The Brexit iceberg

There is a way of thinking about Brexit that has proven popular because it is of comfort both to the UK and to the remaining 27 Member States of the EU. This is to view Brexit as a curiously British affair, important in the short term for the EU but of limited wider significance. Those who think this way within the UK see Brexit as an affirmation of the country’s distinctive traditions and as a means by which the UK can regain its rightful place in global politics – in Europe, but not a direct part of it, and a bridge between Europe and the US (Rachman 2016). The continental version of this view welcomes Brexit as the first step towards deeper European integration. As a prominent French journalist put it, a day after the 23 June EU referendum vote, ‘My English friends, thank you for your sacrifice’ (Quatremer 2016).

Far from being a unique or isolated event, however, we should think of Brexit as an iceberg: merely the visible portion of a much larger and more powerful mass below the surface that needs to be properly studied and understood (Bickerton 2017b). This is not to suggest that European disintegration is just around the corner but rather to draw out from Brexit some points of connection with wider trends that are affecting Europe as a whole. Three such points of connection are discussed below: political contestation after Brexit; economic growth models and their interaction with the EU’s Single Market; and the relationship between Brexit and the structure of the modern European state. In effect, what follows is analysis of the political, the economic and the constitutional spheres as they relate to the UK’s decision to leave the EU.
An EU of discontent

Critics of the British press believe it has fuelled a nationalistic anti-Europeanism that has few parallels elsewhere in Europe. In fact, the UK is representative of a growing division in Europe on the matter of European integration. Politicians and political scientists alike frame this as a more general struggle between the winners and losers of globalisation, of which the EU is a symptom rather than a cause. By virtue of its openness to trade and its flexible labour market, the UK has done better in some ways than other EU Member States in dealing with the effects of globalisation. In France, the combined vote for Marine Le Pen and Jean-Luc Mélenchon – two explicitly Eurosceptic candidates – in the first round of the country’s presidential election was 14.5 million votes, around 40 per cent of French citizens who voted. Elsewhere in Europe, Eurosceptic parties and movements have become key political players at the national level. In Italy, the Five Star Movement (M5S) regularly tops opinion polls. The M5S has fudged its position on the euro but has made the issue of ‘monetary sovereignty’ a central part of its platform. The other leading opposition party in Italy is the Northern League, a long-standing Eurosceptic voice in Italy.

The precise meaning of Euroscepticism differs across national contexts and there is a marked difference between eurozone and non-eurozone Member States. The EU’s critics find it hard to win support for exiting the eurozone, as Marine Le Pen has discovered. However, far from being popular it is common to hear people say that they regret having joined the euro but that now they are in the eurozone they are stuck with it. The expectation that membership of the euro would translate into a political and social community – widely held by all those who lauded the project in the course of the 1990s and early 2000s – has proven unfounded (McNamara 2015; Streeck 2016a, Chapter 7). The euro has brought forth greater heterogeneity than before and structural differences between national economies (so-called ‘supply-side factors’) are the basis of powerful intra-eurozone forms of competition. Accepting that the euro is a ‘trap’ (Offe 2015) from which it is very difficult to escape is quite different from a positive sense of belonging, though interpreters of polling data tend to confuse the former with the latter.

The mainstreaming of Euroscepticism does not mean other countries will follow the UK in leaving the EU. Many contingencies produced the Brexit outcome, including the poor pro-EU campaign and political rivalries within the British Conservative Party (Cummings 2017b). Other institutional factors – such as being outside the eurozone – made the UK’s exit relatively easier to contemplate than for most other countries.
Moreover, what we are really seeing in Europe is not so much a deepening antagonism between Member States and the EU. It is rather a widespread crisis in state–society relations, where national party systems find themselves convulsed by the forces of popular disaffection and disenchchantment with mainstream politics. These forces overwhelmed the UK’s EU referendum and they are exerting powerful effects elsewhere in Europe. The EU may appear shielded from direct criticism, but if Member State governments are unable to rule authoritatively because of a hollowing out of their national political life, then this leaves the EU as a weak and ineffectual regional body.  

