# Brexit: Are the British elite up to the task?

*Four charts to explain why Britain will come back to the EU even if it leaves now*

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*'No Brexit'. Credit: Mark Ramsay via Flickr (CC BY 2.0) (via: bit.ly)*

Continental Europe experienced a boost in development, while recovering from the destruction of World War II and especially after the creation of European Economic Community (EEC) in 1957 by the Treaty of Rome. The common market and customs union between Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany came into force in 1958, to promote cooperation, specialisation, and the rationalisation of European industry. Britain however was falling behind continental Western Europe in terms of its per capita income (Figure 1).

**Figure 1. UK PPP GDP per capita as a % of Germany, France and Italy**
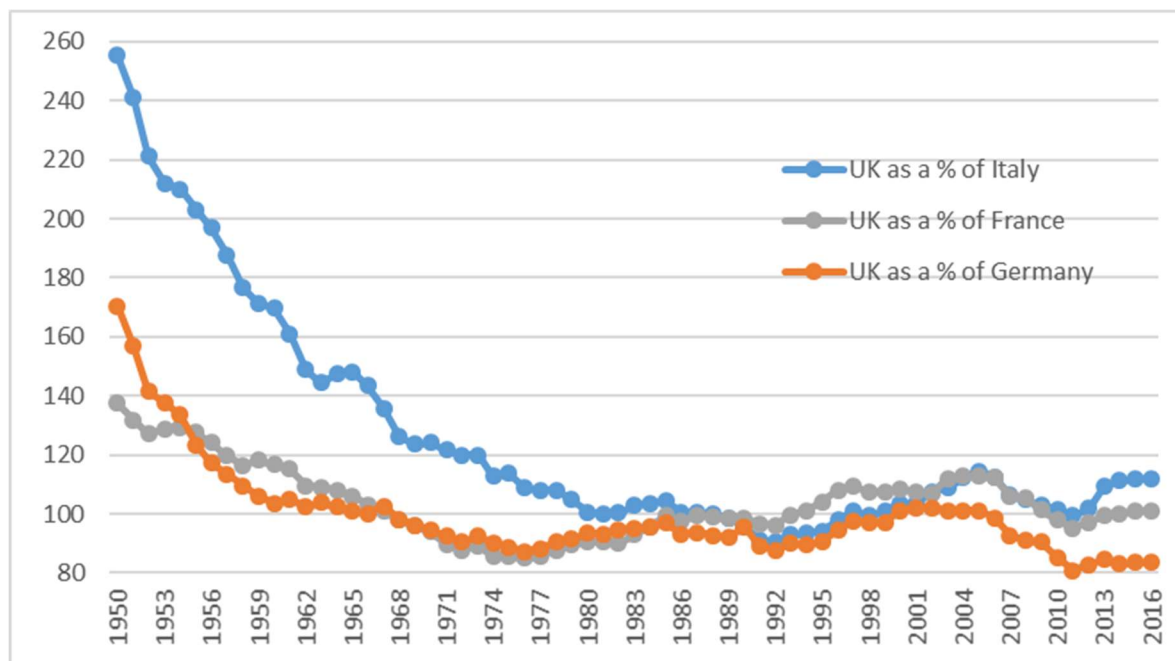


Source: Maddison Project Database 2018

British industry was oriented towards the markets of former colonies, where the standards of efficiency and quality were not that high, so it was gradually losing competitiveness as compared to its European counterparts. In the late 1960s and early 1970s Britain was referred to as 'the sick man of Europe' because of industrial strife and poor economic performance compared to continental Western Europe. Economic decisions by the British government were described as 'stop-go policies' – attempts to stimulate economic growth that led to higher imports and outflow of capital, provoking a balance of payments crisis and the need to press the brakes (monetary restrictions to raise interest rates and fiscal constraints to curb growth) to correct the balance of payments.

This trend of falling behind the rest of Western Europe in productivity and personal income was brought to a halt only after Britain entered the European Communities (EC) in 1973. (The EEC was merged with the European Coal and Steel Community and the European Atomic Energy Community to form the European Communities in 1965, which became the European Union in 1993 after the Maastricht Treaty was signed.) The UK did not start growing faster than continental Europe, but at least it stopped falling behind (Figure 1).  Becoming a member definitely benefited Britain, mostly because it gained free access to the burgeoning markets of continental Europe. However, only a minority of the British population benefited from the acceleration of economic growth. Since the early 1980s, income inequality increased (Figure 2), and so did wealth inequality (Figure 3).

