

FUTURUS

BRIEFING

A SERIES OF BRIEFINGS ON THE EU REFERENDUM

2nd September 2015

A FUDGED REFERENDUM

The referendum on whether the United Kingdom should remain in the European Union gives the people of the UK a chance to correct what Margaret Thatcher called *"a political error of historic magnitude"*. That error was giving political power to a supranational organisation which was incompatible with the existence of a democratic state.

The referendum will be about government, who governs, and not about business. Business has a legitimate interest in the political and economic structure of markets and trade but not in determining whether political power is removed from a democratic nation.

However, such a referendum needs to be realistic, based on open and honest debate. Otherwise, whatever the result, the outcome of the referendum will serve nothing, will be divisive and will leave a rancorous and continuing legacy.

As Michael Gove has said, on 22nd May 2015, *"It's an historic opportunity. It's an opportunity that history will not forgive us for fudging or failing to grasp ..."*

Will the political parties advocate Britain staying in the UK?

The Conservatives, Labour and the Liberal Democrats, and the Welsh and Scottish nationalists, have indicated that they would support staying in the EU and have stated this without negotiations having started or even a schedule of renegotiations being drawn up.

This is embarrassing. When Switzerland contemplated joining the European Economic Area, the Swiss government, as a matter of routine, drew up a long document setting out all the facts. Unlike in Switzerland, the UK electorate has had no cost benefit analysis of EU membership supplied to it. Indeed,

successive governments have resisted publishing such basic data. As regards the negotiations there is no schedule of what is wrong at present, what can be negotiated and what is essential to change. The British negotiations look amateurish in the extreme.

It is not that the political parties do not think EU membership is a big issue. They are aware of that. They are, however, refusing to debate the alternatives to EU membership or to acknowledge the likely future integration process of the EU over the next twenty years, as laid out by the Report of the 5 Presidents and Commission President Juncker.

With the help of the polling companies, these parties are narrowing the choice for the electorate, putting forward this referendum as a choice between membership of the EU as it is now (with a few minor changes), and an abrupt exit into an unknown and undetermined future.

But the basic fact of the referendum is that membership of the EU, as it is now, is not available. The EU is set on an integration path, as it has been since its inception, clearly outlined by Juncker's speech when he took over as EU Commission President.

How is the referendum to be manipulated

Plainly the political parties are hoping to win a referendum by portraying a change in Britain's relationship with the EU as a risky journey into an unknown future.

Allied to this are strenuous efforts to confuse membership of the EU with membership of the Single Market.

At present, the pro-EU politicians are refusing to debate alternatives and hiding behind the asserted benefits of the Single Market.

Businessmen and business organisations typically give speeches in support of the Single Market membership, which they often confuse with EU membership. Big business has generally adapted its capital structure and its public policy activities to membership of the Single Market over the last forty years, so it has an interest for itself in preserving this.

What is noticeable is that, while business spokesmen, may indeed make speeches in favour of the Single Market, they do not seek to justify remaining in the political, judicial and monetary structure of the EU or other Common Policies. Indeed, they never address these fundamentals.

Those business spokesmen who favoured economic and monetary union in 2000 have now admitted they were wrong.

The Lessons of the Botched Scottish Referendum

Despite a majority rejecting Scottish independence in the referendum, the Scottish nationalists have wiped out all the Unionist parties in Scotland in the general election of 2015.

A failure to discuss the real issues and confront them led to a one-sided debate in the referendum and injected rancour back in Scotland and the rest of the UK.

The whole issue of Scottish independence is now contaminated by unrealistic promises by the Nationalists and rancour on **both** sides of the border.

What exactly was botched? First of all, the referendum was all about Scotland. It disrespected and excluded the rest of the UK from any referendum vote and politicians from the rest of the UK were discouraged from campaigning in Scotland. It is hard to see any other reason other than that the Unionists had already conceded that separation was solely a matter for Scotland which, of course, encouraged an already existent solipsism among the Scottish political classes and electorate (Note – in Spain, the government has stated that independence for Catalonia is a matter for the whole of Spain to decide.)

