

## The EU Referendum, or Can Britain Be its Best Self?

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On June 23, 2016, British, Irish, and Commonwealth citizens over the age of 18 will be able to vote on a question that Britain has failed to satisfactorily answer since the time of the Roman Empire. The question is, generally: *how European is Britain?* More specifically: *in what senses is Britain part of Europe, and in what senses is it not?*

I say that Britain has failed to answer these questions satisfactorily *since* the time of the Roman Empire, because I have it on the authority of R.G. Collingwood that *during* that time: “The Britons ... became Romans,” while “their participation in the cosmopolitan life of the Empire was not of such a kind as to swamp or obliterate their original character or peculiarities” (Collingwood 1932, 12). To the best of my knowledge, this was the last time the people Paul Johnson named “the offshore islanders” (Johnson 1975) managed to fully identify with a European project while remaining entirely British, without suffering agonies of angst.

I am aware that neither of the questions I have listed above is identical with the question likely to appear on the referendum form – something like: *should the United Kingdom remain a member of the European Union or leave the European Union?* (Wheeler and Hunt 2016). But they are what the question should be. The issue of membership of the European Union is reduced by campaigners on both sides to a crude reckoning of political and economic risks and benefits. Such lifeless actuarial consequentialism is bad in itself, but it is made much worse by the fact that those making the calculations do so with determined incompetence.

I will give three examples.

1. First, it is alleged by *Vote Leave* that “If we vote to leave, we will be able to spend the £350 million we send to Brussels every week on our priorities like the NHS [National Health Service], schools, and fundamental science research.” (Vote Leave 2016, 30). Taking the rebate into account, the figure is somewhat lower. But, far more importantly, the idea that money ‘sent’ to Europe is unavailable for domestic spending is nonsense.

I can only suppose that *Vote Leave* imagines some edible currency flying out of Britain each week and landing in Brussels to be devoured by bureaucrats. The way the ‘transfer’ actually works is as follows. The European Commission has a *British* bank account, into which pound deposits are routinely made. The EC can then sell these pounds for euros, transferring its pound deposit to the *British* bank account of the seller of the euros.

Notice that pounds never leave the British banking system. Notice, also, that whoever ends up with the pound deposit after the currency sale, unless she wants to keep it as an idle loss-incurring balance, can only use it to buy *British* goods or assets or to pay British taxes (or, if she sells it for a different currency, the seller of that currency is in the same situation again). The deposit will just keep shifting from buyer to seller or from lender to borrower, adding to British GDP and investment along the way, until it ends up with somebody who wants only to save in pounds. This agent will buy UK Treasury bonds to maintain a risk-free return on savings. And so the deposit will end up back with the UK Treasury, who can then spend it on precisely the things that, according to *Vote Leave*, the government is *prevented* from supporting by ‘sending money to Brussels.’

But what about the interest the UK Treasury pays on its bonds? Is that the real cost imposed by ‘sending money to Brussels’? Well, interest payments are made in pounds. So to track where they end up, we can simply repeat the above analysis. They too circulate around purchasing British goods and financing British capital until they are loaned back to the UK Treasury (or used to pay tax) – where they again can be spent on “the NHS, schools, and fundamental science research.” The point is simple: pounds spent by the government are never destroyed. Wherever they go, they always end up back with the government one way or another.

But surely there must be *some* cost involved in paying the European Commission? There is of course an economic *effect* of doing so. Every time pounds are sold for euros, there is downward pressure on the exchange rate. This effect can be good or bad for different agents in different contexts. There is also perhaps a suspicion that continued membership of the EU will require Britain to adopt the single currency. But these issues are entirely distinct from the point raised by *Vote Leave* and by others in the media who complain about pounds going to Brussels. All they add to the conversation is confusion.

2. On the other side, *Britain Stronger in Europe* warns that: “If we voted to leave the EU, it would damage trade, and would harm UK businesses and growth, putting millions of jobs at risk” (Britain Stronger 2016).

If their analysis is correct, the workers who would lose their jobs would primarily be those producing exports: goods and services that (unlike pounds) really *do* leave Britain to be consumed. There would then be no loss to British consumption. As for the loss of employment, there is no reason the British government could not adjust its fiscal position to ensure the surplus labour is absorbed. Unemployment is a creature of

the government, as many other publications by the *Global Institute for Sustainable Prosperity* argue and explain (e.g. Policy Notes 105, 108, and 110); there is always only as much of it as the government chooses for there to be.