**Figure 2. Share of top 1% of population in total income, %**
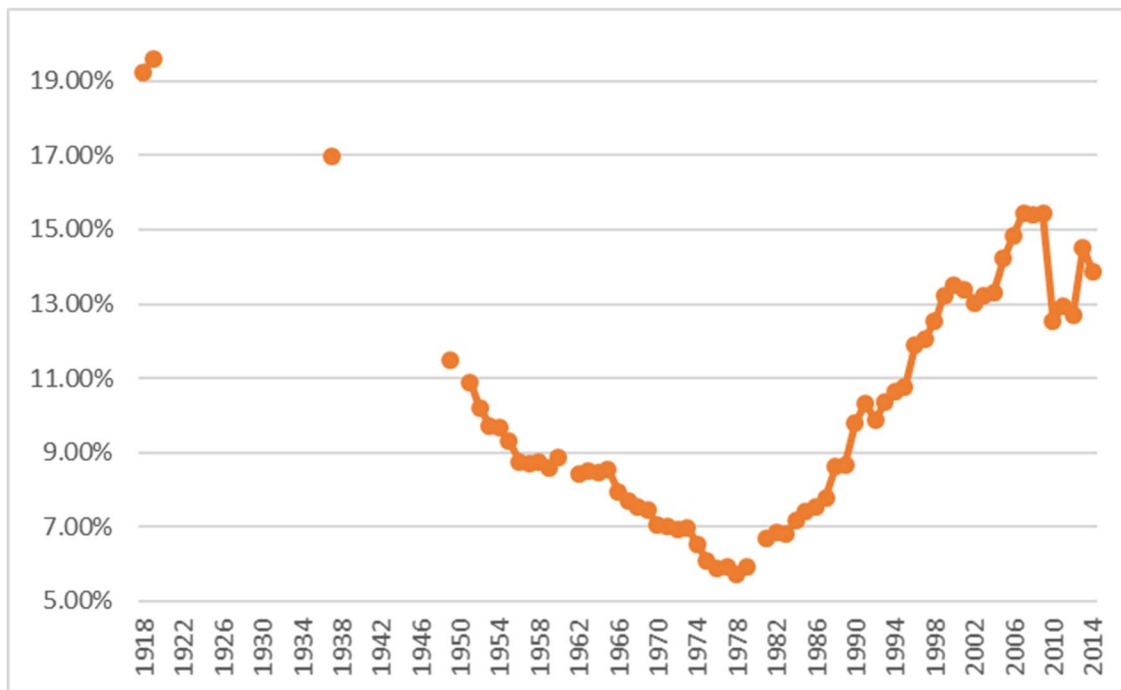


Source: World Inequality Database

**Figure 3. Share of to 10% of population in total national wealth and Gini coefficient of wealth distribution, %**
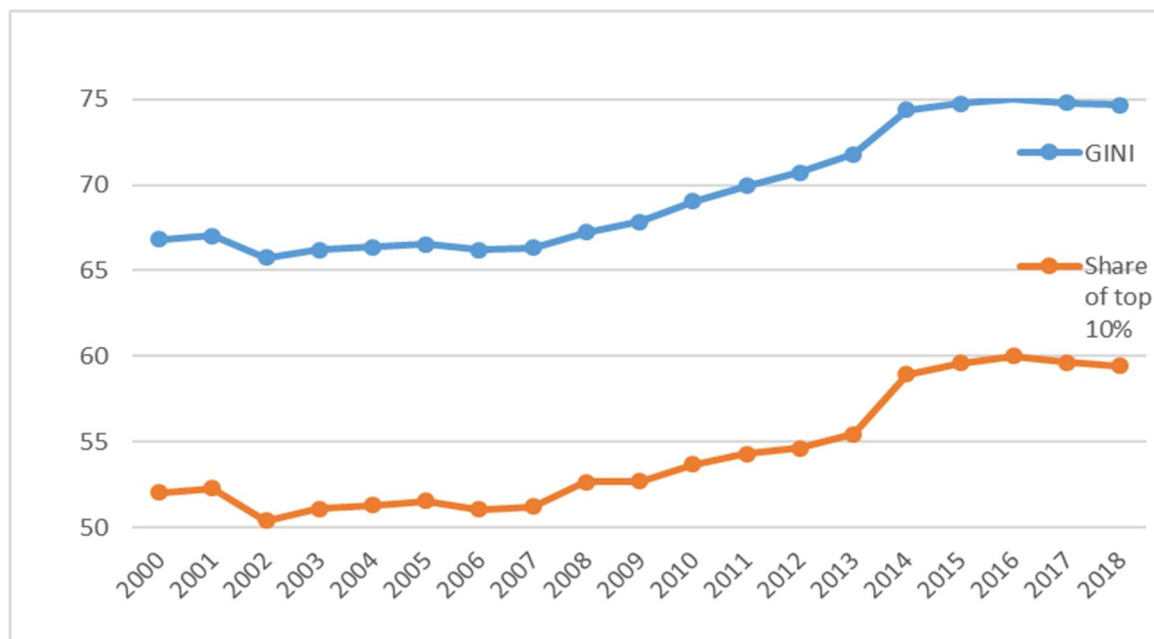


