A HEXit ON THE EUROPEAN WORKING CLASS.

One of the strongest arguments used by the hard Brexiteers is that the decision to leave Europe has not collapsed the UK’s economy as many had predicted. The reason why this has not happened is because Big Capital is not convinced Britain will be leaving the EU, which means leaving the customs union and/or the single market. Three months from the supposed exit date the political process of leaving is stalemate. Many “Leavers” now recognise they have been stitched up. Like surgeons facing a pair of mature Siamese twins, the politicians on both sides do not know where to make the first incision or even if the twins will survive the operation because they share so many common organs.

Whether Britain leaves or does not leave, one option cannot be entertained by big capital, a hard Brexit, a no deal Brexit. Neither the British economy nor the EU economy could withstand that rupture. Recent data out of the EU shows widespread weakness. Germany, Europe’s powerhouse barely managed to avoid a technical recession in the second half of 2018. It seems that Germany’s fortunes are more closely aligned with China’s economy than with the EU’s. With China’s economy and investment rapidly declining, Europe’s export machine has lost a gear.

Again, despite the chorus made up of Brexiteers and Tories praising the UK economy, especially the unbelievable employment figures, it is anything but strong. Despite a few areas of excellence Britain is dependent on the City of London to balance the books. For a decade, Britain has been living well beyond its means as Graph 1 below show. The graph plots the current balance deficit as a share of GDP. While the Office for National Statistics issues its own graph, this is done annually and is not as up to date.

Graph 1.

Although the current account deficit has recovered from its record high in 2016 it has begun to fall back sharply in 2018. It is of course a matter of historical interest that the deficit is far higher today
than it was back in 1976 when it precipitated the manufactured “Sterling Crisis” under the Callaghan government. Returning to the present, the reversal of the deficit in 2017 was a one-off event due to the nature of inflows. And it was not a healthy event with could be repeated multiple times. “The current account deficit in 2017 was mainly funded by investments made into the UK which was primarily made up of “other investments” which were specifically deposits and loans; this contrasts with 2016, where the majority of investments made into the UK were foreign direct investments.”

Deposits and loans are a murky area, comprising essentially the liquidation of foreign assets and their repatriation back to Britain. It is the equivalent of selling the foreign family silver. The result was a widening of the gap between how much Britain owned of the world, and how much of Britain was owned by the world. “The net international investment position (IIP) widened to negative 8.1% of nominal GDP in 2017 from negative 2.4% in 2016, as investments into the UK outweighed UK investments made abroad...”

The Pink Book prepared by the ONS, from which these observations are extracted places great store on Foreign Direct Investment coming to the rescue of the current account. But it is precisely this kind of investment which is being deterred by the uncertainty surrounding Brexit as well as being depleted internationally by the sharp slowdown in global growth.

In reality, what is sustaining the current account deficit and preventing it from exploding is the export of financial services. Graph 2 below shows how the trade balance of minus 6%, the largest amongst the large economies, is being partially offset by a surplus in services of just over 5%.

**Graph 2.**

**Figure 8: Trade balances as a percentage of nominal gross domestic product**

UK, 1997 to 2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade in goods balance</th>
<th>Trade in services balance</th>
<th>Total trade balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>-10.0</td>
<td>0.0</td>
<td>-10.0</td>
</tr>
<tr>
<td>1999</td>
<td>-5.0</td>
<td>0.0</td>
<td>-5.0</td>
</tr>
<tr>
<td>2001</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>2003</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>2005</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>2007</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>2009</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>2011</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>2013</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>2015</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>2017</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

*Source: Office for National Statistics*
Most of this surplus in services is of course financial services generated in the City of London comprising real revenues as well as flows of fictitious capital and profits. Furthermore, 60% of the services trade surplus is with Europe as Graph 3 below demonstrates. In effect, the City of London is the stinking heart of European financial capital. A hard Brexit would rob Britain of this role and collapse London which is built on it.

