



A Futurus Briefing on the EU referendum

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# WHY LEAVING THE EU IS NECESSARY AND, IN THE LONG-TERM, INEVITABLE

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*“That such an unnecessary and irrational project as building a European super state was ever embarked on will be seen in future years to be perhaps the greatest folly of the modern era. And that Britain, with her traditional strengths and global destiny, should ever have been part of it will appear a political error of historic magnitude. There is, though, still time to choose a different and a better course.”* [Margaret Thatcher]

The time referred to by Margaret Thatcher is now approaching as the UK has the chance to correct the *“error of historic magnitude”*.

Leaving the EU can be defined as leaving the political, judicial and monetary structures of the EU as well as the common policies, except for the Single Market and associated policies. It is not necessary to leave the Single Market. Independent nations, such as Norway and Iceland, belong to the Single Market with their full and continuous democratic consent and take a full part in it. This, of course, does not prevent new trading arrangements being negotiated in the future but this momentous referendum is not about trading arrangements.

## **The Root Problem**

The first issue we must face is that the EU is an unusual organisation and the only one of its type in the world. It has a supranational uniqueness which is often not understood, with the participating states reduced to subordinate and limited influence.

There are, of course, numerous international organisations which bring together representatives of independent governments and where these governments take decisions by unanimity, not by majority vote. These include the Commonwealth and the EFTA agreement in which the UK was a participant from 1960 to 1972. They also include NATO. There is no supranational vote by majority in NATO. Each state decides for itself what action it would take against armed aggression. Moreover any state can leave NATO by giving one year's notice. The same applies to EFTA. The EU is not an organisation of this type. The complex problem of leaving the EU compared with other international agreements perfectly illustrates the unique problem EU membership has created.

This unusual nature of the EU emphasises a key point. The final aim of EU integration is an EU state, modelled on the unification of Germany in the nineteenth century. This unified Germany was a top-down construct in which the independent German states, hundreds of years old, were gradually suppressed, harmonised and squeezed of their independence and power. The final act was the dismissal and dissolution of the government of Prussia, the largest German state in 1932.

The EU is treading in Germany's footsteps, imposing non-elected governments in Italy and Greece but also removing independence and democracy from the constituent nation states.

On the continent, it has always been well understood, and openly proclaimed, that the purpose of the EU was political integration and economic links were simply a means to that end. British politicians and, especially, British business leaders, find that hard to understand. Business has a legitimate interest in the political and economic structure of markets and trade but not in determining whether political power is removed from a democratic nation.

The unique supranational character of the EU means that it is incompatible with a self-governing national democracy. A free democracy means that the people have the last word on government through their elected representatives. In the EU, Britain's elected representatives are subordinate to the European Court, the European Commission and have little role in the European Council.

So, the referendum is about 'who governs', and not about business. Britain made a historic error in the 1970s when it gave away its status as a self-governing democracy in the belief that EU membership would mean better trade and export performance. During

the late 1950s and 1960s the original Common Market countries had shown high rates of growth but, of course, it was temporary. This was a pointless and damaging sacrifice which has become more and more apparent and needs to be corrected.

### **The Indirect Threat to Freedom and Democracy**

Along with the root problem, the subordination of a self-governing democracy to a supranational organisation in another country, there is a second problem.

The EU is a product of the 1950s, an era of state planning, bureaucratic control and a belief in assembling countries into blocs with integrated and harmonised control of all political economic and cultural life. There was a lot of talk then about Europe standing up to the USA and to Russia.

The main supporters of the EU are politicians, big business, big banks and the bureaucratic class together with the lobbying groups in Brussels, all of whom are interested in a big organisation and a big money pot. And, as they keep telling us, they want to be able to sit at *'top tables'* and *'stay on the centre of the stage where we belong'* [Edward Heath, Yes Leaflet, 1975 Referendum].

In other words, the EU sucks power from the citizens to the EU institutions. Moreover, when the Swiss government examined the possibility of Switzerland joining the EEA [European Economic Area], one of the key findings of the Swiss official report was that participation in EU activities drained power in Switzerland itself from the citizens and the cantons to the Federal Swiss government. So, EU membership not only creates a new government, it increases the existing powers of national governments in relation to their own citizens.

Yet much has changed since 1975. For a start, the EU is in decline. Its working age population has peaked and is now falling. As a result, the EU market has fallen as a share of the world market. More important, it is going to fall a great deal more. The markets of the future are in the Commonwealth, the Americas, Australasia and the Eastern countries.

The whole idea of running Europe by a bureaucratic master-class, based on blueprints put together by an insulated elite is an illusion.

This is now evident with the EU creation of mass poverty in parts of Southern Europe and unemployment high in many EU states.

