many Tories still had a romantic vision of the nation state. As we know, Marx and Engels argued that among the principal victims of capitalism were the old nations, as the bourgeoisie "through its exploitation of the world market [has] given a cosmopolitan character to production and consumption in every country". The Tories who opposed this, at least in the form of the EU, might have been what Marx and Engels termed "Reactionists", but at least they did not run headlong into the arms of world capitalism, as so many on the Left have unwittingly done.

To continue with the Marxist, or in this instance the Hegelian, terminology, there is a kind of cunning of capitalist reason, in which people who call themselves socialists are in fact without realizing it doing capitalism's work for it. Those on the Left who continue to support the EU, out of what they vaguely feel is a kind of cosmopolitanism, are a tragic example of this. In the same way, the Tory Eurosceptics are governed by the cunning of socialist reason: their attachment to the old nation state is what will permit the reappearance of socialist politics in Britain.

It is harder to explain what happened to the Labour Party. But chief among the reasons must be the Blairite programme, which consisted essentially of reconciling the party to the structures of modern capitalism through "public-private partnerships" and the like; the abolition of Clause Four signalled that the kind of socialism which the EU impeded would no longer even be an ambition for the Labour Party. For obvious reasons this was not a natural position for the party to adopt, and those who pushed for it would naturally welcome the existence of a constitutional order which

removed the possibility of any alternative. The EU was in effect Blair's most important weapon in his fight to change the party, and his continued devotion to it is no surprise.

But Blair was the most visible symbol of why the old left-wing parties across Europe were bound to implode. What could they offer other than an alternative set of managers for the neo-liberal order, and various tweaks which (they hoped) their conservative opponents would not themselves come up with? Electorates are not stupid, and they see the hypocrisy of politicians who continue to call themselves "socialists", or "social democrats", or "left-wing", but who can give no real content to these descriptions any more. In Britain, the Labour Party has not imploded, though many commentators predicted its demise at the last general election; but if it continues to support a "soft" Brexit, there is no reason to think that it will not eventually suffer the same fate as the Continental parties. It is in a paradoxical position at the moment. Many of its supporters, especially the most vocal ones, are Remainers. This holds true not just for those who supported New Labour in the past but also those thoroughly convinced by what Jeremy Corbyn is offering.

Their reasons for being so are mostly to do with a sense of identity. But the survival of the party requires that it can offer the electorate something other than the Blairite pabulum. Its success in the election followed the sudden realisation on the part of voters that it was doing just that, which makes Labour's current position on the EU even more contradictory. If the Labour Party seeks to stay in the EU, or something functionally equivalent to it, in order to satisfy the Remainers, it will eventually destroy itself as a genuinely left-wing party.

At the end of George Bernard Shaw's *Heartbreak House*, as the bombs begin to fall, Captain Shotover asks "Do you think the laws of God will be suspended in favor of England because you were born in it?" Many Labour Remainers seem to think that the laws of logic will be suspended because they are English, and that they can revive the Labour Party by binding it to one of the most powerful engines of capitalism which has yet been invented.

The fear of economic change

We cannot fully grasp the hold of Remain over so many imaginations without exploring our contemporary attitudes towards the economy and economic life. Central to the problems in implementing Brexit is the belief that economic integration in Europe has gone so far as to make any uncoupling of the Brexit kind cataclysmic in its effects. Some of this thinking, particularly within the Treasury and the Bank of England, took a bruising immediately after the June 2016 result when some of the predicted economic consequences failed to materialize. But this attitude has been easily revived in the context of stalled negotiations. Murky ruminations about the dire effects of a 'no deal' now dominate public discussion of Brexit.

Some of this fear comes from a misunderstanding of the actually existing state of the European economy. Economic integration has – owing to the slow construction of the Single Market – gone a long way but Europe is still organized around the existence of separate national economies. In many ways, this is inevitable: when government spending amounts to between 40 per cent and 50 per cent of GDP, economies can only really be national in form. A single European economy simply cannot exist when economic life within EU member states remains so overwhelmingly shaped by national government spending.

Trade integration has not led to as much specialization in Europe as we might think. Some concentration of economic activity has taken place, but often this reflects pre-existing patters of expertise, as with finance in the City of London. Much of the trade in Europe is between similar goods, so-called "intra-industry trade": Italy sells coffee machines to Germany and Germany sells coffee machines back to Italy. If a single European economic area existed, then we would see far more evidence of comparative advantage and greater degrees of geographical specialization.

It is testimony to the ideological power of the financial services in the UK – whose reliance upon 'passporting' in order to be able to function across the whole of the Single Market is a key part of the City of London's continued success as a financial centre – that we imagine the whole of the European economy to be as integrated as some parts of its financial sector.. But that is not an accurate picture. Diversity even characterizes the 19 members of the Eurozone. When a shared currency was introduced in 1999,

it was assumed that it would lead to convergence across the Eurozone, with business cycles and key macro-economic trends within member states aligning with those in other Eurozone member states. What we have seen is quite the opposite: growing divergence and differentiation within the Eurozone.

It would be wrong to dismiss the reality of complex trading patterns where products often include materials and components sourced from around the world. Imposing tariff and non-tariff barriers in these cases disrupts production patterns. However, we should not focus on tariffs and non-tariff barriers at the expense of some of the broader forces that are reshaping economies, from automation through to "reshoring" and "nearshoring", trends that complicate our conventional understanding of globalization. One of the most striking and unsung facts about the EU is how national borders are still decisive in dictating economic flows and in shaping the life chances of individuals.