**Graph 3.**

**Figure 11: Contribution by region to financial services trade balance**

*UK, 1997 to 2017*

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Europe</th>
<th>Americas</th>
<th>Asia</th>
<th>Africa</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Office for National Statistics*

In addition, over 40% of British industrial exports end up in the EU.

**Graph 4.**

<table>
<thead>
<tr>
<th>EU</th>
<th>non-EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 %</td>
<td>100 %</td>
</tr>
</tbody>
</table>

Turning away from the EU we examine a second weakness in the economy. It is the importance of property to the UK economy. When it comes to checking debt blood levels, the UK is way above the safe limit, particularly compared to other advanced capitalist economies. The valuation of UK land represents 51% of net worth compared to an average of 39% for the rest of the G7 countries. [https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/bulletins/nationalbalancesheet/2018](https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/bulletins/nationalbalancesheet/2018)
Graph 5.

Figure 3: Value of countries land as a percentage of net worth, 1995 to 2016
UK, Canada, France, Germany, Japan


This has nothing to do with this island being overcrowded. Surrey for example has more land devoted to golf courses than to housing, and we should not forget those substantial royal estates. Instead the ground rent, on which the valuation is based, is driven by the leveraging of house prices through financial manipulation and the destruction of municipal house building. The same applies to commercial property. Indeed, such is the cost of land, that it has begun to obstruct large infrastructural projects such as HS2. Sydney & London Properties are demanding £700 million, not the £200 million paid out to them by HS2 for their properties in London. If their legal claim succeeds it will set in motion a wave of additional claims resulting in the cost of HS2 vaulting to over £100 billion from its current projected cost of £56 billion, killing it off. (Financial Times report 19/01/2018).

This dependency on property makes the UK financial system beholden to the viability and solvency of its residential and non-residential investments and loans. Any property crash will make the UK banking system insolvent immediately. In fact, as Graphs 6 & 7 show below, the financial system is even more precarious than it was before the 2008 financial emergency. Residential mortgages outstanding as a share of total bank loans outstanding is up by a quarter to stand at 26%. This excludes commercial mortgages which would raise the figure to 37%.

When viewed against the net worth of financial institutions (total assets minus total liabilities) this lending represents a figure comparable to the pre-2008 figure of over 650%. Latest figures put that
figure currently close to 800%. (Sources: ONS Blue Book Table 4.2.9 and the UK Finance website, https://www.ukfinance.org.uk/)

The Brexiteers and Tories, especially the honourable Michael Gove may applaud the strength, resourcefulness and inventiveness of the UK economy, but in fact this is an economy that is vulnerable at key areas below the water line. Of all the major economies, it is the most exposed to the new global economic crash which is unfolding.

**Graph 6.**

![Graph 6: Residential Mortgages Share of Long Term Loans](image)

(Source: ONS table 4.2.9 and UK Finance. See attached worksheet “graphs mortgage lending 1987+”)

**Graph 7.**

![Graph 7: Mortgages Compared to the Net Worth of Financial Corporations](image)

(Source: see attached worksheet)
In the attached worksheet, the analysis laid out above goes back to 1987, the year when the City of London was frogmarched into its “Big Bang” by Thatcher, acting in the interest of big capital and globalisation. By 1994 the UK banking sector was technically insolvent as its liabilities significantly exceeded its assets. Something which did not happen in 2008. However, this is of passing interest. More to the point, the longer period graphs show that mortgage lending has always been high, and, that mortgage lending has always been a multiple of bank’s net worth. This is not a phenomenon unique to this century. If anything, current property prices which represent a high multiple of earnings, has dampened mortgage lending.

A no Tariff Britain would be eaten alive.

It is often said in the Arab world that oil was a curse. Arab countries like Egypt devoid of oil industrialised, while countries like Saudi Arabia are still struggling to industrialise. The same is said of the City of London. Britain is cursed with it. Had it not been for the City of London it is said, then investment would have flowed north rather than south.

