The Political Quarterly, Vol. 87, No. 3, July–September 2016

From Pain to a Plan

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The Political Quarterly has won a deserved reputation for objective analysis of politics. But I hope this author can be permitted the indulgence of admitting that the last weeks have been much the worst emotional trauma of a long political life. As the referendum results came in on early Friday 24 June, one's immediate reactions were of deep pain: that decades of commitment to Britain in Europe, and the nobility of the goal of a United Europe, had seemingly ended like this. What made the pain so bitter was the nature of the result: the cross-class coalition of voters that is the foundation of any progressive advance in this country had, in the absence of strong leadership and compelling vision, been brutally ripped apart. It was much worse than losing a general election because it seems, and probably is, so final.

It may be too early for a detailed analysis of why it happened. But two facts stand out. First, the Leave campaign was won on lies. Second, the lies were, for one reason or another, believed by large sections of what would in the past have been described as Labour's 'core vote'.

23 June revealed deep and unacceptable tensions in our society. Interpretation of the results is complex: the results revealed no straightforward link between rich and poor, Remain and Leave.[1] Leave supporters were heavily represented among older and more 'socially conservative' voters across the social range. However, Leave won large support from the working-class 'left behind', particularly in the old industrial and seaside towns and old mining districts. The referendum result was a 'cry of anger' that progressives dismiss as simple ignorance at their peril.

Of course there were faults in the Downing Street-managed campaign of Project Fear. Yet in its defence, the economic damage from even the prospect of Brexit is likely to be real: for example, the slide in sterling will prolong the longest squeeze in working families' real living standards in our country's recent economic history. Jeremy Corbyn as Labour leader proved a weak political campaigner for Europe, constantly spreading confusion (perhaps deliberately, maybe not) about which side he was on. The pro-European side paid the penalty for the fact that for decades politicians in all parties had, with rare exceptions, failed to make a positive case for the EU: David Cameron was a flawed leader of the Remain campaign because until the start of the referendum campaign, his support for the EU had been heavily qualified. A striking feature of the 2016 referendum, in contrast to Edward Heath and Roy Jenkins in 1975, was the refusal of mainstream politicians to make the case for 'pooling' sovereignty through the EU as the means of politics 'taking back control' of the global markets and global challenges that no nation-state can now address on their own. The Leavers' slogan was left unchallenged.

However, what clinched Leave's narrow victory was far more unworthy than these failings: it was the disgraceful opportunism of the leaders of the Leave campaign, especially Michael Gove and Boris Johnson, who deliberately chose to ride the tiger of anti-immigration populism. In the aftermath of the referendum Britain's new Foreign Secretary has been at pains to tell us how much he loves Europe; but such protestations sit uncomfortably with the official Leave campaign's inflammatory poster—just at the moment the postal ballots were being filled in—suggesting five million Turks would enter Britain by 2020. It was not only Nigel Farage who played unscrupulously to the xenophobic gallery. Now the Leavers claim that all they meant was that Britain should take back national control of immigration policy, not cut numbers significantly, as Leave voters were led to expect.

Published by John Wiley & Sons Ltd, 9600 Garsington Road, Oxford OX4 2DQ, UK and 350 Main Street, Malden, MA 02148, USA

The Leavers also propagated a pack of lies that the British EU budget contribution of £350 million a week (a deliberate exaggeration by about a factor of three) would be spent on improving the NHS and lowering VAT on fuel. This is now brushed aside as the kind of thing that happens in political campaigns! Lower economic growth as a result of Brexit will make funds for the cash-strapped NHS even harder to find. Of course the Remainers made some ridiculous exaggerations, such as George Osborne's post-Brexit 'emergency budget', but the Leavers' piece of Trump-style 'post-truth' politics deserves to be a permanent stain on the Brexiteers' character.

The eventual outcome of Brexit will let down millions of Leave supporters, particularly working-class people who turned out to vote in massive numbers on the council estates in the English north and Midlands, many voting for the first time in thirty years. Their re-engagement in politics is of course welcome. But the Brexiteers will inevitably end up disillusioning their working-class support, if Leave results in the serious economic problems many economists predict. The Leavers' legacy may well be to germinate the breeding grounds for British fascism.