Then the referendum took place without any concrete proposals for independence and no exit plan. It was what is called ‘an expression of wish’ referendum with no facing up to uncomfortable facts.

The extraordinary debate about sharing a currency was allowed to mask what would really have happened – the exodus of the financial sector from Scotland. The mass of financial assets in the Scottish financial sector are owned in England and all English asset holders would repatriate their capital to England.

Just as while Germany and Portugal share a currency, Germans keep their money in Germany, not in Portugal, because they need to keep their assets and liabilities in the same jurisdiction. Indeed, many organisations would be under a fiduciary duty to do precisely that. The real issue was about jurisdiction, not a shared currency.

The Scottish referendum debate was also completely ahistoric. After all, there had been a previous ‘Scotland’ when Ireland left the United Kingdom in 1922 and became a separate jurisdiction. There was no systemic financial effect in 1922 since English asset holders did not have deposits or assets of any consequence in Irish financial institutions. But what did happen was an

immediate exodus of English born Irish residents followed by 70 years of emigration by Irish born residents since the financial and economic state of post-independence Ireland was too weak to support its population. It is estimated that the Irish population would have been 50% larger today if that emigration had not occurred.

All reliable estimates show that an independent Scotland would be in a weak financial and economic position and there would be an exodus of population.

The Scottish nationalists did not trust their own electorate to vote for independence on its merits so they added the assurance that Scotland would be more prosperous after independence. A proper independence movement would have concentrated on independence and stated it would accept any economic losses.

The near success of the SNP seems to have encouraged the UK government to think it can win an 'in'-'out' EU referendum by similar embarrassing, lightweight and amateurish tactics.

What happens if a referendum is won by 'fudge'?

The forces stirring in the EU project are enormous. These include:

- the eurozone crisis with contagion spreading to highly indebted weak economies such as Italy. If this happens it is inconceivable that the ECB model of bank reconstruction, endorsed by the FSA, of further loans coupled with confiscation of bank deposits, would not lead to fiscal and societal collapse.
- The democracies of the EU are already under threat. There has been a soft coup d'état in Sweden where elections were cancelled. Similar crises are ongoing and unresolved in Italy and Greece.
- The UK has its own specific immigration crisis with an immigrant population spiralling completely out of control and turning the UK into a low capitalised, low paid and low productivity economy.
- The continuing wave of refugees and immigration into the EU states is agitating the popular base in many EU countries.
- The consequent rise of nationalist immigration restriction political parties. Keep an eye on Sweden and Finland. Deep down these are highly conservative and nationalist countries.

Should these crises erupt after a referendum, which is seen to be fudged with no real debate, there could be serious rancour in the UK electorate and pressure for another referendum. The EU crises could become existential in the reasonably near future with a vote to 'stay in' looking very foolish, and electors do not like being made to look foolish.

Gentlemen versus Players

After the 1975 referendum where all the real issues of independence, democracy and government were not discussed, Tony Benn issued a gentlemanly statement accepting defeat.

"I am sure that everybody would want to accept that [the result]. That is the principle of all of us who have advocated the referendum."

More realistically and much more accurately, Enoch Powell said about the result, *"it is no more than provisional"*.

There will be few gentlemen accepting defeat in 2017 and a 'yes' result will simply look 'provisional', once again, with a limited future.

The Renegotiation and the Referendum

The renegotiation and the referendum are powerful cards in the hands of a determined government. But David Cameron's apparent objectives are so modest and so trivial that, even if they were agreed to and carried out, the UK would be in a worse position at the end of the referendum process.

The reason is that he will have played a strong card in order to attain a weak result. Nothing substantial will have changed and the UK will be locked into the European project for years to come.

The integration forces in the EU will conclude that the UK's supposed will for change was not supported by the government or the people and that they can press ahead with 'more integration'.

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