The City of London, until recently, was responsible for channelling 40% of global financial flows. This daily flow of financial sewerage comfortably exceeds the value of an entire year’s output for the whole UK economy. Skimming just the smallest commission thus yields unmatched profits despite the fact that less than one penny in every Pound finances the movement of actual goods and services.

Such is the weight of the City of London that it influences productivity figures (as if the shifting of fictitious capital around the casino table can be considered productive). In fact, up to 2009, the UK was outpacing both the US and Germany (though not China) in terms of annual productivity growth and this was due to the extraordinarily high “value added” by the average banker.

Graph 8.

(Source: https://data.oecd.org/lprdty/gdp-per-hour-worked.htm)

The above graph shows that the UK and Germany both experienced a sharp fall in productivity from 2008, whereas the US (unusually) did not, despite the financial crash being centred in that country.
Only in 2015 does whole economy productivity exceed its 2008 level in the UK. In the case of manufacturing (Graph 10) this level is exceeded by 2009 and it peaks in 2011. Thus, a different profile is found between the UK economy and manufacturing post 2008.

Chart 9.


The trend diverges again after 2011. Whereas manufacturing productivity goes into reverse, primarily because of effect of the UK pharmaceutical industry, whole economy productivity begins to rise again after 2012 because speculation in the City of London accelerates. Hence the importance of the City of London is once again highlighted.

This dependency on the City of London is a sign of weakness not strength. A hard Brexit would irreparably damage the role of the City of London. It is not only Frankfurt waiting in the wings, it is also the aspiring financial centres in the Far East who are ready to take over the role of becoming an international thief’s kitchen. This cannot be compared to negotiating a trade deal. The City of London will not be giving up its exchanges in order to receive something back in return. It will just be stripped of some of its activities and when, overall, a critical mass is lost, it is game over for London and it will be irretrievable. Little wonder that big capital is having to change its underpants hourly as Brexit somersaults.

Turning to manufacturing. Up to 2008 and with a booming City of London, UK manufacturing was presented with a virtually inexhaustible customer, one which was willing and able to pay top dollar for its output. Thus, the value of UK manufacturing surged, rather than volume, and it appeared that UK manufacturing was outcompeting its rivals as Graph 8 shows.

After 2008 the mirage evaporated. There was no productivity miracle. The perennial productivity deficit which forced the UK out of the Exchange Rate Mechanism in 1992, contributing to the financial insolvency of the financial system at that time, still persisted. Currently UK industry is shown to be less productive than its major competitors except Japan and Canada. According to the latest ONS data, productivity in the UK lags Germany by around 9%, France by 12%, Italy by 13% and the USA by over 20% (though this is overstated because of the lack of holidays etc and the monopoly profits earned by sectors of US industry). Compared to the rest of the G7 the figure is around 16% lower.
If Britain was the most productive economy in the world a hard Brexit would have economic advantages. The absence of tariffs would be no problem. Trading under World Trade Organisation Rules would present no barriers to Britain. However, because Britain is actually uncompetitive in most sectors, the opposite is the case. Britain would be vulnerable to imports under World Trade Organisation rules.

**Taking control or workers’ control.**

The stupidity of leaving both the single market and the customs union is personified by Tim Martin, the high priest of Wetherspoons, the pub chain with over 900 outlets. Mr “taking control” insists that leaving the customs union will result in cheaper booze and poached eggs in his pubs. He is wrong for two reasons. Firstly, a tariff free Britain would be swamped by imports from more competitive economies and become the dumping ground for any surpluses found around the world. So, while the price of booze and poached eggs may come down, there will be no customers in Wetherspoons to enjoy them because they would be unemployed. The flood of cheap imports would have swamped the companies they worked for, swelling the ranks of the unemployed.

