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Should It Stay or Should It Go?

The Brexistential Crisis

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British Prime Minister [David Cameron](#) [3] was quick to claim victory after the recent [European Council meeting](#) [4] on the [United Kingdom's relationship with the European Union](#) [5]. After marathon talks that saw Cameron and his team sustain themselves on [23 bags of Haribo gummy sweets](#) [6] and a famished German Chancellor [Angela Merkel](#) [7] forced to pop around the corner for some [Belgian Frites with mayonnaise](#) [8], the United Kingdom and its European partners finally reached an agreement. As Cameron put it, he had obtained a "special status" for his country and could now campaign with all his "[heart and soul](#)" for [Britain to remain in the European Union](#) [10], thus avoiding a [Brexit](#) [11] (or British exit).

The reforms agreed to last week are mostly inconsequential, but the negotiations between the United Kingdom and its EU partners were never about substance. The summit was largely a charade organized for British domestic consumption. Against the odds, Cameron's [Conservative government swept to power](#) [12] last year pledging to negotiate "[a new settlement for Britain in Europe](#)" [13] before holding a referendum on whether the [United Kingdom should remain a member of the European Union](#) [14]. Cameron hoped that on the basis of this new deal, most Conservative Members of Parliament would join him in supporting the "[in](#)" [campaign](#) [15]. Ultimately, Cameron wants the British people to vote to keep his country in the Union. Thus the political theater surrounding the summit last week was designed to enable Cameron to claim that he had [fought tooth-and-nail for British interests](#) [16] and won significant concessions from the [European Union](#) [17]—even if the reforms do not amount to much in practice. With the renegotiations finally completed, the real battle has now begun in earnest.

A DATE WITH DESTINY

Cameron has set the [date of the EU referendum](#) [18]: Thursday, June 23, 2016. The vote is less than four months away, and rival campaigns—one side for continued membership in the Union, the other [favoring a Brexit](#) [19]—have hit the ground running. The looming referendum quickly exposed a sharp division within Cameron's own Conservative government, with six ministers announcing that they would back a Brexit. Among these, Justice Secretary [Michael Gove](#) [20], one of Cameron's closest political allies, is perhaps the most consequential, as he will add intellectual heft to the Brexit campaign. London's popular, flamboyant Mayor [Boris](#)

Johnson [21] has also announced he would join the “outs” adding mainstream star-power to a coalition that is otherwise comprised of octogenarian Thatcherites like former grandees Nigel Lawson [22] and Norman Tebbit [23], and fringe figures from the United Kingdom Independence Party [24] (UKIP [25]), led by Nigel Farage [26]. In all, about half of the Conservative Members of Parliament [27] are likely to actively campaign for Britain to leave the European Union.

But in the end, it will be the British people—rather than the politicians—who decide. Their choice will have profound consequences for the future of the United Kingdom and Europe [28]. If the British people file for divorce on June 23, the United Kingdom will regain some autonomy in policymaking, although much less than Brexit campaigners [29] have promised. This newfound independence, however, could come at a very high price [30]. Brexit would destabilize a European Union [31] that is already plagued by multiple crises, create chaos across international financial markets, damage the British economy [32], and could even lead to the dissolution of the United Kingdom [33] itself if the Scottish National Party [34] (SNP) makes good on its promise of holding a second referendum on Scotland’s independence if the United Kingdom votes to leave the European Union.

THE NOT-SO-NEW DEAL

The United Kingdom’s “New Settlement” [35] with the European Union targets four areas: competitiveness, economic governance, sovereignty, and migration. Most of the reforms were either purely symbolic or marginal changes that largely reaffirm existing policies. The reforms concerning benefits for migrants do address a core concern of Brexit supporters, but even on this issue the substantive impact of the deal will be minimal.

First, the competitiveness provisions are meaningless, merely reaffirming the European Union’s commitment to strengthening the competitiveness of its single market. The agreement needed to include language on competitiveness as Cameron had listed this as one of four key areas of reform, but in practice enhancing competitiveness of the single market was a goal that member states and EU institutions shared in any case. For instance, in November 2014 the newly installed European Commission led by Jean-Claude Juncker [36] made boosting EU competitiveness one of its key priorities [37].