Moreover, the nature of international regulation has changed. Much international co-ordination and regulation now is activated by the G20 or at the UN level where specialist bodies, such as WHO, ILO or UNECE or outside experts such as the

International Accounting Board, Bank of International Settlements and a host of others, then utilise the EU as a regional instrument.

The EU is no longer a *'top-table'*, if it ever was such, and while EU leaders certainly make their entrances and exits on the Brussels' stage, it is difficult nowadays to understand when they are playing in a comedy or a tragedy.

### **The EU Introduces Financial Instability**

The third problem is the huge proportion of Britain's national debt that is related to contributions to the EU budget, as well as the financial liabilities on and off balance sheet which the UK has taken on as a member of the EU and, incredibly, a shareholder in the European Central Bank.

In March 2011, total UK government debt was £903 billion. By this date the total of UK contributions to the EU budget, after rebates, for the years 1973-2010 – and calculated at 2010 values – amounted to £379 billion.

In other words, 41% of the then total British national debt was accounted for by payments to the EU which could, used differently, have otherwise enabled the UK to build up the largest sovereign wealth fund in the world.

Truly, the costs of EU membership are astounding and the negligence of the political class and the so-called 'business leaders' is amazing.

Then, enormous amounts of time and paper have been consumed with discussions about whether or not EU membership is beneficial to Britain's trading economy.

But, as we can see with Greece, countries do not become insolvent (and the banks close) because of differences in trading arrangements. They become insolvent because they carelessly throw away money over a long time, such as the UK's contributions to the EU, or they take on liabilities over which they have no control. The UK has huge exposure to the EU solvency crisis through a number of commitments, including the 'joint and several' Liability of the EU member states for all EU debt, Britain's completely unnecessary shareholding in the ECB where it will likely be faced with cash calls to recapitalise this insolvent institution and other specific liabilities, such as the European Investment Bank and the rescue funds of the EU.

Voters should be aware that the EU Bank Reconstruction strategy is now based on the principles handed down by the G20 inspired Financial Supervisory Board that is now recommending confiscation of bank deposits in the next financial crisis.

Meanwhile, the EFTA countries (Norway, Iceland and Switzerland) have no responsibilities whatever for the debts of the EU, the ECB or any EU entities. Nor do they make any payments to the EU general budget, contrary to many assertions.

### **Rejecting the Blank Cheque for Politicians**

This leads to the fourth reason why Britain must leave now. Things are going to get worse.

Politicians and pollsters have suggested to the electorate that the choice is between carrying on with the status quo of Britain's position in the EU or, alternatively, leaping into an uncertain future.

But the status quo is simply not on offer. The correct choice was put by Jacques Delors in 2012:

*“If the British cannot support the trend to more integration in Europe, we can nevertheless remain friends, but on a different basis. I could imagine a form such as a European economic area or a free trade agreement.”*

The recent proposals of the 5 Presidents and Juncker's own proposals, all currently the focus of the EU integration process, are for more 'integration', taking away power from the national states over their economies and budgets and centralising it all in Brussels with a genuine Economic Union, a Financial Union, a Fiscal Union and a Political Union – for all euro area members but with inevitable effects on the UK.

This is, therefore, the decision every voter must make at the British referendum, either a blank cheque for 'more integration', or to be 'friends' with the rest of the EU on the basis of the UK remaining in the Single Market but dropping all the political and monetary structures of the EU.

Every voter needs to consider whether to accept or reject this recovery of a free, self-governing democracy. It is a huge opportunity which the present government seems determined to miss by putting forward what have been described as minor, inconsequential, even 'comical' changes in a five minute presentation to the European Council.

Voters should keep in mind that there is the lurking possible danger of an existential crisis in the EU driven by economic disaster, government and bank insolvency and a migration crisis completely out of control.

To agree to vote Remain in a fudged referendum based on a few minor, inconsequential reforms would give British politicians a 'blank cheque' to lock each and every voter into

‘more integration’ in the EU structure, just as it is showing signs of collapse with all the risks to the economy, with the UK’s obligation to take on the debts of failing EU states, and the risks to national identity and culture. Voters should be aware that the EFTA countries, such as Norway and Iceland, have no responsibility for the unpaid debts of EU countries or the solvency of the European Central Bank, the European Investment Bank, etc. while the UK has a large exposure to the liabilities of the ECB and ‘unlimited’ exposure to the unpaid EU debts of insolvent EU members?

To vote Remain is, therefore, an extreme and risky decision. It will seem a ludicrous decision if the euro and migration crises continue and the cracks in the EU structure become wider. Most voters know in their hearts that there is something not right about the EU. That is why, in 1975, Enoch Powell said that the YES vote majority in the referendum was “*only provisional*”. It is inevitable that the UK will quit the EU at some point. To do it now is to limit the damage and take control of our own destiny.

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