Secondly, the flood of imports and the lack of investment into Britain will create the third Sterling crisis since 1990. Without tariffs taking the strain, it will be the Pound taking the strain. In turn, a falling Pound will drive up the price of imports. It could very well be the case that Wetherspoons loses both its customers and pays more for its booze and poached eggs.

As for “taking control”, the negotiations have shown just how undemocratic the UK government really is. The UK has been far less transparent than the EU during the negotiations. The November agreement was sprung on the UK parliament as a force majeure with May presenting it as a one-time offer the UK could not refuse. It took guerrilla warfare in Westminster to prise the Agreement out of the Prime Minister’s hand and defeat it.

It seems taking back control means giving control to an authoritarian prime minister who sometimes involves her split cabinet but never parliament. There is little parliamentary scrutiny or invited participation. When parliament seeks to assert itself against the government this is considered unconstitutional by all the legal grandees. And there is even a proposal that if the prime minister is over-ridden, she can prevent the Queen signing any deal. So, it appears that taking back control means shifting control from Brussels to a palace not far from Westminster.

In contrast to the putrid and congealed parliamentary process, stands the people’s parliament on the lawns opposite Westminster. Full of debate, noise and protest, accessible to all, it gives a foretaste of what real control could be about, and it applies as much to Berlin, Paris, Rome, Madrid as it does to London.

Taking back control is a myth. To be ruled by capitalists from Brussels is little different to being ruled by capitalists in Westminster. True Brussels is more remote providing additional dark corners for the banks and multi-nationals to roam around in. But essentially there is little difference between a neo-liberal Britain and a neo-liberal EU. Indeed, most of the pro-capitalist laws in the EU have been driven by the UK such as the resistance to the reigning in of tax-havens and to introducing a level playing field for corporate tax. Those who claim the opposite, like the Lexiteers, will only end up disarming workers by sowing illusions in Westminster.

It is often said that a Corbyn government would be barred by the EU from nationalising privatised industries. Thus far the control exerted by Brussels has been limited to fiscal measures and bank support measures. Brussels has not been tested on this question, and if it did intervene, then a Corbyn
government would have to appeal to the European working class to overturn any decision, because such a decision is not directed solely at British workers but at the European working class itself.

Any reading of the draft of the Political Declaration shows that Britain was not going to take back control but that going to abide by the WTO AGREEMENT ON GOVERNMENT PROCUREMENT once it left the EU. This is what the second paragraph of this “agreement” says: “Recognizing that laws, regulations, procedures and practices regarding government procurement should not be prepared, adopted or applied to foreign or domestic products and services and to foreign or domestic suppliers so as to afford protection to domestic products or services or domestic suppliers and should not discriminate among foreign products or services or among foreign suppliers;” It is just as restrictive as anything found in the EU’s neo-liberal arsenal. And if there is any doubt about this there is clause 79: “the future relationship must ensure open and fair competition. Provisions to ensure this should cover state aid,...” So no change there then, the level playing field must remain in place. The same would apply to any agreement to share a customs union or remain in the single market.

And if this agreement was not in place, the bourgeois Human Rights Act is, the very Act that prevented the Scottish government overturning feudal property relations in its country-side because such a move would have interfered with the landlords’ enjoyment of the fruits of their property.

There is a world of difference between workers’ control and taking control. I proposed to my union we should run a campaign to unionise Wetherspoons under the slogan “workers’ control or taking control”. Mr Martin originally opposed the introduction of the minimum wage. Today most of his workers are employed at or near the minimum wage.

“Taking back control” will strengthen the hand of capitalists like Mr Martin as it will allow Westminster to directly set the level of worker protections. It will not improve the lot of Wetherspoon’s workers. There is a lesson to be learnt by workers: when the bosses talk of preserving the rights of workers as May is insisting, workers beware. The prime minister may talk about guaranteeing workers’ rights, but she knows full well that her MPs sitting on the benches behind her intend the opposite.