One market, many growth models

Brexit had many causes and it would be wrong to single out economic factors. However, if one looks at the political economy of Brexit then there are clear lessons for the rest of Europe. The nub of the matter is that national growth models mediate heavily the experience people have of European economic integration. In the British case, this interaction produced results that helped push the UK out of the EU. In other countries, the results are different but the lesson is the same: there may be one European Single Market, but there are many different national growth models. Each model has its strengths and weaknesses but the Single Market makes it very difficult to reform these models, leading to a build-up of pressures.

In Britain’s case, the economy grows by expanding the labour market. This has the effect of boosting aggregate demand and injecting life into the country’s service sector-dominated economy (Baccaro & Pontusson 2016). This model delivers low levels of unemployment – even outside the booming Southeast of England – but is associated with low productivity and low wage growth, both of which are prominent features of open labour markets (Giles 2017). The only way the labour market can grow, in the absence of significant domestic population growth, is through high levels of net immigration. For this reason, the free movement of labour is at the heart of the UK’s experience of the Single Market. This aspect of the British growth model has received much less attention than the other, more fashionable part, namely the very high reliance on credit as a way of compensating for stagnant real wages, what Colin Crouch calls ‘privatised Keynesianism’ (Crouch 2009). Commentary around Brexit and immigration has focused on the themes of xenophobia and racism but the core of the matter lies in the nature of the British growth model.

This mediation of Single Market rules through national growth models produces very different results in other parts of Europe. In some
countries, such as Romania, Bulgaria and in the crisis-hit economies of Spain, Greece, Italy and Ireland, net emigration is the great worry and criticisms of the EU focus on fears of a ‘brain drain’. Elsewhere, in countries with heavily regulated labour markets such as in France and Sweden, protest has centred on ‘posted workers’ and the clash between national labour codes and the rules regulating EU migrant labour.

The German growth model is fundamentally different from the British one. The focus is on building export surpluses, with little consideration given to aggregate demand. Indeed, Germany’s huge balance of payment surpluses exists only because of a long-standing policy – supported by the German trade union movement – of wage and price suppression. Whilst Germany has been an economic success story from an aggregate perspective, when one looks inside the country the results are more mixed (Bickerton 2017c). The euro-equivalent of Poundland shops dominate the high streets in many ostensibly wealthy German cities. Labour market and welfare state reforms in Germany have created a large group of people who have seen their incomes stagnate since the mid-2000s. If we add to that the effect of negative interest rates on a country with a high savings rate we can begin to understand why there is so much opposition in Germany to the idea of a European fiscal transfer union. ‘We’ve not had it easy’, goes the argument, ‘so why should we help out the Greeks and the Italians?’ The political consequences of this interaction between the German growth model and European economic integration are not as dramatic as Brexit but they are shaping the EU in profound ways. They go a long way to explaining why Germany took the line that it did during the eurozone crisis and why further integration of the eurozone is politically off the agenda.

The Single Market radicalises the differences between national growth models whilst at the same time making it harder to change the models themselves. The pressures this produces go well beyond the Brexit result in the UK’s 2016 EU referendum.

The endurance of Member Statehood

A final way in which Brexit unites the UK with the rest of the EU is that it has been an exemplary lesson in what it means for a ‘Member State’ to leave the EU. The term ‘Member State’ refers to a distinctive form of statehood and not just a legal title referring to formal membership of the EU (Bickerton 2012, 2017a). The UK underwent its own transformation from nation-state to Member State. As a result, Brexit poses more than just juridical and regulatory challenges. As a process, Brexit makes demands upon
the British state that presume it to be and to act like a nation-state, when in fact it has become a Member State. This puts the British state under acute constitutional, administrative, political and social pressures. As Ross McKibbin observed, the EU has become ‘as much a part of the structure of the British state as the Union with Scotland once was’ (McKibbin 2014).