Source: Global Wealth Report, Credit Suisse

In other words, a large group of less well-off British voters did not really have a chance to benefit from the UK entering the EC, because these gains went only to the richest. To add insult to injury, the British elite started a dangerous game, blaming the relative deterioration of the disadvantaged population not on its own policies (failing to curb the rise of inequality),

but on external factors: globalisation, foreign competition, and the European Communities (later changed to the 'European Union' in 1993). The goal was to get a better deal from Brussels (even better than the special conditions granted to the country when it entered the European Communities in 1973). But the side effect was the rise of nationalism and anti-EU mood sentiment among disadvantaged groups, especially those in less competitive parts of the country prone to economic depression.

From the point of view of economic efficiency and future growth, Brexit is bad for the EU and especially bad for Britain. But the majority of British voters, misled largely by media propaganda, apparently blamed economic difficulties not on policies that allowed inequality to rise, but on European integration and globalisation. The ruling class walked the razors' edge, using populist anti-EU votes to press Brussels for a better deal, but not with the intention to leave the EU. However, they failed and lost the referendum of June 2016 to the Brexiters by a narrow margin.

In fact, in the two and a half years since the referendum, there was only a period of about six months when public opinion was in favour of leaving the EU (Figure 4). Not to mention, decisions that determine the future for many years to come should be made by a qualified majority, not by a simple majority. But British elite obviously outsmarted themselves by trying to play the 'Brexit card' for getting minor concessions from the EU. Instead of small gains they got a big headache – for the country as a whole.

**Figure 4. Opinion polls results: Percentage of 'remain' votes minus the percentage of 'leave' votes", p.p.** Note: Answers to the question "If there was another referendum on Britain's membership of the EU, how would you vote?"
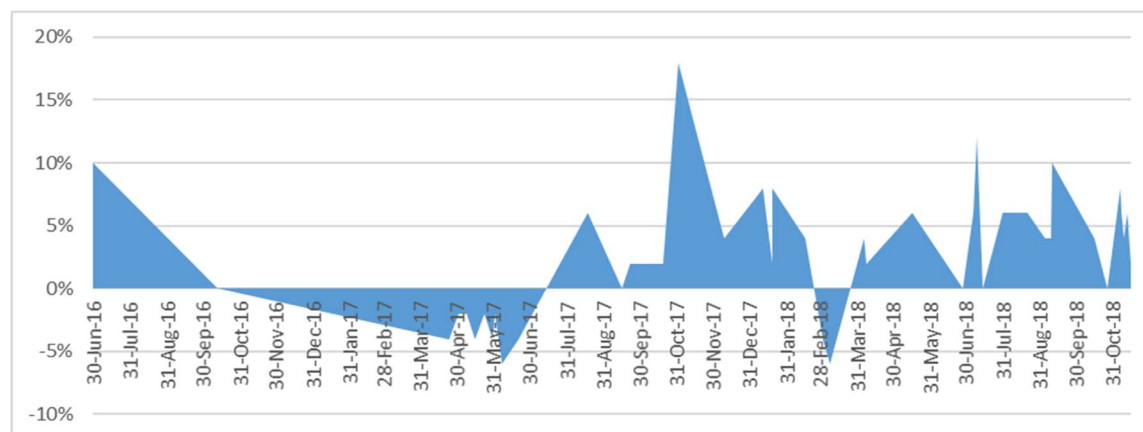


Source: 'What UK thinks'.

The British ruling class is facing another test today – if it is really as efficient as the stories of the 19<sup>th</sup> century Empire suggest, it will have another referendum as soon as possible, and will denounce the previous attempts to leave the EU.