The bosses don’t grant rights, they are forced to cede them through struggle. That is the purpose of the fight for workers control. If Wetherspoon workers are to improve their lot they need to unionise in order to pressurise Mr Martin, who will oppose it with every effort. He may welcome taking back control, but this does not mean handing control over to his workers. His idea of taking control is a bosses’ control. For the Brexiteers, taking back control may be dressed in democratic garb, but beneath it is the intention of turning Britain into the low tax sweatshop of Europe.

Instead of “taking back control” we should be discussing “no nationalism without taxation”. Many of the financiers and leaders of the Leave campaign have been shown to be tax dodgers. It is of course curious that these men and women who profess such love for the motherland, are not willing to put their taxes where their mouths are.

Had the rich not dodged their taxes, up to £120 billion each year, there would have been ample money for social housing, a fully funded health/social care and an education system with class sizes below 30. Instead, because of their tax dodging and their having to be bailed out after 2008, the welfare system has crumbled creating the very conditions, amplified by immigration, that led millions of “left behind” workers to support Leave. To follow these leaders, these enemies of the working class, the monsters who created the poverty and misery in the first place, is an epic working-class tragedy in the making.

It is the right-wing rabid capitalists who are driving the Hard Brexit. Of course, there may be millions still sniffing the fumes of Empire who believe it is still possible to put the Great back into Great Britain.
Should they succeed, then history will repeat itself as farce following tragedy. It was during the 1956 Suez tragedy that Britain was shown its place in the world. This time round it will end in the debacle of a destitute Britain lost in the world. A country choking on its own insignificance, gasping at its predicament.

Many countries who experienced the yoke of two centuries of imperial British rule may feel this to be a fitting end to this island, but the British who will pay for this calamity are the same victims of capital, the British working class. It could unleash an ugly, mean and unproductive civil war. A horizontal civil war between the town and the countryside, the young and old, the skilled and the precarious employed, between those who have actually lost and those who thought they would gain from leaving Europe. Those who say there will be a right-wing backlash and social unrest unless Britain leaves, miss the point. A hard Brexit will ignite a left-wing backlash, or more accurately, a young cosmopolitan backlash by those who have lost their jobs and their homes, against those now demoralised because Leaving did not improve their lives.

**Will the EU survive the next crash compounded by Brexit.**

Brexit is a product of 2008. Without 2008 it is unlikely the pressure for a referendum would have been there and it is unlikely in any case that the Tories would have been in power to deliver such a referendum. But the pressures that led to Brexit, the centrifugal forces unleashed by the financial crash are felt throughout Europe. Even Germany, despite its economic growth until mid-2018, has not been immune.

Europe is the weak link in the chain of imperialism. It lacks the cohesion of either a Federal USA or a Han dominated China. It is singularly ill placed to withstand another financial emergency. Much of its banking system is undercapitalised. This applies not only to Italian and Spanish banks but heavy weight German and French banks as well such as Deutsche Bank and Société Générale. It does not have a unitary tax system with the capacity to redistribute funds between the regions. The gap between Alabama and California may be bigger than the gap between the Slovak republic and Germany, but the United States holds together because there is a single federal government overseeing the country, one which can redistribute from California to Alabama when it needs to.

That is why the US Fed, the US Treasury and government were able to intervene in the economy in a way not open to Brussels. The US Federal state was able to inject vast sums of money into the economy through TARP and recapitalise their banks. The US FED started quantitative easing in November 2008 within 3 months of the collapse of Lehman Brothers. The European Central Bank only initiated its quantitative easing programme 7 years later in January 2015 when deflation began to emerge. And it did so in a form curtailed by German opposition and its insistence that national governments should bear national losses. Surely a question of Germany wanting its cake and wanting to eat it.