*Britain Stronger's* warning, like *Vote Leave's* warning about pounds flying away from Britain, turns out to be based on an equally egregious economic misunderstanding – namely that the government can only passively accept the number of jobs created by the market. What is in fact a policy choice – the level of domestic employment – is mistaken for a precarious economic contingency that the government must tread carefully to avoid upsetting.

The same misunderstanding is expressed, as others have mentioned (Latte Labour 2016), in the warning that “our economy would fall into ‘recession’ if we left the EU, meaning cuts to public services like the NHS” (Britain Stronger 2016). If the economy did fall into recession as a result of leaving the EU, this in no way would require cuts to the NHS. Recession is a condition of reduced private spending, which is of course also a reduction in private income, since one agent’s income is another agent’s spending. But it cannot possibly take purchasing power away from the government, which is the *issuer* of the currency and doesn’t need to wait for it to flow in from some income stream. On the contrary, the withdrawal of private spending makes *more* resources available to be claimed by the government for the public sector.

There may be difficulties in finding and training health workers that would arise from leaving the EU. But there is certainly no financial constraint on the public provision of services under any circumstances. The confused notion that there is such a constraint gives rise to the perverse doctrine of austerity – a confusion so simple to resolve that it takes an army of unrelenting propagandists to sustain it in the British mind. It is a further national disgrace that it should have also found its way into the EU referendum debate.

3. The worst example of misunderstanding by the campaigns on both sides concerns the question of EU migration. The debate is reduced to two questions: (a) What effect does membership of the EU have on migration into the UK? and (b) What costs and benefits *to the British people* does migration bring?

In a rational world, this way of thinking would have expired in 2001, when Michael Dummett published his book *On Immigration and Refugees* (Dummett 2001). Such a way of thinking presupposes an entirely false understanding of the relation between the British government and its citizens, namely that the only duty of the British government is to serve its citizens.

Against this conception, Dummett argues that the government is not the *servant* of its citizens but rather their *representative*. It, in the ideal case, acts on their behalf and exercises their moral agency. Now a person who conducted all her actions with only her own interests in mind would be instantly recognised as morally defective, perhaps

sociopathic. Why should a *nation* that considers only its own interests be any less condemned? A healthy individual considers her duties towards others as well as her own needs and desires. A healthy nation considers any duties it might have to those wishing to migrate as well as the way in which migration benefits or costs itself.

In the mainstream UK media, except sometimes in the special case of refugees, no duties towards those wishing to migrate are presumed to exist. If they are to be accepted, this is only because of the net material benefits they can offer to British citizens. But do we really believe that we owe no duty to help others except when their need is *absolutely desperate*? Do we only give up a seat on the train to an elderly lady if she will otherwise *die*? How is this different from thinking that a nation has moral duties to no hopeful migrants unless (if at all) they are refugees fleeing absolute terror? How is it accepted without argument that there is *no duty at all* towards migrants whom the nation can help towards a better life, even if there might be some small cost – or just no clear material benefit – involved?

This, Dummett argues, was not the way that the British thought about migration until the tabloid media began building its kingdom of darkness in the later twentieth century. If only there could be a referendum to withdraw Britain from *that* realm.

These examples suffice, I hope, to show that the calculations propounded by both sides are based on little more than laziness, both intellectual and moral. The common calculations of economic costs and benefits completely misunderstand the nature of a sovereign national currency. Believing that the government should allow only migration that serves British interests is to forget the government's role as a moral agent for the British people.

The way that the British (and the other voters allowed into the referendum) should really decide the question is the same as how they would make momentous decisions in their individual lives. We ask ourselves questions like: “Who am I?,” “What sort of person do I want to be?,” “What is my place in the world?,” “Where is my true community?,” “What are my duties to others?”

The question for Britain should never have been construed as one of *what is best for Britain*. It should always have been a question of *how Britain can be its best*. The question cannot be reduced to one of whether Britain is *stronger* in Europe. Strength, when unaccompanied by other virtues, ceases to be a virtue itself. So does self-determination: pushed to the extreme it means making no commitments to anyone, which is hardly an exemplary mode of living.

Of course none of this answers the question of what Britain should decide in the referendum. It is only to say how voters should construe the question. A Britain that thinks only of its material self-interest or its strength, especially in a way that makes a travesty of the facts, is far from being the best nation it could be – in or out of the EU. I fear that it is too late for the British to change their way of thinking about the question in time for the referendum. But, perhaps fortunately, this is almost certainly not the last time the question will come up.

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