What lies behind the apocalyptic tone of the discussions about the economic effects of Brexit is not the overwhelming force of economic integration across the continent, which is patchy. It is rather a much deeper crisis of our collective imagination. Many of us experience change as a painful and needless form of disruption, something akin to vandalism. It is very rare, by contrast, to hear anyone within the UK describe the economic effects of Brexit as a transition towards a new state of affairs, or toward something different and even perhaps something better. So accustomed we are to the idea of market integration and the steady dismantling of barriers to goods, services, capital and labour, that we experience anything different to this as a threat.

Far from being the harbinger of chaos, Brexit signals a more profound political change, a break with a longstanding tendency to think of the economy as an apolitical space assessed only according to an efficiency criterion defined by the market itself. The reason we have seen a pan-European collapse of the Left across Europe in recent years is not because people have simply given up on socialism. It is that people have begun to understand that staying in the EU obliges all political movements who accept this to shy away from offering their citizens anything which strays too far from the liberal capitalist norms of the EU.

Very few supporters of the EU on the Left, particularly in this country, display any sign of really understanding its character and social purpose. Their enthusiasm is usually based on a rather vague cosmopolitanism - the thought that the EU binds nations together, and that supranational entities of this kind represent at least one step towards the brotherhood of mankind. When they hear critics of the EU on the Right say that it is becoming a super-state, their response is often, So what? What was so good about the British state, and why should it not be superceded by a European one, with all its appealing trappings of (potentially) global power? People whose liberal great-grandfathers would have enthusiastically managed the British Empire are now keen to manage the European one.

The irony of this attitude is that it quintessentially and short-sightedly British. It presumes that the EU, and some future European state, is like the traditional British state writ large, and that the citizens of such a state would be able to mould their own way of life through transparent and effective political processes. This is not done intentionally, or in a hubristic way, and as we saw in David Cameron's efforts at renegotiation, it often coexists with an equally unthinking assumption that British and European interests are interchangeable. Nevertheless, the EU is simply not like this at all, nor is it at all probable that it will ever become like it.

The best way of theorizing the EU at the moment, and for the foreseeable future, is that it is a certain kind of constitutional order. This is not imposed from above, as the EU has very little power to impose anything, and certainly not in the coercive manner that we associate with nation-states. Rather, as legal theorist Joseph Weiler has observed, each member states imposes this order upon itself, in a self-limiting sort of way.[xvi] For this reason, the EU treaties function as constitutional laws but generally without attacking or setting themselves against the legal sovereignty of each member state.

The component nations of the EU continue to possess the ultimate right to decide their own futures, and they continue, for example, to have independent representation at the U.N. But the EU's treaties and their attendant juridico-administrative apparatus *do* radically diminish the power of the legislatures in each country, whilst at the same time expanding

the power of the executives. The force of the EU's constitutional arrangement lies precisely in the willingness of the member states to impose it upon themselves.

The British are not used to this kind of political structure, and their preoccupation with sovereignty is the consequence of the fact that they used to possess an anomaly in the modern world, a legislature which really was the sole source of authority in their country. Until 1972 British fundamental laws, such as the Act of Settlement, the Act of Union, and the Parliament Act, were simple Acts of Parliament, capable of being changed at the next general election, and earning respect when they were not changed. But after the passage of the last of these kinds of laws, the European Communities Act of 1972 (passed, it must be remembered, in the teeth of Labour opposition, with a majority on the second reading of only eight, and not many more on the third reading - so much for the Remainers' claim that the majority in the Brexit referendum was not sizable enough), Britain has had something like the default constitutional structure of a modern European state.

The Wilson government recognized this when it proposed a referendum to legitimate the accession to the EU, and 40 years later no one seriously questioned the need to put Brexit to a popular vote. The odd twist about Brexit, however, is that it was a constitutional referendum the effect of which was to eliminate a constitutional order of this kind, and restore something like the powers of Parliament before 1972. One might say that Parliament now for the first time clearly rules on the sufferance of the people, just as in reality the monarch also holds office on their sufferance, and could be dethroned by a referendum; but it is *Parliament*, and not any other structures, to which they have given power.

Constitutions are not neutral, and the EU treaties impose a certain kind of economic and social order on each state, which they cannot alter unilaterally, and which they cannot alter collectively without completely rethinking the basic agreements of the Union. People on the British Left are accustomed to the idea that the United States Constitution, and the U.S. Supreme Court, are formidable barriers to certain natural political programs: campaign finance reform requires either a constitutional amendment or the slow and unreliable business of altering the political composition of the Court over several Presidencies. The British Left

generally regards this as absurd, but it seems not to realize that the EU is far worse in this respect - a judgement of the ECJ based on the foundational "four freedoms" is to all intents and purposes unalterable.

Political constraints of this kind are intrinsically hazardous: they may work in our favour at the moment, but what do we do when the judges turn against us? Even if the jurisprudence of the EU were exactly what the Left wants, it would still be the case that it should not drink from the poisoned chalice. But as a matter of fact the constitutional order of the EU, as Wolfgang Streeck in particular has emphasized, consistently pushes in the direction of a "neo-liberal" capitalism. If you base your fundamental legal order on the freedom of individuals and companies to move capital and labour as well as goods and services, and you hand the legal order over to judges who are products of the late twentieth century, you are bound to get rulings which are inimical to traditional socialism.

For example, lowering corporation tax to attract industries into a deprived region has been judged by the ECJ to be in general illegitimate state aid to the industries, and this has been recognised by successive British governments as a continued obstacle to the development of Northern Ireland. Similarly, old arrangements which privileged unions, such as the dock labour scheme in Spain which (like the pre-Thatcher dock labour arrangements in Britain) gives certain unions the monopoly on unloading cargo, are under attack as a restriction on "freedom of establishment".