For many people, both the campaign and the result raised questions about whether Britain is the kind of country in which they want to live. Friends spoke of young people in tears that their grandparents' generation had deprived them of their future. The surge in 'hate crime' that followed the result risks permanent damage to Britain's reputation as a decent and tolerant society. The referendum of course has offered the Scots the renewed option of independence from the UK, which unfortunately is an option not available to the rest of us!

However, the best way to survive the extreme pain of Brexit is to have a plan to overcome it. This social democratic plan for Brexit Britain should consist of three components: setting tests for the success of the Conservatives' Brexit negotiations; devising a new political economy for post-Brexit Britain; and a new internationalism centred on deepening our engagement with our former partners within the EU and constructing a new progressive politics.

Setting tests for the success of the Brexit negotiations

Much as one is aware of the contradictions, fragility and possible transience of the 52 per cent vote for Brexit, a demand for a 'second referendum' now would play into the charges of 'elitism' that the Brexiteers would love to make stick on pro-Europeans. Rather, the May government should be held to account for what it is trying to achieve. Mrs May has appointed committed Brexiteers to all the senior positions with direct responsibility for a successful Brexit—Boris Johnson, David Davis, Liam Fox and Andrea Leadsom. Pro-Europeans clutch at the straw that this could reveal a prime minister not just covering herself against the possibility that the negotiations will fail, but even possibly wishing for it. For if such an impasse is reached, then to proceed with Brexit on bad terms could have devastating consequences for the national interest. This might create the circumstances in which Parliament and public might have the opportunity to 'think again'. Moreover, Mrs May has an established record of putting what she perceives to be the national interest before the party interest. She acted in this way in 2014 when she insisted, against strong Eurosceptic opposition, on Britain's continued participation in the European Arrest Warrant, when the question of Britain's continued Justice and Home Affairs opt-outs had to be decided.

In my optimistic moments I would naturally hope this would be her call. But it is just as possible, perhaps more likely, that Mrs May has decided that she has no alternative but to prioritise the unity of the Conservative party before any consideration of the national interest. By making the appointments she has, she is attempting to bind the Brexiteers on the Conservative backbenches into whatever deal she and they are able to construct. We are told 'Brexit means Brexit'. That has become Conservative code for a single interpretation of the referendum result: that 'ending free movement' must be Britain's top negotiating priority. If this becomes UK government policy, this would represent a major defeat for the business and wealth-creating interests the Conservative party has always claimed to represent.

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Britain will then exit the EU on what will be pretty poor terms in terms of membership of, or even access to, the single market. In these circumstances, much will depend on the parliamentary arithmetic, in particular Labour's stance and the attitude of the Cameroons and Osbornites whom Mrs May has summarily—and somewhat recklessly—dispatched to the backbenches. But then, that risk may be mitigated by a sweeping victory over Labour in an early general election, by which, despite her denials, Mrs May must be now tempted.

Labour should be supporters of a settlement with the EU where Britain remains in the single market, or as close to it as possible: in other words, as much like Norway as we can be. This has to be the top priority for the Article 50 negotiations. There is little or no prospect of winning a special deal for Britain that keeps us close to the single market, but allows the UK to determine our own rules on EU citizens coming to Britain. If we give priority above all else to 'ending free movement', we will end up trading with the EU on the same disadvantageous terms as any other member of the WTO. There is some prospect in the next couple of years of a more general reform of the EU's migration policy in the light of the huge pressures for change in many Member States: but this will *not* be a special deal done for Britain by our EU partners; it will be an EU deal demanded by the politics of the EU itself.

Labour should therefore 'hold the Conservatives' feet to the fire' on this central 'single market' point. If the government renege on achieving this goal, only then would it be legitimate to demand a second referendum on whether Britain actually wants to leave the EU on possibly an economically crippling basis.

Given these uncertainties, pro-Europeans should at this stage stake out the 'tests' Mrs May must meet for a successful Brexit negotiation. The more the results fall short, the stronger will be the argument for rejecting the outcome and calling for a rethink of Brexit. A possible 'ten tests' are set out below:

