The Political Economy of Brexit

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The UK is a representative democracy. As Edmund Burke, the political philosopher who was elected as a member of the House of Commons in 1774, stated in his election address to the electors of Bristol: “Parliament is not a congress of ambassadors from different and hostile interests ... but ... a deliberative assembly of one nation.” Elected members are representatives not delegates. They have the freedom to weigh up the pros and cons of legislative options and then choose how to vote.

Occasionally, these representatives in the UK parliament vote to hold a national referendum, as they did in 1975, 2011, and 2016. The decision by the Conservative government to hold the national 2016 referendum on Brexit was approved by a large majority in the House of Commons (544 votes to 53). The question asked was straightforward: “Should the United Kingdom remain a member of the European Union or leave the European Union?” The result was clear: 51.8% voted to leave and 48.2% voted to remain, a majority of 1.27 million votes, with a turnout of 72% of registered voters.

The Brexit vote has shaken the foundations of our parliamentary democracy, triggering a political and constitutional crisis. We have had three general elections in four years, the resignation of two prime ministers – David Cameron (2016) and Teresa May (2019) – a blatant disregard of the convention of impartiality by the Speaker of the House of Commons and the promotion by the Supreme Court of judicial activism in place of political decision-making. Because the UK does not have a written constitution the decisions of the Speaker and the Supreme Court have overruled those of elected politicians. In the 2019 election to the European Parliament the newly established Brexit party won the most votes and the most seats, a confirmation of the Referendum result.

The ramifications of the crisis have been far-reaching. “Leavers” and “Remainers” have become like two warring tribes, more akin to enemies than adversaries. The House of Commons has witnessed appalling displays of intemperance. Deep and bitter divisions have been created.
within political parties, within families, and within the country at large. Individual members of parliament have received death threats on social media, which have required police protection.

Although much has been made of the economic benefits and costs of leaving, through new trade deals and de-regulation, that is not the heart of the Brexit issue. The key to understanding Brexit is to view the move as an attempt by the British people to be self-governing: namely to gain control of their borders, laws, and destiny. It is a historic moment. One historian has suggested that the significance of the 2019 general election is on a par with that of 1831, which followed a constitutional crisis and led to the Great Reform Act in extending the popular vote, and to the 1911 election, which followed another constitutional crisis resulting in the Parliament Act of 1911, removing from the House of Lords the power to veto a bill passed by the elected House of Commons.

Because of this, economics can only contribute a limited understanding to the Brexit issue. Leading economists of the past who contributed to the development of economics as a science were also prominent in discussing issues of policy. Adam Smith wrote on moral philosophy and jurisprudence as well as on growth in The Wealth of Nations. Ricardo and Mill wrote on trade, wages, rent and utility as well as being members of the House of Commons. After founding modern macro-economics, Keynes was a Treasury representative at the Versailles Peace Conference (1919), Chairman of the British delegation to the Breton Woods conference (1944), and a member of the House of Lords. Friedrich von Hayek wrote on many technical economic subjects but also important volumes on law, legislation and liberty.

If economics as a discipline is to be of practical use, economists cannot avoid becoming involved in issues of political economy, of which Brexit is a classic example. Involvement in political economy questions, however, can only be undertaken within the context of a world view, and so in this article I wish to explore the Brexit debate within my own world view, which is Christian.

However, first I should mention something of the story so far, as necessary background, then look at some issues which have been raised: empire, national identity, and immigration; the market and corporatism; ideology and foreign policy; and the role of faith, culture and secularism in the European public square.
Brexit: The Story So Far

The UK joined the European Economic Community (EEC) in 1973. The decision to join was made primarily for economic reasons. We were joining a common market which would, through increased trade and a larger market, benefit from economies of scale and increased competition. The prime minister, Edward Heath, stated categorically that it would not put in jeopardy UK national sovereignty. In 1975 the Wilson government held a referendum in which a majority voted to confirm the decision to join and remain in the EEC. Although I had serious reservations about the implications of the creation of a common currency, I voted to remain.

What has become abundantly clear since then is that the European Union is primarily a political not an economic project. Its aim is to create a transnational state with a government, parliament, supreme court, currency, flag, anthem, and to govern for the whole of its member states in domestic, foreign and defense matters. The guiding principle that overrides everything else in proposals for new legislation and decisions made by the European Court of Justice is the *acquis communautaire* (literally translated, “that which has been acquired or obtained for the community”), namely proposals and decisions must accord with the accumulated legislation, legal acts and court decisions which constitute the body of European law. These must take precedence over laws passed by individual member states. Further, the Maastricht Treaty, which established the European Union (1993), gave citizenship of the European Union to all citizens of member states, and the Schengen Agreement (1985) allowed free movement of EU citizens without passport control at border crossings within the member countries of the Schengen area.

As a political entity the EU has had some remarkable achievements. It has grown from 6 member states in 1957 when the Treaty of Rome was signed to 28 in 2019. It can claim, along with NATO, to be a factor in ensuring the uninterrupted peace in Europe (excluding Kosovo) since 1945. It has developed an effective bureaucracy, the Commission, a Parliament, and a Council of Ministers (28 Heads of State). It has not, however, developed as a *demos*, namely a political community in which people feel sufficiently confident and connected to each other that they are prepared to join together in decision-making. A *demos* cannot be a group of strangers. Neither can it be just a collection of representatives
from different nations who see advantage from being part of a larger bloc. For a majority of people in a democracy to compel a minority requires a legitimacy that comes from being part of a demos. Without a demos there is little solidarity, limited trust in others, and hence contested legitimacy of decisions. In situations where there are clear winners and losers, and which require a fiscal redistribution of funds, decisions made require all parties to agree to the process. This at present is missing in the EU and only adds support to the charge that the EU has a “democratic deficit.”