The corresponding Norwegian dock labour scheme has already been abolished by the Norwegian Supreme Court acting under the rules of the EEA, something which illustrates that there is little difference in these respects between the EEA and the EU - and that no member states have any power over these rulings, irrespective of whether they are in the EU or the EEA. Though the EEA has sometimes seemed a desirable alternative to the EU, from the point of view of the Left it is no different. Membership of it would simply deliver the economy into the hands of the Conservatives in perpetuity, an astonishing thing for the Labour Party to contemplate.

All of these reasons together explain the 'siren call' of Remain. They tell us why the government is finding it so difficult to implement the decision of the EU referendum of 2016. The 52% who voted for Brexit have

no identifiable political voice, no common political identity, and there is no agent of their will. This is because the British political class has become thoroughly embedded in a pan-European policymaking system where executives and officials rule in the place of national citizens. The political vacuum that opened up the day after the referendum vote still echoes around Westminster. Government officials are reconciled to the need to execute Brexit but there is no political leadership and no plan for the civil servants to carry out. It is common but terribly unfair to accuse officials of a lack of foresight, as if this were blame for the current state of affairs rather than the absence of political will. What we need most urgently now is clarity about what relationship the UK seeks with the EU after it leaves in 2019 and a strategy on how to achieve this.

Chapter 3: A Brexit Proposal

There is almost no possibility that the UK can negotiate a new and 'bespoke' deal with the EU. The EU27 have made it clear many times that they will reject any deal that threatens the integrity of the EU's Single Market. Nor will the EU accept the introduction of double standards whereby the UK is able to 'access' parts of the Single Market without accepting all the obligations that come with being a member state. The European Council 'Guidelines' of April 2017 are clear. In the very first paragraph, under the heading 'Core Principles', we read that "[p]reserving the integrity of the Single Market excludes participation based on a sector-by-sector approach". If there is an article of faith in the EU's negotiation stance, then this is it.

As if that were not enough of an obstacle to a 'special' EU-UK trade deal, we should also recall that free trade agreements (FTAs) signed by the EU with other countries, such as Canada and South Korea, contain within them Most Favoured Nation (MFN) clauses. If the EU were to offer the UK an agreement that went further than existing FTAs, then all countries with whom they have an existing MFN agreement would have a right to the same treatment.[xvii]

If the UK is not a full EU member state, then it can seek to join alternative organizations, such as the European Economic Area. Or it can negotiate a new free trade agreement with the EU. This latter option will not give the UK access to the Single Market, as many seem to think. But nor would it merely offer the UK the very minimum. In the April 2017 'Guidelines', the EU27 accepted that whilst a new relationship between the EU and the UK "cannot offer the same benefits as Union membership", "strong and constructive ties will remain in both sides' interest and should encompass more than just trade".[xviii]

This is the position agreed upon by the EU27 and as we have already explained, changing such a position would require a new agreement

between the EU27. Such a change might necessitate a change in the EU's treaties, which would trigger a series of domestic ratification procedures for which there is no appetite whatsoever in Brussels or in national capitals across the EU. As if this in-built rigidity were not enough, the political context is also unfavourable to any special treatment for the UK. There is no desire among the EU27 to make Brexit appear a soft or attractive option. Faced with open hostility in Poland, simmering anger in Greece, and ambivalent feelings across the rest of the block, EU member states are aware of the fragility of the European integration process. One way of strengthening it is to hold firm in negotiations with the UK. Whilst the stakes are higher for the UK, they also high for the EU.

The EU's position makes a deal difficult to achieve only if the UK wants "to have its cake and eat it", a phrase which alludes to the desire to retain the advantages of membership but without the costs. From any perspective, this seems unreasonable. This famous phrase, attributed to Boris Johnson, is instructive. It expresses a wish to make a show of Brexit whilst leaving anything of real substance unchanged. There is some precedence for this, namely the opt-outs negotiated by the UK and by other member states such as Denmark. Governments have generally honoured these opt-outs in theory but have ignored them in practice. This is an instance of what the Danish political scientist Rebecca Adler-Nissen has called "late sovereign diplomacy".[xix]

The opt-outs allowed governments to signal to their own citizens at home that EU membership did not touch sensitive policy areas. At the same time, national officials played leading roles in the very policy areas that their political masters had negotiated opt outs for. As Adler-Nissen observes, "[n]ational opt-outs are pragmatically circumvented in the consensus-oriented Council of Ministers". The British role in security cooperation in Europe is a case in point: at the time of the Amsterdam Treaty in 1997, the UK carefully negotiated its role in this area, securing an 'opt-in' deal which allowed the government to decide its participation on a case by case basis. Whilst it is generally thought that the UK is "out" of security and border-related cooperation in the EU, in practice the UK government has been actively involved in policy developments, for instance in the development of a European asylum policy.[xx]

Given these precedents, we can see why some view Brexit as just an extreme version of this opt-out ruse. The *Financial Times* columnist Janan Ganesh laid out precisely this vision in a column earlier this year. In his words, the goal of Remainers should be "to shape Britain after exit, not to overturn exit... [I]t is possible to do the first job so thoroughly that, over time, it amounts to the same thing as the second". Post-Brexit, Ganesh writes, "pro-Europeans can salvage most of what they want. It is a matter of steering the evolution of British laws and institutions towards the EU norm, until the gap between membership and non-membership withers".[xxi]

Viewing the difference between EU membership and non-EU membership as insignificant is symptomatic of the wider problem of Remainers in the UK which we discussed in chapter one. There is little interest in the fact that control over laws and political decisions matters a great deal to some people and that they are willing to tear up much of what has become taken for granted since the UK joined the EC in order to achieve it. The slogan "having your cake and eating it" came from deep within the ruling class; it was not popularized by ordinary Brexit voters. For Ganesh and others, Brexit need be no more than a postmodern simulacrum, something that provides the illusion and trappings of sovereignty but does not connect to the real nitty gritty of the UK's deep integration into the constitutional and economic ways of 'ever closer union'.