The result is that Europe’s response to the 2008 economic crisis was partial and delayed, and, were it not for Germany’s ability to exploit China’s rapid industrialisation, it too could have gone under with the rest of the European economies. The consequence of Europe’s absent federalism is a region whose emergence from 2008 is less robust, leaving it with a diminished capacity to withstand the crash of 2019. Of course, this is relative, the capitalist world in its entirety has a reduced capacity to withstand another 2008, despite all those fancy stress tests which can never simulate the inter-connected events nor anticipate the escalatory events which comprise a financial emergency. In this global context, the degree of capacity in Europe is lower by an order. (It is also the reason why the crash of 2019 will usher in a long term depression a la the 1930s distinguishing it from the short sharp 1937 recession.)
It is for this reason that Britain and the EU need to strike a deal. It is not the case of who needs the other more, as the Brexiteers keep insisting. Both have glass jaws. It is a case of survival for both. It is up to historians to discover whether May’s threat of a no deal Brexit was real or a bluff. Whatever the case, it is the British Parliament which blinked first. (While a No Deal by design is unlikely, this does not rule out a No Deal by accident.) British Capital, will do everything in its power to prevent a group of public schooled Tory MPs, whose history lessons had the tenor of religious instruction classes, to “Blitz” their jewel, the City of London.

Parliament voted against the 520-page draft agreement because it was worse than remaining in the EU and because it contained the Irish backstop. It was always known that the EU could not allow Britain a status above that of its remaining members. This plays into the hands of the hard Brexiteers who argue that any deal will be worse than retaining membership of the EU. They are right, except for that vexing question of the Irish backstop, which Ireland would insist on, were Britain to leave without a deal.

In this context, the deal the prime minister has negotiated is better than expected. The weakness of the EU and it’s need for a negotiated settlement has led it to make more concessions than the British side originally anticipated. Its confounding element once again is the Irish backstop agreement, but that would be true of any deal including a no deal. The irony is that Britain’s century’s old occupation of the island of Ireland has come back to haunt it.

May’s deal comes closest to extricating Britain from the EU’s single market and customs union while maintaining close relations with the EU, many of which are to be formalised and finalised. If she clings to this deal, and her appearance in Parliament on Monday the 21st suggests she will not budge, it is because she knows it is the best deal on the table. She may have been decisively defeated, but this is not the end of the Agreement. Parliament has yet to realise this is as good as it gets. In the end, passing this agreement with a modified backstop is more likely than a second referendum or a general election or a no deal Brexit.

It is often said that there are four alternatives. Four potential choices for a future referendum. Firstly, to leave without agreement, secondly to accept the current agreement, thirdly to remain in a customs union, and fourthly to remain in the EU by reversing the referendum. Actually, there is a fifth, a change to the constitution of the EU itself.

If by accident, and accidents do happen because the capitalists are not master of their own house, and a hard Brexit was likely by default, Brussels may be pressurised into modifying one of its four founding principles, the one that caused many to vote to Leave - freedom of movement. Free movement has been confused with freedom to reside. All EU citizens only have the right to remain in another country for only 3 months. No longer. Their ability to reside beyond that date depends on each country’s rules and regulations. “In some countries job seekers can only claim out-of-work benefits if they have previously worked (e.g., Austria and Belgium); in others a waiting period of several months is imposed (e.g., France and the Netherlands), and in some countries there is immediate entitlement to out-of-work benefits (e.g., the UK, Germany, and Ireland). However, a job seeker must prove that he or she is actively looking for a job and stands a real chance of being given employment.”

https://www.opensocietyfoundations.org/explainers/what-eu-freedom-movement

The bosses endorsed the freedom of movement, not for themselves, money always buys residency, but to mobilise the European reserve army of labour. While this has been positive for profits by lubricating the restructuring of national labour markets, it has now turned into its opposite by
threatening the whole EU project. To many workers who voted Leave, the key reason was “uncontrolled migration”.

