

BREXIT AND THE HOPE FOR A PROGRESSIVE EUROPEAN FUTURE

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MUCH HAS ALREADY BEEN SAID on Brexit. More will be said in the hours, days, weeks, months, and even years to come. For those who tire of reading pages and pages about the result of the UK's referendum, this brief can be summarized in a sentence: *Our focus should be on policies, not institutions.*

Long lasting skepticism of the European Union that always permeated British society was compounded by multiple recent examples of dreadful crisis management by member states. A sparse and incomplete list would include the stubborn insistence on the wrong policy mix (austerity *cum* reforms), which yielded a double-dip recession that no other large economy experienced in the past decade; the obsession with debt and deficits when the economy was in desperate need of public support for aggregate demand; the disdain for democracy shown when dealing with the Greek referendum last summer; the slow-moving ECB that only took action years (not weeks, *years*) after the other central banks; the bullying of small countries in crisis in take-it-or-leave-it non-negotiations; and, finally, perhaps the mother of all policy mistakes, the cynical and illogical management of the refugees crisis. Considering that British voters were always half in and half out, it is no surprise that they chose to walk away from the EU altogether.

To be fair, the EU was scapegoated for many choices made unilaterally by the UK government, which was reelected only a few months ago. UK Chancellor of the Exchequer George Osborne and Prime Minister David Cameron embraced austerity and government downsizing wholeheartedly, without needing any prompt from the EU. If these policies were what British voters wanted to sanction, they voted in the wrong elections.

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Which brings me to those who today celebrate Brexit as the beginning of the end of the EU, along with its austerity and reforms. On this, they might be a bit delusional. Neoliberal policies existed before the EU; they will exist after. They are the making of governments (and academics) and will not vanish in the EU's absence. Quite the contrary.

One of the main selling points of the Leave camp was that EU regulation chokes UK businesses. Rather than fighting the EU, which is a mere vehicle for neoliberal policies, one should fight the governments that propose them. The entire campaign invokes the adage of looking at the finger rather than the moon. The disintegration of the EU would make it harder to protect social justice, workers' rights, and the welfare state. Individually, small countries would be more exposed to competitive pressure from the rest of the world than the EU as a whole. In the past, competitive pressure has never worked in favour of labour and wages.

The fact that neoliberalism has very little to do with the EU is proven by the rise of populism well beyond its borders. An increasingly dysfunctional economic system is a *global* problem. Kill growth and prosperity, and the social divide widens. Boost inequality, and the first guy saying "life was better before" will gain votes. In normal times, the likes of Farage (or Le Pen, or Trump, or Salvini) would have very little traction with voters. Today, they hold the cards in the political game. In Europe, their play is made easier by the existence of a perfect scapegoat—the distant and immaterial European Union.

The temptation to paint voters as irresponsible, conservative, irrational, nostalgic, and uneducated should be resisted. The age and education divide of the Brexit referendum is all over the media. However, they are proxies for the *truly relevant* divide between the economic winners and losers of the past few decades. The same divide emerges in the United States (where, paradoxically, the economic losers seem to be placing their faith in a stereotypical winner) and in all other EU countries.

How does one win the hearts and minds of the economic losers? How can their trust be earned back? Should this not, by definition, form the essence of the progressive agenda? The way out is to end harmful policies, re-transforming the EU into a symbol of social progress. It is easier said than done, of course, but what is the alternative?

We should stop looking at institutions (such as the Stability Pact and the euro) and focus on policies, fighting the wrong ones and supporting the right ones. EU institutions are certainly dysfunctional. They are definitely biased towards excessive reliance on market mechanisms (that have proven, over and over again, how far they are from the academic ideal of perfect efficiency). But, once again, they can be altered and even changed, if only the political will to do so emerges.

Even within the current institutional framework, given a clear political consensus for abandoning austerity, there is a way forward. The problem is not the Stability Pact, but rather the governments that fail to put it on hold or even change it.

The EU (or the euro) is not the root cause of recent troubles. There are forces within each country fighting for a radical change in *policies*, and they should be identified, supported, and given a majority. With them at the head of each member state, the EU will cease to be a problem and, hopefully, once again become a force of progress. Brexit or any exit will not bring about prosperity, but rather the contrary.

Of course, this needs to happen in larger EU countries as well. The Syriza experience in Greece proves that "rejection of austerity in a single country," especially if it is small and in trouble,

cannot work. A new paradigm for policymaking should emerge in France, Germany, and Italy, allowing a meaningful debate on the European scale. All this said, given how self-referential our elites are, along with their self-indulgence and superficial approach to policy, there does not seem to be much hope for a progressive European future.