At this stage in the negotiations, these fanciful notions merely reveal the cavalier treatment given by some commentators and politicians to the key themes of the Brexit vote. To paraphrase the postmodernists, we are not in the realm of the simulacrum, we are in the domain of the real.[xxii] We urgently need a vision for Brexit that is realistic given the positions publicly adopted and communicated by the EU. This vision must also be achievable given the constraints and obligations of the Article 50 process, which Theresa May unwisely triggered before giving any serious thought to the final destination for a post-Brexit Britain. And finally, this vision must be founded on clear principles of what is just and right, and embraces the change that will come from Brexit.

A new free trade agreement with the EU

Brexit means leaving the European Union, which means leaving both the Single Market and the Customs Union. Any alternative to this will undermine the commitment to 'take back control' and may well leave the UK in a situation where its government and citizens have less control than before. This would be the case, for instance, if the UK sought to adopt a Norway-style model by joining the European Economic Area.

Contrary to what many people think, exiting the Single Market and the Customs Union does not mean autarky. The UK will not suddenly become like Enver Hoxha's Albania in the 1970s and early 1980s or North Korea today. In spite of this, fear of being 'left out in the cold' exerts an iron grip on the British political class. This is because they have lost touch with their own citizens, and compensate for this loss by building close ties with their European peers. It was striking that during the referendum campaign in 2016, even some of the most ardent Leavers refused to accept that exiting the EU meant that the UK would be out of one of its most favoured clubs. Many, such as Daniel Hannan, assumed it would remain in the single market anyway. Others spoke glowingly about the warm embrace of the 'Anglosphere' that awaited the UK once it had left the EU.[xxiii]

As its final goal, the UK government should aim for a standalone free trade agreement with the EU. This is most likely to be what the UK is offered once negotiations move to the "second phase", making it possible to plan for it in advance. In truth, all free trade deals are 'bespoke' to some extent, as no two economies are identical. This makes direct comparisons between what the UK would negotiate and what Canada has negotiated (the Canada-EU trade agreement, CETA) misleading. The challenge for the EU and the UK will be to establish a framework that manages the likelihood of regulatory divergence. For the EU and Canada, and generally for the EU's bilateral trade deals, the goal is regulatory convergence.

Notwithstanding what the EU27 European Council 'Guidelines' say, it is reasonable to suppose that *some* sector specific deals might be possible. This would be in areas where participation would be through a simple cash payment by the UK government, and where the regulatory issues are relatively simple. One example is the European Research Area (ERA). The ERA includes at present a number of non-EU member states that participate as associated members, such as Turkey and Iceland. The same

applies for the Erasmus 'plus' exchange scheme, which Israel currently participates in along with a number of non-EU countries. In areas dominated by complex regulatory architecture, such as finance or pharmaceuticals, there is no likelihood of tailor-made deals.

A free trade agreement of this kind would lead to major disruptions for businesses. It would not cover services to the same extent as goods and important non-tariff barriers – which for services will include dispute settlement measures for highly regulated sectors - are likely to persist long after any deal has been signed. Given the importance of services to the UK economy, this would be a serious change of environment requiring real adjustment. However, what is currently proving so destabilizing for many sectors of the UK economy is the uncertainty about outcomes and fear that there is no strategic thinking going on anywhere in Whitehall on the UK's long-term economic future.

Businesses are able to calculate the relative costs and benefits of a new framework for UK-EU relations, and they can make decisions about how the balance of these costs will affect their margins. They are not, however, able to model the deep political uncertainty that surround the negotiations today. Nor can they make contingency plans for the multitude of possible outcomes on the table at present, from the preserving the status quo all the way through to a complete 'no deal'.

Certainty about the end destination, combined with policies designed to manage and shape the transformation that the UK economy will undergo as a result of Brexit, will fundamentally change the way that businesses think about the UK's economic future. Seeking a new free trade agreement would anchor expectations and would allow people to start thinking about the UK economy post-2019. It could signal a new departure for the British economy not a downward spiral.

Resolving outstanding issues
Leaving the Single Market and the Customs Union is a radical break from the status quo. Assuming the UK and the EU sign a trade deal, outstanding issues remain. These need to be resolved urgently as the EU27 have decided that only when agreement has been found on them can negotiations progress to the next level.

<u>The financial settlement</u>

The first issue is the financial settlement. It appears that Theresa May's cabinet is at the point of agreeing a figure close enough to the EU's own estimates to signal some progress here. In fact, contrary to what many think, this has never been a very difficult matter to resolve. In principle, the UK must cover of its obligations. The EU, however, must also accept that there was some risk involved in building a community where the exit of a member state was a legitimate possibility. That risk must be born to some degree by the remaining members. The precise figure is partly dependent upon the nature of the post-2019 UK-EU relationship. It will be smaller, for instance, if the UK continues to pay into some EU programmes in which it would like to continue to participate. The best estimates are that it will be around 50 billion Euros – much higher than what many Brexiters ever expected to pay, but almost half some of the upper estimates floated by the EU at the beginnings of the negotiations.[xxiv]

The difficulties in finding an agreement have come from the negotiations themselves, and the workings of Article 50. Exiting the EU is a wildly asymmetric process: one country negotiates with 27 others, and the ability to force compromise on the EU27 is almost zero. Aware of this but unwilling to admit it, the UK government has been holding onto the financial settlement as its only trump card. Were the Prime Minister to command full authority over her cabinet, we would already have had a deal on the "divorce bill".