In a similar vein, Jacques Delors who served as President of the European Commission for ten years and was the driving force behind the creation of the euro, made an appeal that the EU must become “a real community” not just a common market. For him this required that the EU possess “a heart and soul,” adding in 2010 that “if in the next ten years we haven’t managed to give a soul to Europe, to give it spirituality and meaning, the game will be up … Today’s Europe lacks a heart and a soul.”

This lack of a demos is not the only problem. Over recent years there has been a surge in populism as people feel let down by EU institutions: the Germans never voted to allow more that 1 million immigrants into their country in 2015, the Greeks never voted for austerity following the 2012 euro crisis, and Italian people never voted to remove Berlusconi from office. As a consequence, in the 2019 EU elections the major winners were new right-wing Eurosceptic parties. Because of this, in many EU countries the two-party system has been splintered by these new parties: in Spain there are now 5 key parties, in Germany 7, and in the Netherlands 13. This fragmentation means it is difficult to form governments and, even when they are formed, they tend to be weak because they lack a common vision. Regrettably the result has been a paralysis of government in Belgium, Italy, and to some extent, Germany and the UK.

If we move from politics to economics the achievements of the EU have again been remarkable. The creation of the European Coal and Steel Community in 1951 was a modest beginning. The EU is now the second largest economy in the world, with an estimated GDP of 18.8 trillion euros, representing over 20% of the global economy. It has created a single market in goods and services as well as the free movement of capital and labor between member states. In 1999 it embarked on an
extremely ambitious political as well as economic and financial project: it created a new currency, the euro. This involved 11 countries giving up their national currencies and their sovereignty over money creation. The euro is now used by 19 of its 28 members and is compulsory for new member states. Throughout its existence, however, the economies of the Common Market have been protected within a customs union rather than a free trade area.

These real achievements, however, have not been without their difficulties. The EU has a protectionist mindset, most member states have a history of state ownership, and throughout the EU there is a tradition of corporatism. The EU is suspicious of US companies and of Anglo-Saxon market-oriented capitalism. By contrast, its own Rhineland version of a social market economy encourages worker participation in corporate governance and a more welfare-oriented approach. Europe is suspicious of US dominance in areas such as the digital economy while the USA is concerned about EU protectionism in cars and financial services.

While the euro has been a success in that it has held together despite existential challenges, the policy of Mario Draghi to “do whatever it takes to preserve the Euro. And believe me it will be enough,” when facing a crisis in 2012 has led to painful consequences. Between 2007 and 2015 output in Greece fell by more than 27%, equal to the fall in total output in the USA between 1929 and 1933. By the autumn of 2015 unemployment in Spain was 22% and in Greece 25%, with youth unemployment closer to 50% in both countries. Not only that, but Draghi’s policies have violated the remit of the European Central Bank. The mandate of the ECB does not extend to fiscal transfers, which is what has resulted from the ECB purchasing the sovereign debt of EU countries that have been in financial difficulties. This was provocative, was resented by the Bundesbank, and led to a legal challenge in the German courts as unconstitutional.

**Developing a Christian World View**

With that background let me turn to a Christian framework for thinking about the issues. It took me a long time to understand what exactly a Christian world view was and even now, six decades later, I am still on a journey of discovery. It is probably more interesting if I describe how it happened rather than simply lay out its content.
I was brought up in a Christian family in which both my parents, who came from a cultural Christian background of pietistic Welsh nonconformity, decided at some point in their youth to take their faith seriously. I did the same, and in my mid-teens read widely in the doctrines of the faith. In Understanding Be Men by T.C. Hammond (1968) was of seminal importance but it never provided for me a world view. As a young academic at the London School of Economics, teaching and doing research in monetary economics and competition and regulation in banking, I was first challenged by Francis Schaeffer's book Escape from Reason (2006) and by Hans Rookmaaker's Modern Art and the Death of Culture (1994) as well as the work of Cornelius Van Til and Herman Dooyeweerd. Schaeffer was a theologian and clergymen, Rookmaaker a professor in the history of art at the Free University of Amsterdam, after having written a doctoral dissertation on Gaugin at the University of Amsterdam.

The Free University was interesting in that its founder, Abraham Kuyper, a clergymen and theologian, relinquished his position as a pastor in the Dutch Reformed Church to enter politics, becoming prime minister of the Netherlands in the early twentieth century. All of these writers argued that one could not understand culture independently of the world view of artists, scholars, writers, philosophers and scientists and, more importantly, that the Christian faith had a unique understanding of culture. The great insight I found from this tradition was a profound understanding of creation: each person, male and female, created with God-like qualities, having through work a purpose and responsibility for the natural world.

The late 1960s was a time when the London School of Economics and many other universities were in turmoil because of the student unrest of 1968. For young Christian economists wishing to relate their faith to their discipline there was precious little material: Max Weber's The Protestant Ethic and the Spirit of Capitalism (2010), Wilhelm Ropke's A Humane Economy (1999), and Jacque Ellul's Money and Power (2009) were exceptions. The approach of Schaeffer, Rookmaaker, Kuyper, Van Til and Dooyeweerd was an inspiration to explore how biblical theology and ethics are relevant to economics as an intellectual discipline and the problems it is trying to solve.