1 Full maintenance of existing employment and social rights, as well as health and safety standards at work—and a commitment to match future EU advances in these rights and standards.
2 Full access to the single market for British-produced manufacturers, which is vital to the success of sectors such as the car industry: UK-based firms to be fully involved in Commission consultations on future changes in regulations and standards.
3 A properly regulated City of London that continues to respect and operate within EU rules and standards: Britain does not want to become host to an offshore financial centre which would risk becoming a refuge for tax-avoiders and criminals from all over the world.
4 Continued freedom of movement in services with new safeguards for the protection of collectively agreed wage rates, as the French are now campaigning for in a revised Posting of Workers Directive.
5 British universities to be able to participate on equal terms in EU-funded research programmes as well as student and academic exchanges.
6 Existing levels of support for the regions and nations through the Structural Funds to be maintained domestically, on at least an equivalent basis to the present. To rebalance the economy now, such funding is needed.
7 For British agriculture, access to continental markets must be maintained with firm and binding commitments to abide by all EU standards in areas such as land use, environmental protection, animal welfare, food safety and packaging. Help for small farmers must be maintained at equivalent levels, at least.
8 No weakening of EU environmental standards in fields such as air and water quality, clean beaches, waste disposal, protection of rare species and use of dangerous chemicals in production processes. Britain should commit to match future improvements in EU standards.
9 Continued UK participation in EU security measures such as the European Arrest Warrant, as well as police and security cooperation more generally—and a willingness to deepen such cooperation if EU member states are willing.

10 The modalities to be agreed between the EU and UK for structured cooperation in areas such as international development, defence cooperation (particularly standardised military procurement), border enforcement, measures to manage migration and policies to tackle climate change.

Even were these tests to be met, Brexit would still be a hammer blow to the national strategy the UK has pursued for more than half a century. This 1960–2016 national strategy rested on two main pillars. First, the cold shower of European competition thorough the common market and then the single market would shake up complacent British business and enable Britain to recover its economic strength. Second, EU membership would reinvigorate Britain's global power and influence, making up for the loss of Empire. Becoming a leading player in the EU would enable the UK in turn to maintain close ties with the United States, as London would always be Washington's first port of call in Europe. This UK national strategy that had our EU membership at its centre is now in ruins. What could replace it?

A new political economy for Britain

In the 1960s and 1970s, Britain had become the 'sick man of Europe'. Joining the common market, then the single market, played a huge part in reversing decline. As an open economy, Britain attracted inward investment from the rest of the EU and the world. The best example is the revival of car manufacturing in Britain under foreign ownership, which is now estimated to account for some three quarters of a million jobs. At the same time, as a result of the increased specialisation of competitive strengths within the single market, the City of London emerged triumphant as Europe's financial (and professional services) centre, from which the UK tax base has been a huge beneficiary.

Labour had fully bought into this European vision by the late 1980s. Decisive in this shift was the view that the economic gains of the single market would be balanced by the Delors promise of a more Social Europe: a market of social rights as well as high environmental, consumer, and health and safety standards across the whole EU. At the same time, regions that lost out from competition and market concentration were promised fiscal transfers through the EU structural funds that would enable them to retrain workers who lost their jobs and rebuild new sources of competitive strength.

In government Labour delivered in part on this vision—but the judgment of the referendum result must be that Labour did not do enough. Social Europe was strengthened. Inter alia, the Social Chapter was signed, Part-Time and Agency Workers' Directives implemented and EU anti-discrimination laws passed. However, a major opportunity to promote partnership at work (through the Information and Consultation Directive) was regrettably missed as a result of the government bowing to ill-conceived employer opposition. Labour rightly judged Britain's labour-market flexibility to be a strength in facilitating a high-employment, job-creating economy, but failed to grapple satisfactorily with its shortcomings. In the 2000s it began to look as though Britain was trapped in a 'low pay, low skill' labour market equilibrium which no satisfactory policy measures were devised to address.

EU structural funds played a key role in Labour's drive for urban regeneration, transforming big cities such as Manchester, Liverpool, Glasgow, Newcastle, Sheffield and Cardiff. However, no comprehensive solution for the regeneration of old industrial towns and mining areas was conceived or implemented. (In truth, it is difficult to imagine what policy solutions are available to correct this economic decline.) Pockets of low employment participation remained prevalent and where there were jobs, they were predominantly in low-skilled, low-wage and low-status service industries. Decaying shopping centres became a powerful symbol of relative neglect. Moreover, the potential transformative impact of EU social and regional funds in the UK was weakened as a result of the 2004 enlargement and the mistaken decision not to expand the size of the total EU budget, despite the fact that the EU had made the correct political choice to welcome as members the impoverished citizens of struggling post-Soviet democracies.