<u>Northern Ireland</u>

The second problem is Northern Ireland, where the difficulties are of quite a different order. Many believe that EU membership facilitated the signing of the Good Friday Agreement in April 1998. Indeed, some go as far as suggesting that the 1998 agreement was only possible because the UK was an EU member state at the time. This is because shared EU membership removed the practical need to manage a border between Northern Ireland and the Republic of Ireland. The free movement principles of the Single Market pushed the fundamental problem – unification of North and South for the nationalists, the integration of

Northern Ireland into the United Kingdom for the unionists – into the background. A Common Travel Area served to reconcile the EU's commitment to the free movement of peoples with the UK's desire that Ireland match British immigration policy by remaining outside the Schengen area. Unionists were able to support the Good Friday agreement because at the heart of it was an acceptance of Ireland as a divided island. Unable to win support for this shift to a policy of neutrality on the Irish question within his Labour party (the party had traditionally been committed to Irish unification), Tony Blair opted for the easier route of declaring the new position live on the *Today* program. For the Republicans on the other side, this concession had limited practical effects – there was no hard border to remind them of the division of the island into North and South.

If we take this reading of the Good Friday Agreement, the situation today is without solution. The Northern Irish question holds Brexit hostage by forcing the UK government to opt for a solution that keeps the UK within the customs union and thus avoids the return of a 'hard border'. Alternatively, Brexit holds peace in Northern Ireland hostage, by taking the UK out of the Single Market and the Customs Union and thus bringing back customs checks and border posts to the Northern Irish/Republic of Ireland border. Held most strongly by those in Ireland who are passionately pro-European, this reading of the Good Friday Agreement exaggerates the importance of EU membership.

The Common Travel Area existed long before the UK and the Republic of Ireland joined the then-EC in 1973. In effect, Britain and Ireland have always enjoyed what in the Nordic countries is called a Passport Union, and as long as Ireland remains outside Schengen there is no reason why that should not continue. Citizens of the Republic will continue to enjoy all the rights in the UK they have always possessed, including the right to work without a permit and the right to vote in all elections including those for Parliament (in this respect unlike, it should be observed, other EU citizens resident in the UK). If non-Irish EU citizens come through the border and seek work in the UK, they will be doing so without the right to reside. Policing that will be part of the general business of policing illegal workers in the UK, and it is not clear that it raises very

different issues from those represented by (say) students on the mainland overstaying their visas.

The only distinctive issue which Brexit raises is the control of the passage of goods across the border, but there a number of ways in which that can be solved without radical disruption to life along the border. We should also remember that violence in Northern Ireland continued long after the British and Irish entries into the Common Market. Indeed, the apotheosis of sectarian violence in Northern Ireland coincided with the first decades of EU membership for both countries.

It is most plausible to argue that EU membership played a helping hand but that the crucial factors lay elsewhere. The Good Friday Agreement mentions the EU, but only to note its existence. This is not the place to revisit the Northern Irish peace process in its entirety but it is enough to point to a number of reasons unrelated to EU membership that led to the 1998 agreement and have shaped its aftermath. One is the historical decline of anti-imperialist and anti-colonial struggles, and in particular the declining value of the currency of national self-determination in the wider game of international politics. In a post-Cold War context, where many such movements – including the PLO under Arafat – had nowhere else to go but to sue for peace with their opponents, Irish republicans were similarly under pressure to make a deal. The wider ideological context for their struggle against the British state had gone. This explains the initiative taken by Sinn Fein in the very early 1990s to enter into discussions with the more moderate nationalists in the Social Democratic and Labour Party (SDLP), and with the British government itself.[xxv]

The unionist cause was not faring much better. One problem was the longstanding lack of enthusiasm on the British side, which Ulster Unionists were keenly aware of. We should remember that the phrase "no selfish or strategic interest" had been in use with reference to Northern Ireland since Salisbury was Prime Minister in the late 19th century. Moreover, English Tories were only really won over to being a unionist party out of political opportunism: it became a chance to win votes in a new era of mass politics. Added to this was the growing economic contrast between Northern and Southern Ireland, which was hard to ignore. The Republic of Ireland's economic boom of the 1990s and early 2000s represented an important turnaround. Irish Gross National Product grew by an average of 9 per cent

between 1993 and 2000 and the economy went from unemployment of 17 cent in the 1980s to full employment by the end of the 1990s.[xxvi] It was now the North which was the poor cousin. This pushed Catholics and Protestants alike in the North to believe more than ever in some kind of economic 'peace dividend'.

We need to think of the relationship between Brexit and peace in Northern Ireland differently. It is an exaggeration to say that the UK's exit will automatically enflame sectarian tensions once again, as if the peace process itself has been possible only by virtue of UK and Irish membership of the EU. The EU played almost no direct role in the peace process and certainly little compared to the USA. It is true that the EU was important to the SDLP whose leader, John Hume, was an MEP and there was an EU dimension to cross-border arrangements. However, without the EU there would have been a deal anyway, as the Good Friday Agreement was at root an agreement between Sinn Fein and the British government (as Tony Blair told the SDLP, "you have no guns"). Nor was EU funding of any real importance in the process either before or after 1998.

Insofar as EU membership did help grease the wheels of power-sharing arrangements in Northern Ireland, the problem lies not with Brexit but with those arrangements themselves. The fuzziness (what officials called "constructive ambiguity" at the time) in the post-1998 peace process in Northern Ireland already needed to be replaced with clarity, as we can see from recent events there. This requires a renewed bilateral commitment by the British and Irish governments. It is now almost 20 years since the Good Friday Agreement was signed and the power-sharing arrangements in Northern Ireland have had mixed results which deserve to be scrutinized whatever the situation with Brexit. Given the broader context for the Irish peace process, and the number of other powerful factors that have shaped relations between Protestants and Catholics in the North, the return of some form of North/South border will not lead automatically to violence.