By contrast to this Protestant, Dutch reformed approach, Michael Novak, who was a resident scholar at the American Enterprise Institute,
invited me to a conference that examined Papal Encyclicals dealing with economic, social and political issues since *Rerum Novarum* (1891) and explored the development of Catholic Social Teaching. Novak himself published one of the first modern scholarly works on the relationship between theology and economics: *The Spirit of Democratic Capitalism* (1990). What impressed me particularly about the encyclicals was their emphasis on the human person rather than the individual, and their stress on solidarity and subsidiary.

However, following Milton Friedman’s challenge to me in 1973 as to how the Christian faith was compatible with the market economy, by far my most important source for me was the Bible itself as well as a variety of commentaries on the text. Apart from the importance of the first eleven chapters of Genesis, I was struck by the Pentateuch taken as a whole as a model of political economy; the political economy of ancient Israel and, with relevance for our time; the somewhat neglected Wisdom Literature with its practical wisdom; the insights of the prophets in understanding the consequences of false gods on culture and society; and then in the New Testament, the teaching of Jesus in the Gospels, the practice of the early church, and the end of history including the judgement of peoples and nations. It was on the basis of this that I published the London lectures as *Morality and the Market Place* (1989) and *The Creation of Wealth* (1984). Since then I have been impressed by Craig Blomberg’s *Neither Poverty nor Riches: A Biblical Theology of Material Possessions* (2000), by John Schneider’s *The Good of Affluence* (2007), the encyclicals of John Paul II, Benedict XVI and Pope Francis, as well as theological texts and journals exploring these themes. I shall now move to tackling five issues relevant to Brexit.

**Nation and Empire**

Despite the differences between large countries such as the USA, Russia, China, India, Australia and Canada and small countries such as Singapore, New Zealand, Switzerland, Norway and Israel they all have one thing in common. They are all nation states. They have control of their borders and their money and they have independent legal systems. By contrast, the EU is developing as an empire in which countries have pooled their sovereignty in relation to borders, money, and law, along with the “four freedoms” of movement of goods, services, capital, and
people, one parliament and one supreme court, and the European Court of Justice, which overrides all other legal decisions of national courts.

To suggest that the EU is an empire is not to express contempt or disapproval: it is simply to state a fact. Professor Wolfgang Streeck (2019), emeritus director of the Max Plank Institute for the Study of Societies in Germany, has argued that

The EU has a centre and periphery with a steep gradient of power between the former and the latter. The centre imposes and enforces its political and economic order on the periphery in the form of the common currency, the ‘four freedoms’ of the common market, and a general requirement of adherence to ‘European Values.’

Countries that comply with Brussels policy receive fiscal transfers as well as military protection (Poland and the Baltic States). Peripheral countries that defy Brussels are punished (Greece) and sometimes awkward governments are replaced by technocrats (in Italy, Berlusconi as prime minister by Monti, an academic economist, in Greece Papandreou by Papademos, formerly an employee of the European Central Bank). Exit from the empire has been made extremely difficult for the UK as the centre wishes to teach a lesson to any other would-be leavers.

This perspective is confirmed by EU politicians. The former Belgian Prime Minister, Guy Verhofstadt, stated: “The world of tomorrow will be dominated by empires like China, India, the US, and Russia. The status quo isn’t enough. We need a strong united Europe to protect our way of living.” Jose-Manuel Barroso, the former President of the European Commission, when in office suggested: “sometimes I like to compare the EU as a creation to the organization of empire. We have the dimension of empire.” However he was careful to qualify using the word empire by emphasizing that the EU was a “liberal empire.” The 28 member countries decided voluntarily to pool their sovereignty. Each country has a commitment to the rule of law, private ownership of property, and competitive markets. Each is a democracy with free elections, and competing parties.

As an empire the EU has not been involved in any land grab. However, it has used its power to coerce countries and their electorates to change their ways when they have voted in referenda that oppose the Brussels agenda: in 2001 Ireland voted to reject the Treaty of Nice
only to accept it in another referendum in 2002; in 1992 Denmark voted against the Maastricht Treaty, only to pass it the following year; in 2008 Ireland rejected the Treaty of Lisbon but after pressure from Brussels held another referendum passing it the following year; in 2005 France and the Netherlands rejected the European constitution only to agree to it later as the Treaty of Lisbon.

From a moral perspective one claim made by liberal globalists, and frequently expressed in The Economist, The New York Times, and The Financial Times, is that the nation state has been a cause of rivalry, instability, and war and in an increasingly inter-connected world has outlived its usefulness. The prime example, which is frequently referenced to illustrate how bad nation states can be, is Hitler’s Germany. Germany, however, was intended to be the third reich, following the Holy Roman Empire of the German Nation as the first reich and Bismark’s as the second reich. Christians have claimed that the basis for open borders and cosmopolitanism is the teaching of Jesus in the Gospels in such references as “love your neighbor as yourself” (Luke 10:27 quoting the Old Testament, Lev. 19:18) and “blessed are the peacemakers for they will be called sons of God” (Matt. 5:9). Professor Richard Miller, a Catholic theologian, argues that on this basis:

Christianity requires an indiscriminate, unconditional love of others, irrespective of political, social or national affiliation …

Christian agape, exemplified by Jesus’ teaching and example, is altruistic and cosmopolitan. (R. Miller, 2001, p. 17)

Within a Judaeo-Christian tradition I believe this kind of statement needs to be challenged.