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There was no social preparation at either EU or national level for the consequences of the 2004 enlargement. The social and economic challenges posed by the mass migration of young unemployed people from the new Member States were neither anticipated nor adequately responded to.

The referendum result showed that a vision of Britain's membership of the EU based principally on the benefits of the single market has proved both inadequate and flawed. Leave voters did not believe that they had benefited from the single market and European economic integration. That is why 'Project Fear' flopped. The awkward truth for the Remain side is that the economic benefits of the single market—and more widely of free trade and globalisation—have not been distributed in a fair and transparent way. There is an urgent need now to develop a new political economy and industrial strategy that spreads the gains of economic growth more fairly across Britain. This should have been a bigger social priority for the centre-left before Brexit; it is now an economic necessity in the light of it.

Britain needs a new economic plan. (And let's not be afraid to call a spade a spade, since the Conservatives once again made 'plan' an acceptable word in their 2015 general election campaign). This plan should begin with a comprehensive analysis of the UK's key competitive strengths in a post-Brexit world, sector by sector, nation by nation, as well as city-region by city-region. This should be accompanied by a bottom-up research and innovation strategy in which universities and business in each locality together identify what they could do to develop new products and services and create new jobs of the future, and what help they need from government to make this happen. We need a national network of 'catapult centres' for all areas of technological and scientific promise. These analyses should then inform Britain's priorities for future trade deals. The plan should also determine the central allocation of much expanded funds for economic development to Combined Authorities and LEPs. These bodies will be tasked with setting up effective business-facing agencies of jobs growth and innovation and should work alongside a regionally devolved British Business Bank that specialises in support for growing firms with finance on acceptable terms. Public equity stakes as well as loans should be made available. Skill funding should be totally devolved to local level so that apprenticeships and retraining opportunities match local economic needs. The government must also take quick and clear decisions on outstanding infrastructure projects on high-speed rail, airport capacity, energy and digital infrastructure. Austerity economics, which has held back investment in infrastructure, regional economic development, science, research, universities, skills and early years programmes, must now be abandoned. Britain should take advantage of record low interest rates to invest for the future. But the promised returns must be independently audited in advance by an expanded Infrastructure and Public Investment Commission. At the same time, Labour must have a clear plan for sound public finances: to use the proceeds of newly generated growth to invest in public services; to shift the tax burden from incomes and employment to property, wealth, inheritance and environmental 'bads'; and to bring down the current public sector deficit in a determined but measured way. Labour has to own this new political economy. This is essential to rebuilding the cross-class coalition of progressive middle-class and working people that has been the precondition of every successful period of Labour in government: 1945, 1964–1966 and 1997–2001.

A new internationalism

The second pillar of our 1960–2016 national strategy was based on the calculation that EU membership would strengthen Britain's global power and influence. Labour added to this mix a more progressive vision: that our EU membership offered Britain the potential to become a stronger 'force for good' in the world. This was crucial to Blair's and Brown's notions of a 'modern patriotism' that embraced a strong European commitment. This is why both were enthusiastic supporters of an enlarged Europe of former fascist and communist dictatorships that would be exemplars of democracy and human rights in the wider world. It was their insistence that the new post-communist

democracies would not be treated as 'second class citizens' within the EU that led Britain to reject the imposition of 'transitional controls' on freedom of movement in 2004.

At the same time, both Blair and Brown believed that as the realities of global interdependence grew, it was through cooperation with our EU partners that we could tackle climate change; promote international development; advance human rights and decent labour standards; build a peaceful neighbourhood around Europe's borders; and better secure ourselves against evils such as terrorism, organised cross-border crime and people-trafficking. Yet Labour's many international achievements in 1997–2010 are now completely and tragically overshadowed by the mistakes made over Iraq. Iraq contributed to the 2016 referendum defeat by both reinforcing the general loss of confidence in the political elite and promoting a 'little England' rejection of a 'bigger Britain' playing a leadership role in the world through its membership of the EU.