EU Citizens' Rights

A third pressing issue is EU citizens' rights. On this, the UK should offer the following to solve the deadlock. Those EU nationals who were living in the UK at the time of the EU referendum (23rd June 2016) and who had a National Insurance number should be automatically conferred (if they want it, and via a special and speedy procedure) UK citizenship and a

British passport. After that point, they will be treated as UK nationals and will enjoy the full rights accorded to UK nationals by the authority of British courts and ultimately by parliament itself.

In light of basic principles of justice and fairness, this is simply the right thing to do. Citizenship is about where you choose to make your life and those EU nationals who have made their lives in this country should be offered UK citizenship. Some may consider this offer too much of a burden. Indeed, some may feel it is an act of moral coercion: becoming a citizen means really being *of a place* and it makes it far more difficult to live in that place without taking part in its civic life. There is no resolution to this particular disagreement as it expresses fundamentally different conceptions of citizenship. Some people are quite happy living in a country for years but never voting in national elections. Perhaps because they feel empowered through their social status and occupation, they do not mind living - politically and in a civic sense - on the fringes of society.

What we propose here is quite different. On the one hand, the offer of UK citizenship makes it clear there is nothing nativist or chauvinist about the decision to leave the EU. On the other hand, it confirms that there will be no continued jurisdiction for the European Court of Justice after the UK leaves the EU. EU nationals can chose either to become immigrants with the same status as non-EU nationals or not to be immigrants at all. If a more demanding understanding of citizenship, which has its roots in the republican political tradition, appears coercive and unappealing, then so be it.

Adopting this policy would solve the principle sticking points in the current negotiations on the rights of EU nationals, with the exception of those whose home countries preclude the holding of dual nationality.[xxvii] For EU nationals, it represents a better and more lasting solution than what the EU is currently seeking on their behalf, namely the creation of a special class of citizens, those EU nationals with permanent residency on the 30th March 2019, whose rights would be as close to the status quo as possible.

One area where this offer may seem like a step backwards is family reunification. Currently, the rights enjoyed by EU nationals in the UK allow them to circumvent what are otherwise a very restrictive set of rules on family reunification that apply to UK citizens. These include having to earn

above £18,000 a year and having to go through a very expensive and complex application procedure. Becoming UK citizens would mean EU nationals are suddenly subject to these rules. That is so but these rules are not set in stone. They are current UK immigration policy and policies can change by electing governments that change the laws. As EU nationals would now be able to vote, they could mobilize politically in an effort to change the UK's family reunification rules.

Two other sticking points would disappear overnight. One is the fear by EU nationals that future changes in British law may mean they end up being discriminated against, their rights slowly being whittled away as Brexit Britain descends into a hostile environment for EU nationals. It is true that any rights associated with a permanent residency status could, in the future, be amended should the UK parliament choose to do so. The EU27 want to avoid this, perhaps by including in the Withdrawal Bill some commitment to take very close account of evolving EU law when considering the status of permanent residents in the UK who are EU nationals. But even this contains no absolute guarantee. The UK's constitutional arrangement is such that parliament can rewrite laws relatively easily. The very best guarantee against any discrimination in the future is to eliminate the status of EU nationals as a minority; that is, to make them into UK citizens rather than EU migrants.

The final sticking point is about movement in and out of the UK. An EU national with permanent residency in the UK will lose that status if they move to another country for more than two years. Upon their return, they will need to apply again for permanent residency. No such restriction applies for a UK citizen. They can leave the UK for as long as they like and when they return they will still be a UK citizen as before. Leaving and re-entering the UK is thus no longer a problem.

The message from this kind of unprecedented offer of national citizenship to EU nationals is clear: Brexit was about reasserting popular control over British political life. That requires a break with the EU's constitutional arrangements, where the Court of Justice of the EU adjudicates on disputes about the rights of EU nationals. The purpose of Brexit is not to strip EU nationals of their rights nor is it to assert a nativist interpretation of Britishness. What cannot be avoided is a change in the status of EU nationals, as they will be living in a country that is no longer a

member of the EU. By making the offer of UK citizenship, the government offers to all EU nationals the full protection of British courts and it also recognizes their decision to make their lives in the UK, which is at the very heart of what it means to be a citizen of a country.

Chapter 4: The Future

The disruption caused by the move from EU Single Market and Customs Union membership to a more limited free trade agreement will be mitigated in part by the clarity provided by seeking a realistic goal that avoids a chaotic 'no deal' exit from the EU at the end of March 2019. At the same time, this disruption is an opportunity for a radical overhaul of the British national growth model.

It is a curious fact about the current debate that opponents of Brexit vigorously defend the economic status quo in the UK, as if it were some sort of cornucopia. Quite the opposite is true. The British growth model is broken and this is an opportunity to try to fix it. Thus far, there has been far too much focus on the impact of Brexit on trading relations. Trade is important but to focus on it exclusively is a mistake. The relationship between trade and national growth rates is by no means clear. What is much clearer is that growth rates in the long term depend upon advances in productivity. Growth through substantial and sustained increases in productivity, combined with a policy framework designed to distribute wealth more easily throughout society, is what really matters in the medium to long term.

The workings of the British growth model are not a mystery. The UK economy relies on an expansion of the labour market for growth, not on increases in productivity. Low productivity dampens wages whilst a reliance on an expanding labour force makes the UK economy structurally dependent upon high levels of net migration into the UK. Immigration was a big issue in the EU referendum not because British people are naturally racist or xenophobic. It is because immigration is at the heart of the British growth model. As a result, the UK experiences life in the Single Market through the prism of EU nationals coming to live and work in the UK. Other EU member states – with different growth models – experience the

Single Market in other ways e.g. through violations of the labour code or through high levels of emigration.