Economic governance sections aimed to protect British financial firms and to strengthen the firewall between EU countries that use the euro and those, like the United Kingdom, that do not. Negotiators agreed to prohibit the European Union from taking actions that unfairly discriminate against firms located in states that do not use the euro, affirm that EU financial regulators will not exercise authority over British financial institutions [38], and absolves London from participating in bailouts for nations that use the common currency. For the most part, however, these measures only reaffirm the status quo: the European Court has already banned preferential treatment for countries that use the euro [39], and the new deal still requires British financial regulators to apply the eurozone’s financial rules [40]. Likewise, the section on bailouts merely confirms what has already been in effect since the third Greek bailout [41] in the summer of 2015, when EU leaders had agreed to exempt the United Kingdom and other non-Eurozone states from contributing to Eurozone bailouts.

The revised deal includes some sections that affirm state sovereignty. These too are largely symbolic. The United Kingdom won an explicit exemption from EU treaty language on the goal of “ever closer union,” but this language never had any binding legal effect in the first place. The agreement also introduced a so-called “red card” system for national parliaments [42], which requires EU legislation to be amended or abandoned if more than 55 percent of

national parliaments within the European Union object to it. The new red card system will likely prove meaningless, however. National governments, who are supposed to represent their national parliaments, are already key actors in the EU legislative process, and any proposal opposed by 55 percent of national parliaments would likely be blocked by national governments in any case.

Most importantly, the deal addressed immigration—the central issue driving support for Brexit across the United Kingdom. There is a widespread perception in the country, particularly among those supporting Brexit, that EU migrants see the country as a “honeypot nation [43]” and are taking advantage of its benefits system. To address such concerns, Cameron had hoped to eliminate child benefits for EU citizens who work in the United Kingdom and have left their children in their home country [44]. Eastern European EU members, led by Poland, rejected this demand, ultimately settling on a compromise that allowed the United Kingdom and other states to tie their payments to the standard of living where the child resides.

Cameron had also hoped to ban payment of “in-work” benefits, such as tax credits for low-wage workers, for newly arrived EU migrants working in the United Kingdom for the first four years. EU leaders rejected the outright ban he initially sought and agreed to a so-called “emergency brake” through which a state experiencing an inflow of workers of “exceptional magnitude” can restrict benefits temporarily, but only with the authorization of the European Council and only “to the extent necessary.” Here too, Cameron’s efforts have accomplished little: new provisions may limit the amount of government benefits given to migrant workers in the United Kingdom, but they will do little to affect the real underlying issue of concern to pro-Brexit campaigners—namely the total number of workers who enter the country every year. Numerous studies [45] indicate that EU citizens come to the United Kingdom to obtain higher wages and better opportunities [46], rather than to take advantage of social benefits.

WHAT’S REALLY AT STAKE?

Critics are right to argue that Cameron’s deal for the United Kingdom changes little in practice. If anything, it simply reinforces the longstanding trend toward a “two-speed” Europe [47], in which some member economies seek more integration than others. The United Kingdom opted-out of the eurozone and the Schengen passport-free travel area a long time ago, and core eurozone countries pledged to move ahead with deeper integration in turn. Last week’s deal affirms that split, but the details of the agreement will fade into the background as the Brexit debate focuses on how leaving the European Union would impact the United Kingdom’s economy and national security.

Even under the most optimistic scenarios, three quarters of economists in a recent Financial Times poll [48] agreed that the United Kingdom stands to gain very little from leaving the European Union. More than 40 percent of British exports go to the European single market. To maintain access to this market, the United Kingdom would have to agree to implement all EU directives and regulations, just as outsiders Switzerland and Norway [49] are forced to do today. In other words, the United Kingdom would lose all of its influence over EU legislation, but would still have to follow it. And even with a free trade arrangement with the European Union, new barriers to entry would be erected gradually, particularly in those areas (such as financial services) where the United Kingdom enjoys a comparative advantage and major trade surplus with other EU countries. Of course, London would remain Europe’s leading financial center in the short and medium term, but without unfettered access to the single market, it could gradually lose some of its allure.