The Christian faith has survived, flourished and been persecuted in many different political structures: empire, nation state, monarchy, and republic. Jesus was born and raised in the Roman Empire. By being taught the books of the Old Testament Jesus would have been taught something of its economic and political structures and culture. The political economy of ancient Israel set out in the Old Testament, while not a blueprint for Christians, nevertheless contains insights which Christians over the centuries have found to be of abiding value: the importance of the rule of law, the nature of social justice, the Sabbath as a sacred day setting a boundary to work, the prohibition of usury in credit markets, and responsibility to care for the poor but also to re-capitalise those in
poverty through celebrating the year of jubilee. Yoram Hazony argues that unlike the imperial powers that surrounded Israel in its history—Egypt, Babylonia, Assyria and Persia—and which sought to impose a universal order on others, Israel was an independent nation, united and self-governing, and living within limited borders alongside other nations, strictly forbidden to take land from other nations. Immigrants were welcomed to make a home with the Jewish people on the condition that they embraced Israel’s God as their God and accepted their laws and their understanding of history.

In his book, *Between Kin and Cosmopolis* (2014), Nigel Biggar, Regius Professor of Moral and Pastoral Theology at the University of Oxford, has tackled the claim that Jesus’ teaching requires an indiscriminate and unconditional love of others. Biggar makes strong judgements but is nuanced in his argument that the Christian faith provides a “moral legitimacy of a limited national loyalty and of a measure of national autonomy” (Biggar, 2014, p. 25). This is a far cry from the romantic nationalism of nineteenth-century writers, let alone the aggressive nationalism of the twentieth century. He develops this in a series of steps: first, he shows that the New Testament support for unconditional and indiscriminate love is not at all firm; that human beings, because of their dignity and physical limitations, will choose close neighbors rather than distant peoples to care for; that they will give greater support to institutions and customs that have provided for their human flourishing; that a similar gratitude will engender a loyalty to a nation; that every nation is accountable to God for its service of the common human good; and that among a diversity of nations the Christian church is a transnational institution, a city on a hill to give light to the world, in which, as St Paul said, “there is neither Jew nor Greek … for you are all one in Christ Jesus” (Gal. 3:28). My personal view is that loyalty to family, community and nation are marks of gratitude and respect; that loyalty to one’s nation and its autonomy does have moral legitimacy, that every nation is accountable to God in the way it pursues human flourishing; and from my personal experience by embracing our responsibility for our own people and nation we will find ourselves inevitably concerned with the well-being of others and their nations.

If the European Union were a “willing and active cooperation between independent sovereign states” (as Mrs Thatcher urged in her Bruges Speech) this would be a pragmatic and positive way to build
a European Community. The moment to seize that opportunity has now passed for the UK. It will be increasingly difficult in the future for Europe to speak with one voice as there are very different positions taken by member countries. The EU has some claim to legitimacy, especially because of its record of peace rather than conflict. However, empires have a tendency to act in a repressive way, and the evidence of the last two decades suggests regrettably that if the EU is to “grow closer together” this can only be achieved by forcing member states to become subservient.

Identity and Immigration

Immigration was a significant factor in the Brexit referendum vote. If a nation state deserves to be defended as a source of human flourishing, it must police its borders, which means it must control immigration. The UK government failed to do this between 2004 and 2016. Over this period migration was large scale and unexpected, which is always and everywhere resented and is a recipe for conflict.

In the mid-1990s Britain was a multi-racial society with immigration primarily from Commonwealth countries. Migrant families numbered 7% of the population. Between 2004 and 2016 gross migration rose to an annual rate of 500,000 and net migration to 250,000. By 2016 migrants numbered 20% of the British population and 25% of the English population. Since the spring of 2018 a reputable think tank, Migration Watch, claims that 7 opinion polls have confirmed that roughly 30 million adults in the UK (out of a total adult population of 52.4 million) support a policy of reducing immigration (Green, 2019a).

These people are not opposed to immigration per se. They value its contribution to the economy. They value the services they provide: in shops, restaurants, hotels, plumbing, building repairs and so on. The British population are not racists. The number of people who voted for the British National Party in 2019 was less than a million and the population of hard core authoritarians and racists is estimated at 5-7%.

Immigrants are attracted to living close to their own ethnic group and so will form communities with cultural identities which, if they become ghettos, can be perceived as a threat to local customs and culture. Immigrants are perceived as a burden on public services, especially schools, hospitals and housing. If they are recent immigrants and are
given preferential treatment in the provision of public services, those who have paid taxes and have not received such treatment will judge this as unfair. The suggestion that immigrants take jobs from the local population may be more a perception than a reality but the fact that an influx of unskilled and semi-skilled labor will depress wages is real and supported by empirical research even if the extent of the fall is not great.