The characteristics of Member Statehood shape the Brexit process in manifold ways. The European orientation of the administrative British state was on show throughout the referendum campaign, with major British institutions – such as the Bank of England and the Treasury, and the ‘deep state’ of the higher education sector – openly backing the Remain campaign. The lack of planning around Brexit, itself a symptom of the deep Europeanisation of the British state, has placed a huge post-referendum burden on the civil service, which is now struggling to manage.

Brexit has challenged another feature of Member Statehood, namely the orientation towards problem-solving and consensus-building within institutional settings where all parties share the same basic political outlook. In effect, Brexit has obliged British diplomats to act in ways that are quite alien to them, in particular with regards hard bargaining and assessing important trade-offs. Rather than accepting the costs of leaving as a price worth paying, we have seen prolonged equivocation on the part of British officials about whether there will be any cost associated with Brexit at all. ‘Having your cake and eating it’, a phrase that was the butt of many jokes in the media, points directly to this inability to think in terms of costs and benefits. An earlier example was David Cameron’s letter to the president of the European Council. Setting out the UK’s various ‘baskets’ of demands; the language used suggested that the goal was not to defend the British national interest but rather to transform the EU for the better. It was very difficult to tell if the prime minister saw himself as defending the national or the European interest, as the boundaries between the two had become, by that point, quite blurred.

It is also noteworthy that there has been a great reluctance to accept that Brexit means the UK is ‘going it alone’ in any meaningful way. Nationalist histories of the past – including that of the UK – have made much of the ability to ‘stand alone’ but in the UK’s case even confident Brexeters have sought the comfort of wider communities such as the ‘Anglosphere’ or the Commonwealth (Bell, 2017). The referendum campaign itself never addressed directly the issue of the UK’s status as an outsider. Even discussions about leaving the Single Market or the Customs Union were muted. Instead, there was an extensive debate about which ‘model’ the UK would adopt. Critics of this discussion talked of a ‘bespoke arrangement’ for the UK, which had comforting echoes of receiving special treatment and of not being left out in the cold. This refusal to
consider Brexit as the state transformational challenge that it is continues into the post-referendum period. British civil servants currently working within the Department for Exiting the European Union (DExEU) are, for instance, only seconded – for a term of two years – from their original ministries, the implication being that their services will only be needed for this short interim and transitional period. This is clearly a dramatic under-estimation of the administrative challenges posed by Brexit.

The relevance of the British experience for the other EU Member States is clear. As Member States rather than nation-states, they also constitute themselves as discrete political communities through their participation in wider networks of rule, from the EU through to the G20, the United Nations (UN) and the WTO. Self-government and the ability to construct a national will that stands apart from other national wills is as alien to these other EU Member States as it is to the UK. The Greek example is telling here. It was only the eccentric and self-absorbed person of Varoufakis who could attempt to stand up to the Eurogroup, the Greek state as a whole being unable to contemplate life outside of either the eurozone or the EU. Opposition to the Troika was thus limited to mere grandstanding, with the Greek people left to pick up the pieces.

Brexit raises the fundamental issue of representation and the capacity of a state to represent to the outside world the collective and popular will. Member statehood is premised on a horizontal understanding of power and legitimacy where it is being a part of the wider community that matters most. The authority of governments is the borrowed authority of this wider group. Brexit thus reveals in a dramatic fashion the way in which Member States struggle to fulfil even their most basic functions of self-government associated with the model of the sovereign state. This is by no means only a British affair. It is also an urgent issue for all European citizens who believe in the capacity – and duty – of governments to represent the will of their citizens.

Conclusions

This chapter has argued that Brexit should not be treated as an exceptional and standalone phenomenon, isolated from the rest of the European continent. Though it is unlikely that other countries will follow suit in the near future, Brexit nevertheless expresses some fundamental tensions present within the project of ‘ever closer union’. It is something of an irony that it is precisely in its decision to exit the EU that the UK has identified itself as a European state, whose trajectory and fate have many lessons for the EU’s 27 remaining Member States.