

The Lexit delusion

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The question of Britain's relationship to the EU has been a real problem for the Labour Party since the 2016 referendum. Does its result offer the British Left a great opportunity to break free from the restrictions which come with membership of the organization and tie the nation to a free market political and economic order? Is this the chance for a 'Lexit', a moment for Britain to embark on its own independent journey to socialism?

A full assessment of the possibilities of Lexit needs to start with a little bit of history, taking us back to the late 1950s. Then, as now, the British Left was composed of a wide range of organisations, traditions and opinions. A significant number of these were, and remain, highly critical of European integration as it was set out in the 1958 Treaty of Rome. At that time Nye Bevan argued that the Common Market or European Economic Community (EEC) elevated 'the marketplace to the status now enjoyed by the various European Parliaments'. Socialism and democracy had been rejected in favour of free trade: there was an ongoing 'disenfranchisement of the people and . . . enfranchisement of market forces'.¹ This critique remained powerful within the Labour Movement and was one of the key arguments deployed by those arguing for the leave option during the 1975 referendum on British membership of the EEC.² The strongest proponents of this line tended to be the left of the Labour Party in Parliament and the constituencies, the large trade unions (notably the Transport and General Workers and the Engineering Workers) and the Communist Party. Their most articulate spokesperson was Tony Benn, Industry Secretary in Harold Wilson's Labour government at the time. The case made by Benn and his supporters was persuasive enough to sway the Labour Conference, and withdrawal from the EEC became official Party policy. Wilson's administration did not, however, accept the Conference

¹ Michael Foot, *Aneurin Bevan: Volume 2: 1945-60* (St Albans: Paladin, 1975), p. 559.

² Ted Heath's Conservative Government had taken the UK into the EEC on 1 January 1973. He had promised to seek 'the full-hearted consent of the British people' for this new departure. In practice this had amounted to a Parliamentary debate which had ended with a majority of MPs in favour of joining. In the 1974 General Elections (February and October) Labour committed itself to consultation with the people in a referendum which would give them the chance to vote either 'yes' or 'no' to continued British membership of the EEC. This was held on June 5 1975.

position, negotiated some changes to Britain's terms of membership and recommended the public endorse these in the referendum. Wilson was successful and Britain voted by 2:1 to stay in the EEC.

The 1975 referendum did not succeed in putting the question of Britain's place in Europe to bed. In the early to mid 1980s withdrawal became official Party policy, since membership of the EEC was seen to be incompatible with the Alternative Economic Strategy (AES), Labour's programme of state-led industrial modernisation.³ But electoral reverses and the apparent success of continental Social Democratic Parties in persuading Brussels to promote a 'social Europe' led to the fading of the AES. By the time of the European elections of 1989, Labour had switched to a pro-European outlook. As one Party member said to me at the time, 'being part of Europe is a way of keeping social democracy alive here in Thatcher's Britain'.

The old Left of Labour, including Benn, did not share this view and continued to oppose British membership of what became first the European Community and then the European Union (EU). But its political influence steadily diminished after the 1987 General Election defeat. This was the moment when Neil Kinnock set out on a long march to the right. It was a journey which only finished in the mid 1990s, with Tony Blair's election to the position of leader and the Party's rapid endorsement of neoliberalism. Labour became a pro-European force.

The locus of the anti-European cause now switched to the right of the political spectrum. Here, the EU was identified as a proto-federalist organisation with a long-term project of transformation into a European super-state, membership of which would be incompatible both with the continued existence of the British nation-state and with free market capitalism. This argument, promoted by the former Tory turned Ulster Unionist MP Enoch Powell and by small nationalist parties such as the Referendum Party and United Kingdom Independence Party (UKIP), found increasing support within the Conservative Party, especially once it was taken up by Margaret Thatcher. She came to see the EU as a threat to everything her governments had achieved between 1979 and 1990. The result was a series of arguments and splits within the Tory Party which ultimately contributed much to the humiliating defeat of 1997.⁴

The civil war in the Conservative Party over British membership of the EU

³ See for example Tony Benn, *Arguments for Socialism* (edited by Chris Mullin) (Harmondsworth: Penguin, 1980), ch. 4.