It would be wrong to dismiss the views of a large percentage of the adult UK population to curb immigration as a reflection of racism, ignorance, or prejudice. The most perceptive analysis of the difference between those who voted “Leave” and “Remain” is The Road to Somewhere by David Goodhart (2017). He argues that the traditional distinction in politics in the UK between left and right based on class and income has been replaced by one based on culture and identity, which is made up of two distinct groups, the “Anywheres” and “Somwheres.” Anywheres dominate our society. They tend to be well educated, in professional employment, geographically mobile. They could live comfortably in London, Paris, New York, Tokyo, Shanghai. They have “achieved” identities from successful careers, care about diversity and society and tend to make a priority of individual self-realization. They are socially liberal, cosmopolitan, comfortable with transnational institutions and “European values” and place less emphasis on tradition, family, faith and nation.

In contrast the Somwheres have “ascribed identities” based on particular places and groups: Welsh farmers, working class Yorkshiremen, Scottish housewives. They are typically not university educated, are socially conservative, uncomfortable with the pace of cultural change, patriotic to moderately nationalistic, and communitarian by instinct. They are modern people who believe in women’s rights, individual choice, and a consumer society, but are less likely to have left “home.” Unlike in the USA they tend not to be religious. Goodhart estimates that Anywheres make up about 25% of the UK population but are dominant in London and the South East, while Somwheres make up 50%. The rest are “In-Betweens,” which he does not elaborate on.

In terms of the Brexit vote, Somwheres tended to vote Leave, while Anywheres tended to vote Remain. Anywheres tend to value the cosmopolitanism of the European Union and the development of research projects between British and European universities and research institutes. They easily identify with “European Values.” By contrast Somwheres
view transnational institutions as distant and with skepticism and view "European values" as undermining traditional institutions.

From a Christian perspective there is a case to be made for governments to limit and control immigration. It is not based on prejudice, fear, or racism but a concern for the common good. In pursuing such a policy it is important the government sets out a vision for the kind of society it is trying to shape and the role that both government and the institutions of civil society have to play.

Taken together, three elements are important. First, a clear separation must be made between refugees and migrants. All governments have a responsibility to help refugees who are forced to leave home because of war, violence, and persecution. Some refugees are easy to identify, as are some migrants. Attempting to set rules to distinguish genuine refugees from more general humanitarian claims is difficult. The scale of the problem, as with the Syrian refugee crisis, is a further dimension and requires coordinated action by many governments.

Second, there must be clear rules for migrants wishing to enter the UK. The new UK government lead by Prime Minister Johnson has made a commitment to adopt an Australian rules based approach: prioritizing people with a good grasp of English, law-abiding citizens, having a job offer with pay above a fixed amount and clear qualifications. However, the key to the Australian system is a cap on work permits for skilled people. Unless a cap is put in place, delivering a reduction in numbers to an acceptable range will be impossible (Green, 2019b).

Third, and more difficult than controlling migration, is the integration of migrants into British society. Integration is much easier when the numbers are small and are not seen as posing a threat to traditional ways of life. Hence control of numbers is important. Government has a role to play in preserving equality before the law, anti-discrimination legislation, outlawing FGM, and granting visas for spouses. Evidence from opinion polls suggests government legislation as a way to tackle the problem is fraught with difficulties and is widely resented.

Jonathan Haidt (2013) suggests that instead of talking about differences based on race and ethnic origin, it is better to talk about similarities, shared experience, and common interests. This would include active membership of political parties and sports clubs and the many opportunities provided by the workplace. This approach also offers enormous
potential for the Christian Church, which is a multi-ethnic, multi-cultur-
tured and trans-national institution.

**Free Trade, Free Markets, and Rhineland Capitalism**

The different approaches adopted by Britain and continental European
countries have deep historic roots. Britain industrialized in the nine-
teenth century following Adam Smith's advocacy of free trade and free
markets and his rejection of protection and Mercantilism. Germany
industrialized later through establishing cartels financed by banks and
protected by tariff walls. France under de Gaulle introduced state-di-
rected control over the economy through nationalization and indicative
planning, which reflected at least in part its Napoleonic heritage.

These two approaches differed significantly in the three decades
from 1978 to the financial crisis of 2008. The UK and the USA, under
Thatcher and Reagan, pursued free market policies through deregula-
tion, privatization, and free trade. EU countries were protectionist, with
more regulated labor markets, alongside specific companies in key sec-
tors chosen as national and European champions with strong regulation
to protect consumers but also businesses. These different approaches
ensured constant bickering between the UK and the EU over trade
issues, state aid, banking regulation, fiscal contribution, and corporate
governance.

One important difference between the UK and the EU is their
approach to markets, corporation, and regulation. It is the difference
between the more laissez-faire approach of Anglo-Saxon countries and
the approach of Germany (Social Market Economy) and France (*diri-
giste*) in which the state plays a directing role.

Both these approaches can claim a theological underpinning. The
European approach is intimately tied up with Catholic Social Teaching.
The Catholic founding fathers of the EU had grown up as young men
studying the recently published (1891) encyclical *Rerum Novarum.*
While it endorsed unequivocally personal liberty, private property, and
civil society it also encouraged active state intervention in economic life.
In particular it stressed the importance of trade unions in protecting the
interests of labor alongside companies in pursuit of the common good.
While it was not collectivist in a Marxist sense, in many subsequent
encyclicals it has stressed collective action by the state for the common
good. By contrast, the Protestant tradition in Anglo-Saxon countries, most of all the USA, has recognized the virtue of the enterprising individual, private enterprise, a welfare society based on a contributory principle rather than a welfare state based on general taxation, and greater freedom in the governance structures of businesses. From a theological perspective both approaches have a credible basis.