The great advantage of the UK growth model is the high level of employment it provides, albeit often of poor quality (part-time, zero-hours, fixed term contracts). The downside is the low productivity, the dampening effect of this on wages, and the consequent reliance on private debt as a way of maintaining consumption patterns. The shift from manufacturing to services goes a long way to explaining the low productivity levels in the UK economy, but we should also focus our attention on the relationship between productivity levels and the structure of labour markets. An open and unregulated labour market changes incentives for employers: why spend time and money training an employee if you can easily find a replacement? Similarly, if you are unlikely to be able to get rid of someone, then you have a powerful incentive to invest in proper training for them.

Two British economists, Steven Nickell and Patrick Layard, found in a 1999 study that job security was closely correlated with strong productivity performance. They argue that this is for at least two reasons. Productivity gains "depend crucially on the co-operation of workers" and on their "ideas and suggestions". "They will be withheld", they observe, "if individuals feel their jobs are at risk as a consequence". The second reason is that "substantive participation requires more training, and this is only worth providing if the employment relation is long-term".[xxviii]

Much of the debate around immigration in the UK has focused on fiscal matters (are immigrants a burden on the taxpayer or not) and on whether high levels of net migration make it more difficult for UK nationals to find work or if they pull down wage levels. Evidence suggests that immigrants are net contributors in fiscal terms and that there is little 'crowding out' effect in the labour market. There is some evidence that the impact on wage levels differs according to skill levels: some downward pressure on in lower skilled sectors, which disappears in higher skilled sectors. We pay less attention to the relationship between labour market structures and productivity but this is where immigration plays an important indirect role. Open and flexible labour markets – such as the UK and US labour markets – rely on systematic expansions in the supply of labour, which has the effect of limiting incentives within businesses to innovate and to invest in their own employees.

Growth models are not static and the British one has experienced change. Most important has been the introduction of the National Living Wage, introduced in April 2016. This policy has reduced the share of low-paid employees in the British workforce, from 20.5% in 2015 to 18.4% in 2017.[xxix] In spite of these positive developments, the UK economy remains a low skilled and low pay economy. The NLW has led to a clustering of wages just above the minimum floor set by the legislation. It has also led to people in low paid jobs experiencing marginal increases in pay but substantial increases in work responsibilities, affecting the quality of jobs.

There is also no evidence that the NLW has encouraged "pay progression". Movement up salary scales is as difficult as before. The British low productivity/low pay economy shapes how wealth is distributed. The real question to ask of national growth models is how they affect the distribution of wealth between labour and capital. In the UK case, the share of wealth paid out in the form of wages has shrunk since its peak in the 1970s. Added to this declining wage share is the enormous discrepancy within wage income, with salaries at the top end rising far more than those lower down.[xxx]

The move out of the Single Market is a chance to build a fundamentally new British growth model, focused on raising productivity levels. This can be done through investment in training and through measures that force businesses to invest rather than to hoard cash. The goal of this new growth model should not just be wealth creation, as aggregate increases can always occur alongside huge increases in inequalities. The goal should be to raise of the standard of the population as a whole. Raising *the general competence of society*, rather than just creating a framework for competition where the most able succeed and the others fail, is the goal most consistent with living in a democratic society.

Measures to achieve this goal are easier to implement outside of the Single Market, as policies can be extended to all UK nationals but do not need to also be extended – de facto – to all other EU citizens, which can have the effect of making good measures practically impossible. An example of this is the elimination of tuition fees at UK universities. UK higher education has long been a popular destination for young people from EU member states. For them, the high quality of education received is combined with an intensive language experience that will prove hugely

beneficial for their future careers. Given that any change in the fee structure for UK students would have to be extended to EU nationals for reasons of non-discrimination, a policy on scrapping tuition fees rapidly becomes impractical as long as the UK remains a member state of the UK.

This is not to suggest that the goal of this policy, or any other like it, is to favour British students at the expense of non-British students just for the sake of it. It is simply that for any redistributive policy introduced by a national government and funded through nationally levied taxes, there are budgetary constraints. A policy is only feasible if its target audience in some way corresponds to the body of people who fund it through taxes levied on their income and their purchases. The same logic would apply to any significant effort made by the UK government to improve the professional training offered to young people entering the labour force. Given the centrality of education and training to raising productivity levels, this point is not just of theoretical interest. It goes to the heart of whether a government can transform its national growth model. It can, but it is significantly harder to do so whilst remaining within the EU.

Conclusion

Brexit represents a huge challenge in every sense, from the economic changes it will bring to the British economy to the political effects in Northern Ireland and the need to manage the already powerful feelings of rejection experienced by EU nationals since the referendum vote in 2016. However, these obstacles are surmountable. What is holding Brexit back most of all the absence of any political vision around Brexit. This vision will not come from expertise, legal, economic or otherwise. It can only be found in a worldview and sense of purpose that is ultimately rooted in politics and ideas. A return to first principles has shaped this pamphlet on Brexit and the proposals that we have made.

At the heart of Brexit is the desire to regain political control over our society, our economy and our political representatives. This is not an act of nativist rage, it is an expression of democratic will. As a project, it is inclusive to all those who chose to make their lives in the UK. In an age of unfettered market exchange, economic agents will experience any reassertion of political control over the economy as a constraint on their freedom. Justly so. It is a condition of living in a democratic society that no part of society – and certainly not the economy as a whole – wrestles free from a collective deliberation about how best to organize our life together. By keeping these first principles in mind, and by adopting a set of goals in the UK/EU negotiations that are realistic given the agreed position taken by the EU27, there is every chance that Brexit can change Britain for the better.

i These Guidelines can be found on the European Council website (EUCO XT 20004/17): http://www.consilium.europa.eu/media/21763/29-euco-art50-guidelinesen.pdf They were published on the 29th April 2017, a month after the UK triggered the article 50 talks.

