

**A** total of 33.5 million British turned out to polling stations on 23 June 2016. Voter turnout exceeded 72%. The end result was unexpected and relatively tight: Brexit won with 52% of the vote. The split between younger and older voters was perhaps the most significant feature of the consultation. The difference among voters in the age group 18-29 years for “Breain” (stay in the European Union) was more than 40%. In contrast, there was almost 30% in favour of Brexit among the over-60. Disparities in age and generational world views contributed decisively to this outcome.

## **Brexit means Brexit**

On January 1, 1973, Edward Heath, the then conservative prime minister, had sponsored the entry of the UK into the European Economic Community. The referendum held on June 5, 1975 ratified the UK’s admission to the European club. Now the Eurosceptics have won the Brexit battle to revert to the situation existing before 1975. Strictly speaking, the democratic outcome is nothing less than the British disengagement from the EU. Little now seems to matter that that the British premier, Theresa May, had been warmly in favour of the Remain side during the referendum campaign. Hours after taking over her new governmental commitment, and surrounded by the Tories members of parliament, May uttered the emphatic words: “Brexit means Brexit”. According to the British (unwritten) constitution, the referendum result leaves little room for doubt, and it is clear that the United Kingdom should now formally communicate its decision to the EU and then proceed to depart. However, it is at this point that several doubts and uncertainties as to the future arise.

The House of Commons has scheduled a parliamentary session for September 5th to discuss the possible holding of a second referendum on the UK exit of the EU. The proposal was supported on the web by 4 million people, arguing that such an important decision as Brexit should have had the support of a percentage of at least 60% of the voters, with over 75% of the electorate participating. There is a substantial aspect to be settled, that of the issue affecting Scotland and Northern Ireland, constituent territories of the United Kingdom, where there was a majority vote in favour of staying in the European Union.

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The discourse of independence from the UK has regained strength and prominence in Scotland. In the old Caledonian kingdom, there was a majority vote to remain part of the European Union. Not surprisingly, therefore, 48 hours after being sworn in before Queen Elizabeth II, Theresa May went on an official trip to Edinburgh to meet with the nationalist Nicola Sturgeon, head of the Scottish Executive. Given the final result in Scotland, where all constituencies recorded majorities in favour of Remain, there are speculations on the possibility that the Scottish authorities could claim membership status in the EU, separately from the rest of the UK. This does not seem possible constitutionally, so some observers suggested the alternative of a second referendum on independence to unblock the situation. Let us recall that on September 18, 2014, around 55% of Scots voted against leaving the UK.

## **A divorce with uncertain consequences**

The atmosphere in European capitals exudes a feeling of some distrust, even amounting to acrimony. It is true that the most negative effects of the referendum result have been tempered by a reasonable policy pursued by the economic authorities. As rightly observed by analyst Xavier Vidal-Folch, Europe has tried to apply a vaccination operation to prevent the disease spreading to the whole of the EU, and to minimize damage to the UK itself. However, it happens that for Britain the eventual outcome of this divorce is very uncertain—something that markets do not like. According to Paul Krugman, one of the most widely recognized economic authorities, Brexit would inevitably impoverish Britain. According to his calculations, which coincide broadly with many of those done within the establishment of economic academics, the UK would become at least 2% poorer than when they were part of the EU. And in the words of Krugman, it would be so “forever”.

The pound sterling suffered depreciation after the referendum. It will be argued that the loss of value of the British currency could have beneficial effects to revitalize the moribund British industrial production, which as a bonus would give a competitive edge to products

manufactured in the UK and sold in global markets. This requires free trade agreements that the UK is now looking to establish with Commonwealth countries such as Australia. They are also intended to articulate trade regimes with large countries such as China, in clear competition with European and American products.

Britain has a proverbial reputation for self-interest, as well as the capacity to negotiate pragmatically. Influential public figures, such as Nigel Lawson, the former Chancellor of Exchequer under Margaret Thatcher, argued during the referendum campaign that the City of London does not need the rest of Europe, and that the UK can optimize its global financial position without being tied to other European members. It is true that, by having a currency such as the pound competing in the currency markets alongside the euro, the UK can develop monetary policies to some extent independent from the rest of the EU's members.

## **Tariff barriers and old state protectionism**

However, the British self-interest can be counterproductive. As Wolfgang Schauble, German federal minister of finance, rightly noted before the referendum, if British decide to leave the EU, they should also leave the continental single market. It is a fair and proportionate response to a member who decided to leave a club, and cannot now expect to continue enjoying the benefits of its former membership. It is therefore not ruled out that tariff barriers could return, as well as policies to preserve the old state protectionism.

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But it is perhaps in the financial and banking sector that most doubts arise. Some estimates of the intangible moneys increase the City's weight, and the entire service sector, which is directly and indirectly responsible for three-quarters of British wealth. In recent weeks, investment from mobile and speculative capital has slowed down. Even big banks such as JP Morgan and HSBC weigh up the possibility of relocating part of their businesses and

employees on the continent, in Frankfurt for example. For those companies with UK parents, who have benefited enormously from the “European passport” in sectors such as telecommunications or tourism and low-cost airlines, to mention some of the most profitable, the situation created by Brexit could become very harmful.

A week after the referendum, the 27 EU governments met to demand that the decision of self-exclusion from the UK be notified as soon as possible. However, Theresa May and her government would like to take the time necessary to minimize the adverse consequences of the referendum. This seems to indicate that the UK will remain in the EU at least for two more years. It could even stay permanently if the British authorities think again about the permanent material damage of not belonging to the European single market. In this frame of mind, and after a limited time period outside the EU, the British government could reapply for re-entry into the European club. This is something already foreseen in Article 49 of the Lisbon Treaty, which states that the European Parliament could eventually approve the application for membership of the applicant State and subsequently be ratified by the European Council.

It is no surprise that the Conservative Party Europhobes are in the process of re-adjusting their desires in the light of the realities they need to confront. The very same David Davis, Secretary of State for Exiting the European Union, has announced that the activation of Article 50 of the Treaty of Lisbon would happen in early 2017, further delaying the official notification to Brussels. In London, Brexit is still understood as UK’s exit from the EU. Its effective implementation, however, will not take place as quickly as some had ventured.

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