⁴ See for example Chris Gifford, *The Making of Eurosceptic Britain* (Aldershot: Ashgate, 2008) *passim*; and Scott Newton, *The Reinvention of Britain. A Political and Economic History* (London: Routledge, 2017), pp. 196-8.

died down during the leaderships of William Hague and Michael Howard, both Eurosceptics; but the Party remained divided on the subject and lost votes to UKIP, especially in European and local elections. David Cameron took over the Party in 2005 determined to stop it 'banging on about Europe'; but ongoing turmoil finally led him to call the 2016 referendum on British membership of the EU.⁵ He gambled that this would placate the Eurosceptics while the electorate, given the opportunity of a popular vote on Europe, would take the same view as in 1975 and vote for the status quo. We all know what happened next: a narrow popular endorsement of withdrawal which so far neither Theresa May's nor Boris Johnson's administrations have been able to deliver. The Conservatives have split, with some MPs either leaving to join the Liberal Democrats or go independent.

But the question of 'Brexit' has not proved a political problem for the Tories alone. Within Labour there remain voices, somewhat emboldened by the 2016 result, calling for the people's will to be respected and for the UK to depart from the EU as soon as possible. This group includes Labour MPs with constituencies in Leave voting areas as well as those still committed to the view that the EU remains an insuperable obstacle to democratic socialism and to the modernisation of British industry.

Euroscepticism on the left is not as powerful and wide-ranging as it was in the 1958-87 era but it still has significant support at all levels of the Party, including voters, and among the wider left. Any doubts about this disappeared as the results of the 2019 General Election poured in. Labour lost formerly safe seats, many of which had voted 'Leave' in the referendum, in its old heartland of Northern England, once a centre of heavy industry, strong, well-organised unions and a vibrant working-class. Although deindustrialisation after 1979 has scarred this region and eroded the economic and social basis of what was once a strong socialist and social-democratic culture, loyalty to Labour remained strong until 12 December 2019. At that point, it seems that Labour voters turned on their own Party for committing to another referendum rather than honouring its 2017 General Election pledge to honour the pro-Leave outcome of the 2016 vote.

Tom Slater, writing in the online magazine *Spiked* just after the Election, argued that the commitment to a second referendum 'was strategically stupid (401 seats voted Leave in the referendum, including most Labour seats). But it was also shameful: the party that was founded to give the working class a

⁵ Martin Kettle, 'The Downfall of David Cameron: a European Tragedy', *The Guardian*, 24 June 2016, at <<https://tinyurl.com/znwzrfu>> or <<https://www.theguardian.com/politics/2016/jun/24/david-cameron-downfall-european-tragedy>>.

voice set out to silence that voice.⁶ This is perhaps extreme and oversimplified, given the strong hostility to no-deal Brexit throughout most of the Party as well as the enthusiastic backing for Remain to be found among much of Labour's younger and newer membership. Indeed there was polling evidence from the spring that frustration with Labour's ambiguous attitude to the Brexit issue was provoking a transfer of loyalties to the Liberal Democrats.⁷ The conflicting loyalties of the Party's core supporters placed the leadership in a very difficult position when it came to formulating Labour's position on Brexit, especially since only 30 per cent of Labour voters had voted Leave in 2016. This explains, if it does not excuse, the vacillation and temporization exhibited by the leadership on the Brexit issue throughout most of 2019.⁸ But Slater's formulation accurately captures the anger and frustration of many, especially older, Labour voters, at what they saw as a betrayal.

There is no doubt that the evolution of the EU since the early 1990s in particular provides some good material for the socialist critique. Armed by the texts of the Maastricht and Lisbon Treaties (1992 and 2007), the European Commission has consistently played down the idea of 'social Europe' and promoted the liberalisation of services, greater competition and a shift to 'flexible' labour practices (in other words an increase in exploitation) across the EU. Side by side with this has come pressure for the governments of member states to cut spending and balance their budgets, a function of the Stability and Growth Pact (1999) and of the requirements which come with belonging to the Euro group. The countries whose financial systems were most damaged by the 2007-8 Crash have all experienced demands for economies in public spending but it has been Greece where this pressure has been at its most intense. The radical Syriza government, elected in 2015 to take Greece out of the austerity imposed on it by the EU's 'rescue' of its banking network, saw its manifesto trashed and the whole nation taken to the edge of social, economic and political breakdown.