In the light of Brexit, the whole progressive left must proclaim a new internationalism. Internationalism has been at the core of socialist and social democratic thinking since the days of the founding fathers. Capitalism was seen as a global phenomenon that required an internationalist response. Today we must remain committed internationalists. Interdependence between nations is increasing all the time, in matters such as climate change, migration challenges, diseases that know no boundaries, trafficking in people and dangerous weapons, terrorism, international drugs and crime. This is not to mention the economic realities of globalisation. The more than doubling of the industrialised labour force in the past two decades (with more to come with the advance of education in the developing world) represents, in the absence of any coherent approach to managing globalisation, a shift in the balance of economic power to capital, and will have consequences for wage levels and competitiveness in every developed country. The social challenges that come with it—urbanisation; clashes of religion and culture; the burgeoning expectations of better-educated, digitally interconnected but massively underemployed young people—will multiply. The answer to these problems is not to pull up the drawbridge—to imagine that the English Channel can insulate us from the problems of the rest of humanity.

As a consequence of Brexit, Labour must transform its level of engagement with its sister parties across Europe. Despite forty years of EU membership, this engagement has remained shamefully inadequate. If we cannot work in close cooperation with our closest neighbours with whom we share common values and interests, who can we as a nation work with? British Labour is not alone in being to blame for the fact that social democracy has offered little coherent policy response to the financial crisis since 2008 and the austerity and eurocrisis that followed it. But the moderate left's failure across Europe has opened the doors to populism.

Social democrats need to develop a new political economy for Europe. The last serious attempt was made by Jacques Delors. He grasped this need when he launched the single market programme in the mid-1980s. He argued that the single market had to be accompanied by a more Social Europe. His vision of the single currency was one of macroeconomic stability as the essential foundation for investment, innovation and growth. His successes were the Social Chapter, guaranteeing workers' basic rights and the doubling of the structural funds to assist the disadvantaged regions and retrain the unemployed through the social fund. But the British blocked progress from the start. Even worse, the enlargement to central and eastern Europe was undertaken without any increase in the EU budget or any other form of 'social' preparation. This has proved a major error. We have lost the social dimension to the EU. EU economic integration, together with globalisation, has been allowed to run amok through our societies. At the same time, the governance arrangements of the euro were allowed to throw all the burden of economic adjustment to maintain stability on to the weaker economies of southern Europe.

There are huge benefits in free trade and open markets: but the economic dividend has to be much more explicit and more fairly shared. Business can be persuaded that this is in its interests. A good starting point would be common corporate tax rules to

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eliminate tax competition between existing EU Member States, with the additional tax revenues set aside into funds that spread economic opportunity on a more equal basis.

In the absence of a more social Europe, the spectre of uncontrolled migration is a big fear factor for the 'left behind', even when it little affects their own communities. British social democrats should make the case with our sister parties on the Continent that we must take a long, hard look at all aspects of the migration question: free movement of labour within the EU as well as refugees and economic migrants from outside. We need a new deal for the whole of Europe, including Britain: equal treatment for migrants after a period where, through hard work, they demonstrate commitment to the host community; strong integration policies; tougher enforcement at the EU external border (in which the UK, in or out, has a strong interest); an 'aid and trade' Marshall plan to stabilise the European neighbourhood and provide more help for refugees near their country of origin; a Migration Impact Fund to relieve local stresses such as overcrowded school classrooms and doctors' surgeries; as well as new mechanisms that recognise there are limits to any area's absorption capacity.

These measures are necessary across Europe, not to deal with the 'British question', but to puncture the surge in populism which threatens the existence of the EU itself. In other words, we need a progressive programme for Europe which can provide the basis for a progressive European settlement for Britain.

We must develop a vision of a reformed Europe of which Britain can aspire to be a full, not semi-detached member. But the first battle is to ensure we have a Labour party with a leader prepared to fight the pro-European cause. Many Corbynistas see Brexit as an opportunity to return to the 'socialism in one country' policies that the Left promoted in the 1970s and early 1980s. That is a total dead end in a global world: a return to protectionism is not the answer to the unacceptable inequalities that globalisation is strengthening in British society.

Labour has to be a pro-European party—in spirit as well as in name. Our goal should remain a united Europe of proud nation-state democracies, pooling sovereignty to address problems nation-states cannot tackle satisfactorily on their own, and working step by step towards an 'ever closer union' of Europe's peoples. Europe is and must remain Labour's vocation and its destiny. For an internationalist there can be no other mission for the United Kingdom.

Note

1 S. Clarke and M. Whittaker, *The Importance of Place: Explaining the Characteristics underpinning the Brexit Vote across Different Parts of the UK*, http://www.resolutionfoundation.org/publications/the-important-of-place-explaining-the-characteristics-underpinning-the-brexit-vote-across-different-parts-of-the-uk (accessed 15 August 2016).