Outside the Union, the United Kingdom would have to renegotiate all its current free trade deals with the rest of the world, and would be dropped from the ongoing Transatlantic Trade and Investment Partnership negotiations with the United States. The United Kingdom is likely to get less attractive terms on its own than it would as a member of the European Union—the world’s largest economic bloc. Foreign direct investment would suffer as investors turned their attention to countries such as Germany, Ireland, and the Netherlands that assure full access to the EU single market.

Worst of all, restricting EU immigration would be very costly to the British economy: *Financial Times* columnist Martin Sandbu calculated that every Eastern European immigrant ^[50] who arrived in the United Kingdom in the 2000s contributed on average almost \$14,000 in fiscal benefits for the country over the decade (while each native citizen cost the country just under \$21,000 over the same period). If a Brexit were to occur, EU workers in Britain could be thrown into a legal quagmire, with many deciding to return home. The legal status of roughly two million British citizens living in the rest of the European Union could also be called into question.

From a security point of view, it is hard to make the case that the United Kingdom will somehow be safer if it leaves the European Union. Many potential threats to national security such as Islamist terrorism, cyber security, and international crime networks are dealt with collaboratively at the EU level. As Europol director Robert Wainwright has said, outside the European Union, the United Kingdom would find it harder “to protect the citizens from terrorism and organized crime.” ^[51] Although an independent United Kingdom would remain a member of NATO and a permanent member of the UN Security Council, it would lose its leadership role in the European Union’s fledgling foreign policy—an effort that has recently proved its effectiveness by imposing collective sanctions against Russia in reaction to its aggression in Ukraine. As Cameron pointed out during a debate in the House of Commons after the Brussels meeting ^[52], “the only person [he could] think of who would like [Britain] to leave the EU, is Vladimir Putin.” Without British leadership, the European Union’s common security and defense policy will falter, and history has shown that the United Kingdom cannot isolate itself from insecurity and conflict on the European continent for very long.

Lastly, some point to the current migration crisis and the unraveling of the Schengen passport-free zone as reasons the United Kingdom should leave the European Union. Indeed, the Schengen area is in shambles, and EU border security is deeply flawed. But as it stands, the United Kingdom already controls its own borders. It has chosen to stay out of the Schengen zone, and faces no requirement to join it in the future. And in terms of illegal immigration, a departure from the European Union will not forestall the desperate refugees residing in “the jungle” in Calais ^[53] from trying to make the journey across the channel.

TIME TO DECIDE

The debate about Brexit remained on the back burner while Cameron negotiated with his EU counterparts over the past six months. Only now are many British voters beginning to pay attention ^[54] to the debate, and Brexit opinion polls ^[55] suggest a very close contest. Most analysts continue to believe that in the end, the British people will decide that they have too much to lose from Brexit and will choose to remain in the Union. But as the recent election of Labour leader Jeremy Corbyn ^[56] demonstrates, anything can happen in contemporary British politics. The population is fed up with its political elites, and a referendum vote serves as a perfect opportunity to stick it to the governing class. As the European Union continues to suffer from multiple crises, the British people may well be in the mood for a fight. And this in

turn might well result in a narrow vote to leave the union. And as both EU leaders and Cameron himself have made crystal clear after the summit, that decision will not be reversible.

Whatever the outcome, the referendum will be an expression of British sovereignty. The Brexit camp has argued that the European Union erodes their country's autonomy, and London Mayor Boris Johnson makes a valid point when he observes that the EU project has "morphed and grown in such a way as to be unrecognizable." [21] Indeed, the scope of the European Union's powers has grown incredibly since the United Kingdom joined the European Economic Community back in 1973. Many British euroskeptics agree with Johnson that today's European Union is no longer the free trade club they thought they had signed up for under Prime Minister Edward Heath.

And yet, the very fact that the United Kingdom can hold a referendum on its EU membership exposes the fundamental flaw in the argument that British sovereignty has been compromised. If anything, the referendum should remind us that the European Union is and always has been a voluntary union. EU members must follow the union's rules and obey its courts, but they are free to quit [57] at any time. Brexit would deal a huge blow to the European Union, and could even trigger exit referenda in other EU member states [58]. But Brexit could also cause significant damage to the United Kingdom's own economic and security interests. Whatever the consequences, the British are free to choose their path and take their chances.

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