This, however, is by no means the whole picture. Across the EU recent years have seen both divergence from and growing resistance to the free market agenda of the Commission. Notable examples can be found in France

⁶ Tom Slater, 'Why Labour deserved to lose', *Spiked*, 16 December 2019, <<https://www.spiked-online.com/2019/12/13/why-labour-deserved-to-lose/>>.

⁷ Paul Mason has correctly argued how backing for Labour from 'skilled and educated workers, plus students, ethnic minorities, precarious young workers and the lower middle-class of big cities' is now overtaking support from the old industrial working-class. See Mason, 'After Corbynism: Where next for Labour?' <<https://www.paulmason.org/wp-content/uploads/2019/12/After-Corbynism-v1.2.pdf>>.

⁸ BBC Reality Check Team, 'How Many Labour Supporters Voted Leave?' BBC News, 29 April 2019, <<https://www.bbc.co.uk/news/uk-politics-48039984>> .

(where public spending accounts for 56 per cent of the GDP)⁹, Germany, Italy, Spain and Belgium, notwithstanding protests and threats of sanctions from the Commission.¹⁰ These countries have all defied the Stability and Growth Pact's 3 per cent deficit requirement regarding government budgets. Meanwhile there are numerous instances of interventions by national governments to address urgent issues. Most recently, when it became clear this autumn that the failure of Thomas Cook placed a question mark over the future of the German airline Condor, the Berlin government intervened and loaned the company 380 million Euros.¹¹ Earlier this year, the Italian government passed legislation giving it powers, to be exercised 'in the national interest', to block telecoms deals involving non-European corporations.¹² Following the 2007-8 Financial Crash, a number of EU states, including the United Kingdom, nationalised significant parts of their banking systems. The French State is committed to a renewables budget of 71 billion Euros between 2019 and 2028, representing a 60 per cent increase in spending under this heading. Wind and solar power expansion feature significantly in this programme, which aims to drive the renewables share of France's total energy production up to 40 per cent by the end of the period.¹³ In the industrial sector, in late 2016 the French government intervened to prevent General Electric shutting down its power plant at Belfort (acquired from Alstom in 2014), commissioning 15 fast trains at a cost of 630 million Euros.¹⁴ This spring it stepped in to defend Belfort once again, forcing

⁹ 'France: Ratio of government expenditure to gross domestic product (GDP) from 2014 to 2024', <<https://tinyurl.com/rwv95sz>> or <<https://www.statista.com/statistics/275345/ratio-of-government-expenditure-to-gross-domestic-product-gdp-in-france/>>.

¹⁰ Joe Barnes, 'EU crisis: Brussels demands France and Italy get public debt under control', *Daily Express*, 21 November 2019, <<https://tinyurl.com/u8n8xhx>> or <<https://www.express.co.uk/news/world/1207503/EU-news-France-Italy-debt-budget-latest-update>>.

¹¹ Philip Oltermann, 'Germany throws Thomas Cook subsidiary a 380 million Euro lifeline', *The Guardian*, 25 September 2019 <<https://tinyurl.com/y5bdcs2u>> or <<https://www.theguardian.com/business/2019/sep/25/germany-condor-thomas-cook-subsi-dary-lifeline>>

¹² 'Italy approves use of special powers over 5G supply deals', *Reuters: Technology News*, 5 September 2019, <<https://tinyurl.com/wh5gqj3>> or <<https://www.reuters.com/article/us-huawei-tech-5g-italy/italy-approves-use-of-special-powers-over-5g-supply-deals-idUSKCN1VQ1YG>>.

¹³ Talal Husseini, 'France to increase renewables budget, triple wind capacity by 2030', *Power-Technology*, 28 November 2018, <<https://www.power-technology.com/news/france-renewables-budget-wind/>>.

