

# Something had better change, and soon!

*By Dr Steven McCabe, Associate Professor, Institute of Design and Economic Acceleration (IDEA) and Fellow, Centre for Brexit Studies, Birmingham City University*

‘Something Better Change’ was a 1977 single by punk/new wave outfit the Stranglers from their album *No More Heroes*. Anyone hoping to find meaning from the lyrics will be disappointed as its about the breakdown of a relationship and the vague hope that in order to retrieve it, things need to change. As such, it’s not a bad anthem for Brexit.

The 1970s is a fascinating decade to reflect on. The UK was undergoing a period of trauma economically and socially. The UK’s confidence, following victory against the Nazis leading to intense rebuilding of the 1950s, and expansion of industrial production of the 1960s coupled with immigration to fill jobs being created, had been undermined. This led to a series of political crises that, by the end of the decade, created circumstances resulting in phenomenal change in the 1980s under a leader whose dominance still divides opinion.

The early part of the decade is remembered for the capitulation of the Conservative government, led by Edward Heath, to miners whose stranglehold on coal led to energy shortages. The reduction in fuel for power stations caused ‘blackouts’ of electricity and the ‘three day week’ when factories severely cut back on production.

Edward Heath’s pivotal role in negotiating the UK’s entry into the European Economic Community, commonly referred to then as ‘The Common Market’ resulted in him being condemned by those within his own party who considered this to be subjugation. Such elements have morphed into the hard-line Eurosceptics such as the European Research Group (ERG) led by Jacob Rees Mogg formed in 1993. Though such hard-line Brexiteers wish to leave the EU with immediate effect and that the UK should trade under World Trade Organisation rules, others within the Conservative Party are unequivocally opposed to this outcome and wish to see alternative arrangements considered by Parliament.

The regulatory arrangement governing the UK's entry to the EEC on 1<sup>st</sup> January 1973 – and which was ratified by a referendum on 7<sup>th</sup> June 1975 – are, not entirely dissimilar to some of the alternative motions considered by Parliament last week. The most obvious of these is what is known as 'Common Market 2.0' as proposed by Conservative MP Nick Boles. 'Common Market 2.0', advocates assert, would allow the UK to effectively go back in time to the 1970s and 1980s when trade with the EU was carried out without the need for political union that was a result of the Maastricht Agreement of February 1992 and ratified by Parliament under PM John Major.

'Common Market 2.0' which was defeated in Parliament last week by 283 MPs who voted against it compared to 188 MPs who voted for it, would require that the UK joins the European Free Trade Association (EFTA) and European Economic Area (EEA). Because Norway's relationship with the EU is precisely on this basis, 'Common Market 2.0' is sometimes called 'Norway Plus'.

Where 'Common Market 2.0' becomes problematical, is if freedom of movement of workers and continuance of "significant contributions" to the EU Budget as well as adherence to EU regulations. Supporters of 'Common Market 2.0' argue that EFTA rules can be allow a member to restrict freedom of movement of people if they believe it to be in the country's interest.

There is precedent for restriction of rights of free movement. This occurred when the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia joined the EU on 1<sup>st</sup> May 2004. Restrictions were placed temporarily on the rights of citizens of these countries to work in existing EU members states. When Romania and Bulgaria joined the EU in 2007 the UK placed similar restrictions on freedom of movement from these countries.

The main disadvantage of 'Common Market 2.0' is that the UK would be subservient to the EU but without the benefit of full membership currently enjoyed allowing influence in the formulation of its rules and policies. As such it is hard to see how such an arrangement could be supported by Theresa May who would be accused of treachery. There would undoubtedly be apoplexy among those in her party who believe that leaving with 'no-deal' is the only way to honour the result of the 2016 referendum.

Becoming part of a customs union has been widely debated as another way to break the current deadlock. This arrangement has been proposed by veteran Conservative MP and leader of the House of Commons, Ken Clarke. Last week when voted on, it was defeated by only six votes. Such an arrangement would ensure that the UK continues to enjoy a close trading relationship with the EU though, significantly, not all checks of goods crossing the border would be eliminated.

A customs union arrangement offers significant economic advantage. However, there is still the question of the matter of free movement or people to live and work in all member states. This issue was, of course, seen as being a key influence of why many voted to leave the EU in the referendum of June 2016. Given the sensitivity of free movement of workers, effectively a form of immigration, Theresa May included its exclusion in her ideological ‘red lines’ in her 2016 Tory conference speech and reinforced in her Lancaster House speech in January 2017.