My reason for preferring the Anglo-Saxon approach is based on the efficiency of markets. When markets are allowed to work, changing market prices will provide a wealth of information to consumers and business as to where labor and capital should be allocated. This is something that simply cannot be matched by the state or state planning, simply because the vast information provided daily in markets can never be adequately accessed by government agencies or planning bodies. Of course there will always be public goods (climate, environment, law enforcement), the need for product transparency and enforcement of contracts, responsibility by government for the poor, and so on. By contrast the Common Market and Internal Market (EU) are protectionist entities. The EU is a customs union with free trade between member states but with tariff and non-tariff barriers to protect them from external competition. Domestic consumers pay a price greater than the world price, which diverts resources to increase production within the tariff walls but in an inefficient manner and at a cost: the EU Common Agricultural Policy and EU protection of manufacturing is estimated at around 4% of UK GDP.

When the state backs certain companies as national champions, it gives favorable treatment to enable them to maintain a dominant position in the European home market. At present the EU lags well behind the USA in services and internet companies. Apple, Google, Facebook, Amazon, and Microsoft are all American. Clusters matter for the growth of sectors. China has pursued a ruthless industrial policy using a Great Firewall to keep out US companies and to grow Bayou (search engine), Alibaba (retailer and cloud provider), and Tencent (social network). In response to this the EU has launched plans for a 100 billion Euro state investment fund to promote European technology giants by providing equity, relaxing state rules to enable individual countries to subsidize their domestic companies, and permitting "defense mechanisms" through which the EU would impose tariffs on the USA and China. The problem with industrial policies and national champions is that the state
is rarely better than the private sector at predicting winners. The UK has a litany of past failures – British Leyland, British Shipbuilders, Alfred Herbatt, International Computers, etc. These companies take financial and human capital away from potentially successful ventures and form close relations with governments and their officials which lead to further protection and restrictions on competition.

A third area in which the EU protects companies is through regulation. Regulation is a barrier to entry, and the cost to the UK economy is currently estimated at 6% of GDP. This is the cumulative effect of measures introduced since the establishment of the Single Market, which has raised the costs of doing business. Regulations on business are a form of taxation: examples in the EU are directives by the Commission, which include restrictions on working hours, greater powers for trade unions, massive regulation of banks and other financial institutions, high energy costs to pay for renewables.

The case against the EU approach to markets and regulation is that it protects inefficient companies, diverts resources away from productive improvements through training and education, and encourages a closer relationship between politicians, civil servants, and business leaders, which again protects private firms from competition.

Europe, the USA, and the World

Even before President Trump was elected, the USA and Europe had taken different approaches to the world at large, the way they tackled security, and their view of power. At heart is an important ideological difference. Through the creation of the EU Europe has attempted to realize Immanuel Kant’s conception of ‘perpetual peace’ following the manifesto he issued on this subject back in 1795, the heyday of Enlightenment thinking. Europeans see themselves as nuanced and sophisticated, subjecting relations between countries to a rule of law. Because of the success Europe has had in maintaining peace since 1945, they believe they have an important part to play in world “governance” based on the rule of international law and multi-national institutions.

By contrast, Americans are concerned with using their power to secure peace and justice in an anarchic, lawless Hobbesian world in which one cannot rely on international institutions and international law to provide peace. They view risks from rogue rather than failed
states – Iraq, Iran, North Korea, Libya – and find themselves confronted by what G.W. Bush once termed an “axis of evil.” The Europeans see the USA as “cowboys”: too confrontational, too militaristic, and too ready to use military force. Underlying this ideological difference is a difference in theology. Typically, liberals of a certain tradition have developed an ethical humanism that rejects nationalism, emphasizing in its place internationalism, universal human brotherhood, peacemaking more than self-defense, and an inter-faith emphasis on “deeds not creeds.” This approach favors multi-nationalism and commitment to institutions such as the EU, World Bank, and United Nations. By contrast, more conservative interpretations of scripture place greater stress, following Reinhold Niebuhr, on a more realistic approach due to the seemingly limitless capacity of human nature to pursue evil and the need for politics to recognize that social justice cannot be pursued without taking into account the self-interest of people.

The foundation of European security has been the North Atlantic Treaty Organization (NATO) founded in 1949. It includes the USA and Canada as well as many European countries (Austria and Sweden are not members). The key to NATO is Article 5, namely that if one member state is attacked it will be considered as an attack on all members, so that other members will assist the attacked state, using force if necessary.

This ideological gap between the USA and Europe over international affairs has been reinforced by differences in defense expenditure. In 2018 the defense budget of the USA was over 3% of GDP, while in the UK it was 2%, in France 1.9%, and in Germany just over 1%. President Macron of France, in almost Gaullist style, has declared that at present America is cutting loose from Europe and that Europe is “on the edge of a precipice” in which NATO is suffering from “brain death.” Unless Europe increases its military force it “will no longer be in control of its own destiny” (“How NATO is shaping up at 70,” 2019). Chancellor Merkel takes an opposing view, believing that NATO is more important now than in the Cold War, “a cornerstone of our defense … our security alliance.”