¹⁴ Keith Barrow, 'Alstom Belfort plant rescued with TGV order', *IRJ (International Railway Journal)*, 4 October 2016, <<https://www.railjournal.com/regions/europe/alstom-belfort-plant-rescued-with-tgv-order/>>.

General Electric to keep it open and saving 1000 jobs in the process.¹⁵ Recently, the French and German governments agreed a 1.7 billion Euro plan to boost electric vehicle battery production, an initiative seen in Paris and Berlin as both environmentally virtuous and liable to strengthen the countries' respective automotive sectors against Asian competitors.¹⁶

Collective action extends to initiatives on the part of regional authorities or local communes in the EU. In Germany municipal ownership of public utilities, especially in the energy sector, has become widespread since 2000.¹⁷ Under its centre-right mayor, the town of Marseillan, on the Mediterranean coast in south-west France, has invested heavily in infrastructural renewal, port modernisation, social housing and cultural projects – becoming the second most heavily indebted Commune in the region of Occitanie as a result.¹⁸ Occitanie itself, run by a socialist administration, is implementing a long-term project using public funds to support the switching of road, rail and water transport to hydrogen-based technology by 2030.¹⁹

It is possible to carry on with the list, but by now the point should be clear: the nation-state remains strong in the EU. Member governments follow developmental strategies which they deem to be in their own nation's interest and are willing and able to use countervailing force against the Commission's efforts to promote a liberal model of European economic integration. All this means that those advocating 'Lexit' for the UK need to be more alert to the reality of what is happening in the EU, where the interventionist practices they advocate are more widely followed than they appreciate. The Maastricht and Lisbon Treaties indicate one direction of travel for the EU but some of the most powerful states within it are marching down the opposite road. Of course, Brussels may at some point seek to resolve this contradiction in a way favourable to the Commission's version of the European idea, possibly seeking allies among some of the smaller and newer members. But it has a rather poor

¹⁵ 'GE says French plant set for layoffs will not close down', Reuters, 2 June 2019, <<https://tinyurl.com/vhszmu4>> or <<https://uk.reuters.com/article/us-ge-france/ge-says-french-plant-set-for-layoffs-will-not-close-down-idUKKCN1T23H5>>.

¹⁶ 'France to Invest Heavily in Battery Cell production', Autovista Group, 19 February 2019, <<https://autovistagroup.com/news-and-insights/france-invest-heavily-battery-cell-production>>

¹⁷ Soren Becker, 'Our City, Our Grid: the energy remunicipalisation trend in Germany', in Satoko Kishimoto, Olivier Petitjean, Lavinia Steinfort (eds.) *Reclaiming Public Services: how cities and citizens are turning back privatisation* (Amsterdam: Trannational Institute, 2017), pp. 118-30.

¹⁸ Personal knowledge.

¹⁹ Bertrand Chauvet, 'Occitanie Region, France, makes the hydrogen case with a 150 million euros plan', *H2 Today: the Hydrogen and Fuel Cells Professional News*, 22 May 2019 at <<https://hydrogentoday.info/news/5242>>.

record of winning showdowns against a resistance led by powerful nation states with determined governments, as in Germany, France, Italy and Spain. How many would fancy its chances of victory in the future?

A sound left-wing politics is always rooted in things as they actually are, not a make-believe world. Unfortunately the world of the Lexiteers, its powerful and often pungent criticisms of the EU notwithstanding, is a delusionary one. To see why, we need to consult the historical record. During the 1970s and early 1980s manufacturing had accounted for 30 per cent of the UK's gross national output. Given that it represented so large a fragment of British capital it is hardly surprising that successive Labour and Conservative governments made its modernisation and ability to compete with its competitors in Europe and the USA an economic policy priority. This was the age of corporatism and social democracy, when governments sought to work with management and the unions, with planning, financial assistance and the nationalisation of key firms facing commercial crises (such as Rolls Royce in 1971 and British Leyland in 1974) all considered legitimate means of promoting industrial regeneration. The left's argument that a strategy designed to achieve this would work better if Britain were outside the EEC and able to protect its industrial base and plan its economy without fear of interference and veto from Brussels, was plausible.