It’s entirely possible for the UK to agree a customs union arrangement with the EU including provision for restriction of the free movement of people specified immigration controls. However, the consequence is probably that the EU would not be willing to agree tariff-free access. This is, we should remember, negotiation. Accordingly, for businesses that trade with the EU, costs will increase which will not be popular. Interestingly, though Norway and Switzerland avail of tariff-free access to the EU, and though they are not part of the customs union, these countries accept free movement of people and contribute to the EU budget.

Other alternatives may be included in the indicative voting process that takes place in Parliament. However, as things stand, it’s becoming increasingly difficult to see a way out of the current impasse, particularly if none are agreed. Theresa May has pointedly stated that she may not feel not bound to accept any.

The possibility of leaving the EU with no deal with all its attendant economic and social consequences therefore remains distinctly possible at 11.00pm GMT on Friday 12<sup>th</sup> April. As such the ‘cliff edge’ has simply been shifted two weeks and, barring what would represent a miraculous intervention, the EU will not alter this date.

It's been stated that if someone tells you they know the way the current crisis will end they are deluded or lying. Nothing is certain and, as past events have demonstrated, anything is possible.

Unfortunately, economic logic and rational thinking have become drowned out by the increasingly vitriolic argument advanced by Brexiteers demanding that the UK withdraws from the EU with no deal and whose wisdom seems as utterly reckless as it is devoid of facts to support it.

Theresa May's approach to the process of negotiating Brexit has left her in an extremely difficult position. She appears damned whatever she decides to do. Members of her cabinet, including, Chancellor Philip Hammond, wish to avoid a 'no-deal' exit from the EU and, it is rumoured have threatened to resign if she contemplates such a course of action. Equally, there are as many others in the cabinet who see a 'soft' Brexit based on 'Common Market 2.0' or a version of the customs union as representing a 'Rubicon' moment and will not contemplate support; and have also threatened resignation if May decides on such.

The Rubicon is a river that in January of 49 BC was the Northern Boundary of Italy. Julius Caesar was at that time a Roman general was governor of a region made up of southern Gaul to Illyricum; not Italy. Caesar, whose term of governorship has come to an end had been ordered by the Roman Senate to disband his army and return to Rome. Significantly, his orders were clear, under no circumstances was he allowed to bring his army across the Rubicon river as to do so would be, he knew, represent insurrection, treason, and a declaration of war on the Roman Senate.

According to legend, as he marched his army across the Rubicon river, Caesar uttered the phrase "*alea iacta est*", meaning "the die is cast" and knowing that there would be no going back. Caesar was aware that unless he triumphed in battle, death was certain either by the sword or by execution. Victory by Caesar ensured him became becoming dictator for life and he oversaw the beginning of the Roman empire as we understand it today.

Whether Theresa May can emerge from the current impasse and ensure her place in history is debatable. The next few days will tell. Back in 1977 when I was listening to punk and new wave – and

looking forward to university and the opportunities thereafter – many people believed that the UK was in very serious economic and industrial decline. Inflation was over 20% and unemployment was over 1 million.

The previous year the Labour government had humiliatingly been forced to seek a loan from the International Monetary Fund (IMF) of nearly \$4,000,000,000. As part of the conditions for this loan IMF negotiators insisted on savage cuts to public expenditure undermining its ability to deliver manifesto promises of economic and social progress.

Prime Minister, Jim Callaghan, who had taken over as PM following the resignation of Harold Wilson in 1976, in order to continue in government, was forced into a pact with the Liberals. The ‘Lib-Lab pact’ in March 1977, combined with the sort of deals we’ve seen recently with the Democratic Unionist Party, with the Ulster Unionist Party and Scottish National Party meant that the UK seemed increasingly weak and lacking in leadership.

Following two defeats in 1974, Edward Heath was replaced as leader of the Conservative Party. The list of candidates included a relatively unknown minister whose main contribution had been, as Secretary of State for Education and Science, to end free school milk for all schoolchildren. Margaret Thatcher, ‘milk snatcher’, went on to win the 1979 election for the Conservatives Party as the UK’s first female leader and, with resonance to Julius Caesar, rarely hesitated when taking on enemies.

Margaret Thatcher’s legacy, though controversial, is seen as being of its time in that strong and effective leadership was urgently required. Though Theresa May is the Conservative Party’s second female leader, it is hard to believe that historians will judge her to be a second Margaret Thatcher. That stated, it is to be sincerely hoped that she acts in a way that ensures the future prosperity and well-being of UK citizens are the paramount considerations. Theresa May should not be guided by the short-term interests of elements within her party; particularly those who believe that the crashing out of the UK from the EU is logical or economically sensible.