Immigration has the potential of undoing the EU project. It is not only the British who object to free movement, opposition has become endemic throughout Europe. It cannot be ruled out that Brussels will modify this freedom of movement principle by establishing a set of rules common to all countries, one removing national flexibilities. This will not bar EU citizens freely crossing borders, but it will generalise generalize the conditions applying to their stay. Thus, it will end the British approach which allows EU migrants to immediately access state benefits provided they are looking for work, compared to France which has a waiting period before migrants can access state benefits. Of course, if the EU makes these changes, the public relations people will be used to portray this as ending “welfare tourism”.

Finally, the EU can then lay the plaudits at the door of the Brexit. They can reverse the whole saga, saying that it was Brexit that saved the EU from itself by curbing migration. And when they do, the groundwork for a successful second referendum will have been laid.

Conclusion

The question of immigration tears at the heart of European working-class unity and solidarity. If 2008 laid open such wounds, wounds which are still raw and weeping, imagine what will happen when the pain of the 2019 Crash is added to the pain of the 2008 Crash. That crash is unfolding despite the rather extended bear bounce at the beginning of the year, when the markets were seduced by Trump’s ratcheting down of his trade war rhetoric and the Fed softening its monetary stance.

Despite these momentary soothing words, the underlying global conditions continue to deteriorate. PWC’s annual CEO survey released on the 22rd January showed that 30% of them were expecting economic conditions to deteriorate versus 5% last year. The Conference Board’s survey of CEOs in the USA is even more revealing. It showed that “about 39 percent say conditions are worse, up from less than 8 percent in the prior quarter”. Conversely, “21 percent saying conditions are better compared to six months ago, down from 49 percent”. Within the space of 3 to 6 months, the balance swung from +41% saying things were getting better to -18%, a sharp and sudden reversal. (https://www.conference-board.org/data/ceoconfidence.cfm) Little wonder the financial discourse around Davos is one of insecurity and uncertainty

The change in their fortunes and its effect on the economy have been dramatic. Tiffany’s, the bell weather for everything expensive, were still being cautiously upbeat in November. No longer. Such was the fall in sales in December that growth fell from +5% in the previous quarter to -1% in the November/December period. Its outlook for 2019 is now much more sombre. On the 15th January Daan Struyven an economist with Goldman Sachs published an analysis which contradicted research undertaken in 2013. His conclusion: “The hit to the wealth level from a 1 per cent decline in stock prices is now about three times larger than in the late 80s for the top 10 per cent of households... He was making this point in the context of the impact it will have on the sales of luxury goods. (https://www.bloomberg.com/news/articles/2019-01-16/goldman-says-u-s-stock-drop-to-hit-growth-as-rich-curb-spending?srnd=premium) Bubbles may have accelerated economic growth. But the opposite is equally true, when they burst they crash the economy. In a world, where the top 10% now spend as much as the bottom 80%, a fall in their wealth impacts the economy disproportionately.

In addition, the economic data coming out of the major industrial economies, together with shipping data, is one of rapidly decelerating output. This is in part due to the reversal of the rapid build-up of inventories in the final quarter of 2018 to avoid Trump’s tariffs. It was this build-up which masked how
weak the economy was during the that quarter. We are thus heading into phase two of the Crash of 2019.

The trade war has yet to become all-consuming. Currently the opinion prevails that it is causing the global slowdown. When it is recognised that it is a symptom of the slow-down, that more fundamental forces are at work, primarily the absolute fall in the global rate of profit, then attitudes will change, and, the real trade war will break out. That is the point when the Chinese and US imperialists realise they have nothing to lose from a trade war and everything to gain by seeking to offload their losses onto each other and the rest of the world.

These are the circumstances facing the European working class. If 2008 ignited such deep centrifugal forces in Europe, imagine what the Crash of 2019 will precipitate. As communists, as internationalists, we need to stand against this tide. If these centrifugal forces are allowed to proceed, then instead of solidarity, it will be thousands of miles of razor wire isolating worker from worker. Our call must be for a Socialist Europe without borders, one which includes British workers, where the stronger countries help the weaker countries and where all workers share the same rights and responsibilities. Nothing less will suffice.

Brian Green, January 2019.