The Thatcher years (1979-90) represented a break with this era. The British economy was propelled into the era of neoliberalism and globalisation. Large scale state intervention was abandoned in favour of a market-based approach which led to the run-down of whole industries (such as coal and steel) and the closure of many firms. Subsequent administrations, of both major parties, have not deviated from this strategy, so that manufacturing now accounts for not much more than 10 per cent of the GDP. Its dramatic contraction means first, that neither management nor unions have the influence over or access to Ministers (and the media) they possessed 40 years ago; and secondly, that industrial reconstruction and renewal has ceased to be a policy priority for British governments.

While it is true that a state-led industrial strategy has returned to favour in the Labour Party under Jeremy Corbyn's leadership, there has been no rehabilitation of the idea that departure from the EU is necessary for this to work. How could there be, given that the EU accounts for 48 per cent of Britain's goods exports and 8 per cent of the GDP?²⁰ Departure from the EU without a deal will lead to trade with it on World Trade Organization terms. This means that tariffs will be imposed on goods coming in and going out. It is hard

²⁰ Andrew Walker, 'Does the EU need us more than we need them?', BBC Business News 23 December 2018 at <<https://www.bbc.co.uk/news/business-46612362>> .

to see how the regeneration of British industry could be achieved by depriving it of free access to European markets and disrupting the supply chains of leading manufacturing corporations such as British Aerospace. The popular vote a Labour Government would have held had Corbyn won in 2019 would have offered the electorate a choice between remaining in the EU and a Brexit based on an agreement with Brussels providing UK access to the single European market or at least membership of the customs union. This is what the old EEC, which the left wanted to leave all those years ago, really was. The Euroscepticism of Labour voters in its old industrial seats notwithstanding, there is in contemporary Britain neither the political nor the economic basis for a Lexit of the kind favoured by the old left.

And this takes us to the final point. Lexit may be a will o' the wisp, but a right-wing Brexit, a 'Rexit', a no deal departure from the EU, most certainly is not. The Conservative Party, which had taken Britain into the EEC in 1973, has become dominated by Brexiteers. How did this occur? Andrew Gamble's *The Conservative Nation*²¹ is the best guide. Gamble points out that the Tories have historically represented the interests of British capital: for them, the 'politics of power' has been about forming governments committed to the defence of capital and the free enterprise system. To this end, the Party has always cultivated a 'politics of support' designed to attract enough voters for it to win elections. After 1945 the politics of support revolved around patriotism and the projection of British power and influence overseas, protection of the Welfare State, encouragement of property ownership, low taxes, industrial expansion and full employment.

After 1979 the wealth and political influence of the City of London grew even as industry contracted. The shift of power was a function of the nation's switch to a neoliberal political economy. The deregulation associated with the process facilitated freedom of capital on a global basis. Given its long history as a centre of international banking, credit and financial intermediation the City of London was ideally placed to profit from this. By the late 1980s it had become the world's largest *entrepôt* for foreign exchange trading and during the 1990s the daily turnover of transactions in this field was accounting for almost a third of the global volume.²² The successful exploitation of global opportunities by financial institutions based in London during the 1980s led to the creation of a 'new rentier class whose wealth was dependent on significant investments in the USA, Latin America, Canada and the Far East.'²³ Mobile

²¹ Andrew Gamble, *The Conservative Nation* (London: Routledge, 1974 and 2014).

²² 'The Foreign Exchange Market in London', *Bank of England Quarterly Bulletin* 1992, pp. 408-10.

²³ Newton, *The Reinvention of Britain* (see note 4) p. 196.

international money flooded into London, much of it managed by hedge funds, which seek to make profits by speculating with borrowed capital. The City quickly became the world's number two destination of choice (after Wall Street) for hedge funds. By 2019 hedge funds located there were handling sums worth £500 billion, equivalent to 25 per cent of Britain's GDP. Both the volume of business conducted by and the global reach of the City has left finance with a level of influence within the British State it has not enjoyed since before 1914.