ii These were the words used by Stephan de Rynck, at an event organized by the Institute of Government in London, on the 26th October 2017. For the full video of the event, see here: https://www.instituteforgovernment.org.uk/After-the-Council These were also the words of Pascal Lamy, former director general of the World Trade Organization and chief of staff to the President of the European Commission, Jacques Delors. He said in October that "Brexit is not a negotiation, it is a process to be managed" (*Financial Times*, 18th October).

iii Her critics called her "submarine May". See David Runciman. 2017. 'Do your homework', *London Review of Books*, 16 March. https://www.lrb.co.uk/v39/n06/david-runciman/do-your-homework

iv See the discussion of this in relation to the Euro-crisis, in Jonathan White. 2013. 'Emergency Europe'. *Political Studies*, 63:2, pp300-318.

v In the Lord Ashcroft poll taken on the day of the referendum, the reason most given for voting Leave (49%) was the view that "decisions about the UK should be taken in the UK". http://lordashcroftpolls.com/2016/06/how-the-united-kingdom-voted-and-why/

vi For instance, see Stephen Krasner. 1999. *Sovereignty: Organized Hypocrisy*. Princeton, NJ: Princeton University Press.

vii Janan Ganesh. 2017. 'Remainers can shape Britain once it leaves'. *Financial Times*. 21 February.

viii Christopher Bickerton, Philip Cunliffe and Alex Gourevitch (eds.). 2008. *Politics Without Sovereignty: A Critique of Contemporary International Relations*. London: ULC Press.

ix For more details, see the section on 'A Europe of Secrets' in Christopher Bickerton. 2016. *The European Union: A Citizen's Guide*. London: Penguin.

x A. C. Grayling. 2017. *Democracy and its Crisis*. London: Oneworld. Grayling claims that "Deliberate restriction of the franchise is gerrymandering: the EU referendum was gerrymandered".

xi Quotes taken from David Cameron's letter to Donald Tusk, entitled 'A new settlement for the United Kingdom in a reformed European Union', dated the 10th November 2015.

xii Ross McKibbin. 2014. 'Labour Vanishes'. *London Review of Books*, 20 November. https://www.lrb.co.uk/v36/n22/ross-mckibbin/labour-vanishes

xiii Richard Crossman. 1976. *The Diaries of a Cabinet Minister*. London: Hamish Hamilton and Jonathan Cape, p83.

xiv *The Diaries of a Cabinet Minister* II p.335

xv Helen Parr. 2006. *Britain's Policy Towards the European Community: Harold Wilson and Britain's World Role, 1964-1967*. London: Routledge. This is a definitive work on the subject, and should be compulsory reading for everyone taking part in the current debate

xvi Joseph Weiler. 2003. 'In defence of the status quo: Europe's constitutional *Sonderweg*' in J. Weiler and M. Wind (eds.) *European Constitutionalism Beyond the State*. Cambridge: Cambridge Univeristy Press.

xvii 'Does CETA provide a workable model for market access in the financial services industry?', HoganLovells, Brexit Hub, 3 April 2017 http://www.hoganlovellsbrexit.com/blog/64/does-ceta-provide-a-workable-model-for-market-access-in-the-financial-services-industry-

xviii Paragraph 18, p8 of EUCO XT 20004/17.

xix Rebecca Adler-Nissen. 2014. *Opting Out of the European Union: Diplomacy, Sovereignty and European Integration*. Cambridge: Cambridge University Press.

xx Rebecca Adler-Nissen. 2009. 'Behind the scenes of differentiated integration: circumventing national opt-outs in Justice and Home Affairs', *Journal of European Public Policy*. 16:1, pp62-80, p69.

xxi Janan Ganesh. 2017. 'Remainers can shape Britain once it leaves'. *Financial Times*, 21 February 2017.

xxii This language comes from Jean Baudrillard's 1981 book, *Simulacres et Simulation* (Paris: Galilée). Of course, for Baudrillard the simulacrum *is* real.

xxiii See the essay by Duncan Bell, 'The Anglosphere: New Enthusiasm for an Old Dream', in *Prospect Magazine*, 19 January 2017. See also Mike Kenny and Nick Pearce. 2018. *Shadows of Empire: The Anglosphere in British Politics*. Cambridge: Polity.

xxiv The full range is from Boris Johnson's "go whistle" figure of zero payment, to a top-end figure of 100 billion Euros cited in the early summer of 2017.

xxv Mark Ryan. 1994. *War and Peace in Ireland: Britain and the IRA in the New World Order*. London: Pluto.

xxvi Daniel Finn. 2011. 'Ireland on the Turn? Political and Economic Consequences of the Crisis'. *New Left Review*. 67, Jan/Feb. p7.

xxvii This problem would require bilateral negotiations between the UK government and the countries concerned, such as Germany and Austria.

xxviii Steven Nickell and Patrick Layard. 1999. 'Labour Market Institutions and Economic Performance', Ch.46 of the *Handbook of Labour Economics*, Vol.3, Edited by O. Ashenfelter and D. Card, p3065.

xxix 'The national living wage has caused the biggest fall in low pay in 40 years – but how is this improving people's living standards?', Resolution Foundation, 27 October 2017 http://www.resolutionfoundation.org/media/blog/the-national-living-wage-has-caused-the-biggest-fall-in-low-pay-in-40-years-but-how-is-this-improving-peoples-living-standards/

xxx Lucio Baccaro and Jonas Pontusson. 2016. 'Rethinking Comparative Political Economy: The Growth Model Perspective', *Politics and Society*, 44:2, pp175-207, p185. See also Luccio Baccaro and Chris Howell. 2017. *Trajectories of Neoliberal Transformation: European Industrial Relations Since 1970*. Cambridge: Cambridge University Press.