In between the EU and the USA the UK has held an exceptional position. Winston Churchill summed it up neatly (Peel, 2016): “We are with Europe, but not of it. We are linked but not compromised.” With the USA he said we had a “special relationship,” something which has continued since the end of the Second World War even though its strength
has varied with different US presidents and UK prime ministers. While we have been members of the EU for nearly half a century, it can hardly be described as a successful marriage. I believe that the UK’s future lies in a continued strong relationship with the USA while maintaining working relationships with European countries.

In this a major cause for concern is the future of Germany. Robert Kagan has argued that a democratic, united and peace-loving Germany has developed against the background of a US dominated liberal world order based on four pillars: US commitment to European security, a global free market trading system, belief in democracy, and suppression of nationalism by being a member of the EU and NATO. What happens if and when this liberal order unravels? Or when Germany decides it should play a larger role? With the UK leaving the EU this is a huge and complex issue and deserving of far more attention than can be given here.

**Christian Faith and EU Culture**

The European project was established after the end of the Second World War, with strong Christian foundations. A number of the founding fathers were devout Catholics: Robert Schuman (French prime minister), Konrad Adenauer (West German chancellor), and Aleida de Gasperi (Italian prime minister) were all Catholics who shared a prayer retreat in a Benedictine Monastery on the Rhine before signing the Treaty of Paris in 1951, which set up the European Coal and Steel Community, precursor to the EEC. It is interesting that, right at the beginning, the restructuring of the coal and steel industries was described as a “community” as was the creation of the common market, the economic “community.” Schuman believed passionately that the rebuilding of Europe would only be successful if it was a community and that would only be possible if such a community was “deeply rooted in basic Christian values.”

One of these basic Christian values was forgiveness and reconciliation. For Schuman this had to be at the heart of a European Community. He believed that following the First World War Germany was punished by the international community in the Treaty of Versailles (1920), which created conditions for the growth of National Socialism. After the Second World War Germany would have to be forgiven and recognized by other
nations as one of them. Second, Schuman believed that equality of every person before God was a fundamental Christian teaching. However, he also believed that it applied to nations. All European nations should be treated as equals and for this reason he opposed nationalism because it would simply lead to nations furthering their own interests at the expense of others. Third, Schuman interpreted Christ's words "to love your neighbor as yourself" not just in personal terms but in terms of the actions of nations. By working together nations could achieve a peace and prosperity that would otherwise be impossible. This was not easy after a war in which 50 million people had died and where many people in Europe hated the Germans.

One practical way in which these values could be made effective in the economic sphere had been set out by Leo XIII in extraordinarily strong language in his papal Encyclical Rerum Novarum (1891). It was the first encyclical written in response to the challenges of the industrial revolution in Europe, namely the "misery and wretchedness" to which the majority of the working class had been subjected by a small number of very rich people who had pursued "the greed of unchecked competition," imposing on "the laboring poor a yoke little better than that of slavery itself." This was very strong language and it would have provided the background of Catholic Social Teaching for the founding fathers in their youth. Leo XIII was also crystal clear that the only basis for change was "the Gospel doctrines of Christian Life," which must be made the foundation of both trade unions and business corporations.

By the 1990s Jacques Delors had emerged as an immense figure in the European project; three times president of the Commission and the driving force behind the creation of a common currency. By 1992 he recognized that the single market would be completed and be the largest market in the world, greater than the USA or Japan. However, Delors, a skilled politician, was in search for something more: a new "meaning" for Europe. He was concerned that the European Community should become a real "community" with a "sense of belonging," a European "affection societas." Delors was a Catholic Socialist who saw religion as being an important dimension of meeting this challenge. In November 1990 he held a meeting with a leading German Protestant Bishop and the Archbishop of Canterbury (Runcie) and followed it up with subsequent meetings with other religious leaders. In the 1990 meeting Delors stated that Europe lacked "a heart and a soul" and from this meeting a
bi-annual dialogue between EU civil servants and member churches was set up. The official report of a subsequent similar meeting in May 1992 gives us a clue to Delors' thinking:

We are at a 'crossroads' ... in the history of European construction. 1992 is a turning point ... The Maastricht summit marked the end of the economic phase. ... Believe me we won't succeed with Europe solely on the basis of legal expertise or economic know-how. It is impossible to put the potential of [the] Maastricht [treaty] into practice without a breath of fresh air. If in the next ten years we haven't managed to give [a heart and] a soul to Europe, to give it spirituality and meaning, the game will be up.

That is why I want to revive the intellectual and spiritual debate on Europe. ... We must find a way of involving the Churches. (European Ecumenical Commission for Church and Society, 1992)

Two decades after Delors' appeal in April 2013, the EU launched a “New Narrative for Europe” to help create the demos but this time it focused on “The Mind and Body of Europe” with a membership of prominent artists, intellectuals and scientists, but not church people. It met in Berlin in March 2014 and concluded with a call for “a new renaissance” and a “new cosmopolitanism.”

The issue of religion had previously surfaced again with differences of view as to what reference should be made to the Christian religion shaping European culture and history in the EU Constitution. After a great deal of discussion the text simply referred to Europe’s “cultural, religious and humanist heritage.” The EU constitution never materialized but was replaced by the Treaty of Lisbon. Once again a number of countries made an attempt to include reference in the preamble to the Treaty to the relevance of the Christian religion in the history of Europe but without success. The European Union was to be a secular institution.

In view of this, what is ironic is the comment of Jurgen Habermas, atheist German philosopher and one of Europe's most prominent public intellectuals: “Christianity and nothing else is the ultimate foundation of liberty, conscience, human rights, democracy, the benchmarks of
Western civilization. To this day we have no other options. We continue to nourish ourselves from this source. Everything else is postmodern chatter” (2006).