The implications for British Conservatism are clear. Given the transformation of British capitalism since 1979, the politics of power centres on the reproduction of the neoliberal order within the UK and beyond. This, in turn, requires Britain to have a new external national strategy, designed to promote access to an open international economy, supplying 'business, technology and financial services to emerging markets such as China and India and as the financial manager of the world'.²⁴ Manufacturing capacity needs to be just large enough to build and maintain the armed forces (including two new aircraft carriers) needed to ensure that conditions remain conducive to the maintenance of free markets world-wide. Britain no longer possesses the ability to conduct so vast a mission, which in consequence necessitates the perpetuation of the 'special relationship' with the USA and its vastly more extensive and powerful military machine. Membership of the European Union is not essential to a national strategy pivoting back to the globalism of the pre-1914 era, and given Brussels' willingness (shared by most member states, whatever the political complexion of their governments) to regulate European banks and financial markets, may even prove to be an obstacle to its implementation. Brexit, especially if it involves Britain leaving the EU without having negotiated an agreement to shore up its manifold political and commercial connections with the organisation, provides a better option for the dominant forces in British capital today than ongoing membership or the kind of negotiated leaving deal envisaged by the Labour Party. This is why a prospect which horrifies many is regarded without alarm by Conservative MPs (such as Jacob Rees Mogg, for example) whose wealth is rooted not in industry but in financial and property speculation.²⁵ These are the interests which backed Boris Johnson's bid to become Tory leader and Prime Minister. They are living representatives of the old economic and social forces at the core of British imperialism during the nineteenth century and beyond, namely the City

²⁴ Paul Mason, 'Britain's Impossible Futures', *Le Monde Diplomatique* (February 2019), <<https://mondediplo.com/2019/02/01brexit>>.

²⁵ See James Meek, 'The Two Jacobs', *London Review of Books*, vol. 43, no. 15, 1 August 2019 <<https://www.lrb.co.uk/the-paper/v41/n15/james-meek/the-two-jacobs>>.

of London and the public schools.²⁶

The politics of power therefore looks to a British breakout from the EU in order to pursue a global mission, but the construction of a politics of support on the basis of economic internationalism is not feasible for the Conservative Party. This is because its appeal to voters has traditionally emphasised its loyalty to Queen (or King) and country, its willingness to promote British interests abroad through an assertive foreign policy (involving, if necessary, unilateral resort to the use of force, as in the case of the Falklands War) and its determination to protect British culture and 'character' from 'alien' influences, including mass immigration. This nationalist discourse has featured increasingly significantly in Party propaganda ever since William Hague succeeded John Major as leader in 1997 and has been central to its pitch to the electorate in both the 2017 and 2019 elections. Promoted through the press and TV by billionaire Tory-supporting media proprietors with world-wide interests such as Rupert Murdoch, Viscount Rothermere and the Barclay Brothers, it has sustained a series of Conservative governments since 2010. It propelled the country towards Euroscepticism even in the Blair-Brown era and achieved its most spectacular success in the 2016 referendum and 2019 General Election.

The politics and economics of Brexit are therefore right-wing, fusing neoliberalism and xenophobia, and are entirely compatible with the Conservative Party's vision of a Britain outside the EU. In sum, Brexit represents an attempt to recreate in the twenty-first century the era when London was banker to the world and Elgar and Kipling were heroes of popular culture. This attempt to return to the epoch of 'splendid isolation' (the Anglo-American alliance aside), when the internationalisation of free trade and capital flows was underpinned by British power, is surely doomed. It is, however, driven by powerful interests rooted in the old financial heart of British capital, while its appeal to the electorate, based on what one historian has called a 'reactionary British exceptionalism',²⁷ has been rewarded with striking political success. Brexit has no comparable roots in the modern British political economy and no comparable following in modern British popular politics. It is, sadly, a delusion or, to use a fashionable term, 'a unicorn'. Brexit, not Lexit, is the only Brexit there is.

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²⁶ Scott Newton, 'Britain goes back to the future: the Gulf, free trade imperialism and Brexit': Review of David Wearing, *AngloArabia. Why Gulf Wealth Matters to Britain*, in *Lobster 78* <<https://www.lobster-magazine.co.uk/free/lobster78/lob78-angloarabia.pdf>>.

²⁷ See Gifford, *The Making of Eurosceptic Britain* (see note 4) p. 109.

His most recent book is
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(Routledge, 2017).