Religion had also been an issue in 2004. Rocco Buttiglione was a distinguished philosopher, member of parliament in Italy, and cabinet minister in the Italian government. He was nominated by the Italian government to be a European Commissioner. During the hearing before a committee of the European Parliament he was asked about his views on sexual orientation and gender, to which he replied that he considered homosexuality a sin and that the family existed to allow women to have children and the protection of a male to care for them. In saying this he felt he simply represented the official views of the Roman Catholic Church of which he was a member. He also made it clear he would not in any way discriminate against any individual because of their sexual orientation. The committee, however, rejected his nomination, which was then subsequently withdrawn. In a later comment he stated that “the new soft totalitarianism that is advancing on the left wants to have a state religion. It is an atheist, nihilistic religion – but it is a religion obligatory for all.”

The issue of the place of religion in the European Union has not gone away. The governments of Poland and Hungary have taken issue with the European Commission and the European Parliament over their attempt to represent a new European identity described by one member of the European Parliament as “post-historical, post-national, post-metaphysical, post-Christian, even post-religious ... held together by a universalist ideology of ‘Europeism.’” (Legutro, 2018). Poles and Hungarians cannot understand Europe and its culture without recognizing its Christian roots and heritage and the fact that taken as a whole (not just the EU) it is in a community of nations with different languages, traditions, and borders. The new Hungarian constitution recognizes the country’s history as “part of Christian Europe” and that today “we recognize the role of Christianity in preserving nationhood.”

In 2017 a group of 13 conservative European scholars and intellectuals issued The Paris Statement: A Europe We Can Believe In, which sets out at length the case for rejecting a utopian, multi-cultural world without borders and restoring a moral culture that draws on the antiquity of Athens and Rome as well as Jerusalem and its Christian history.
Postscript: The 2019 General Election Result

The election was fought on one issue — "Get Brexit Done" — and the result was a historic victory to do just that. It was historic for a number of reasons: the Conservative Party was seeking a fourth term in office following a decade of austerity and a political and constitutional crisis; the scale of the victory, a majority of 80 seats in the House of Commons was larger by far than anything since Mrs Thatcher in 1987; Boris Johnson now leads a party more united than at any time for the past thirty years; the Conservative Party gained a large number of seats in Labour strongholds in the North of England, some of which had never in their history returned a Conservative member of parliament; because of its large parliamentary majority, the government is now able to pass legislation and take the UK out of the European Union, avoiding a protracted and bitter second referendum.

The financial crisis, the political crisis, and the constitutional crisis, have created deep divisions in British society which need healing. As the leader of a One Nation Conservative government Johnson has already reached out to those who voted Remain, recognizing “their positive feelings of warmth and sympathy towards the other nations of Europe,” which he hoped would “find renewed expression in building a new partnership with the EU as friends and sovereign equals.”

The source of these divisions, however, goes far deeper than Brexit and relates to the lack of economic opportunity, tackling the problem of the early years between pregnancy and the first day of school, dealing with schools struggling to achieve success, increasing home ownership, and reforming the National Health Service as well as increasing its funding. One issue that needs careful handling is control of immigration. It requires effective targets but also a positive vision in welcoming immigrants and, more importantly, in their integration into British society.

The Scottish National Party (SNP) did well in the election and already it is calling for a referendum on Scottish independence, which could lead to the break-up of the UK. This is a possibility, but there are factors suggesting it may not be as great a threat as it seems. The election was not about Scottish independence. The SNP has now been in power for 12 years and its performance in terms of effective government is being questioned. Many of the seats it gained in the election were marginal seats. Reputationally, the party faces adverse publicity in
the new year with a court case over the former leader, Alex Salmond. Most importantly, although the SNP gained more seats in the House of Commons, its share of the vote fell from 50% to 45%. For the immediate future the fact that two nationalist parties are now in a majority in Stormont could prove a greater threat. Whatever the outcome in Scotland or Northern Ireland, there is likely to be a call for greater devolution of powers to the devolved nations.

A fourth issue is the relationship between the EU and the USA. The UK government will be under great pressure from the EU and the Remain lobby to align economically with the EU rather than give priority to a trade deal with the USA. More generally, Johnson will have to decide how to balance the claims of a closer Atlantic partnership with retaining certain ties with the EU. It is difficult to know what the effect of Britain's exit will be on the EU itself and its need to reform. It will have a significant impact on the EU budget and resourcing for a Franco-German military initiative, should it come to fruition.

Finally, there is the issue of culture in the EU. It is very clear that the EU considers itself a secular state. It has moved a long way from the vision of its founding fathers, and in the Treaty of Lisbon, which established the European Union, has not even recognized the contribution the Christian faith has made historically to the development of Europe. Unlike the UK Parliament or the US Congress, it does not begin its sessions with prayers. However, the Commission is committed to meeting regularly with church leaders and leaders of other faiths to discuss matters of common interest. I believe the appropriate response is to take seriously the message of Jesus to serve rather than lord it over people, to recognize our responsibility to be salt and light in small matters as well as large, and to heed the exhortation of Jeremiah to “seek the welfare of the City where I have sent you into exile, and pray to the Lord on its behalf: for in its welfare you will have welfare” (Jer. 29:7).

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