

Fears of UK exit from the EU fuel global panic

By Robert Stevens
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With just six days to go before the British population votes in the June 23 referendum on the UK's membership in the European Union (EU), the real possibility of an exit vote has triggered alarm in ruling circles internationally.

All polls over the last week have shown those favouring an EU exit are in the majority. One poll published a week ago had the Leave campaign ahead by 10 points. The two latest polls, published Thursday, showed Leave ahead by between three and six points.

The two pollsters, Ipsos MORI and Survation, used the same methodology that had previously put Remain in the lead, sometimes by substantial margins. Leave is ahead in the Ipsos Mori monthly poll for the first time since Conservative Prime Minister David Cameron committed to a referendum in January 2013.

The murder Thursday of Labour parliamentarian Jo Cox by a man who allegedly shouted "Britain first" has thrown further uncertainty over the referendum, with both camps having announced a temporary suspension of their campaigns.

The Bank of England (BoE), along with central banks internationally, are preparing for the global economic shocks arising from a Leave vote. In minutes published Thursday, the BoE's Monetary Policy Committee, who previously warned that a vote to leave could trigger recession in the UK, said, "The outcome of the referendum continues to be the largest immediate risk facing UK financial markets, and possibly also global financial markets."

There were "risks of adverse spill-overs to the global economy," said the bank, and it was "increasingly likely" that sterling would fall further. It warned, "a vote to leave the EU could materially alter the outlook for [economic] output and inflation."

On Wednesday, the share price of Britain's biggest companies listed on the FTSE 100 suffered their steepest daily fall since mid-February. By Wednesday evening, £100 billion had been wiped off their value in four days due to fears of the repercussions of a Brexit (British exit from the EU). Frankfurt's DAX and the CAC in Paris both fell 1.4

percent. The pound fell 1.8 percent Thursday and dropped further on the Bank of England's statement.

The Swiss National Bank decided Thursday, "Significant risks remain for the global economy. Furthermore, the imminent UK referendum on whether to stay in the European Union may cause uncertainty and turbulence to increase." The bank's chair, Thomas Jordan, said it was prepared to take interest rates deeper into negative territory, or step up intervention in foreign exchange markets if Leave wins.

The European Central Bank is ready to pump additional liquidity into the banking system in the event of a Leave result.

Earlier this month, Lael Brainard, a member of the US Federal Reserve board of governors, pointed to the "fragility" of the global economy and warned, "Because international financial markets are tightly linked, an adverse reaction in European financial markets could affect US financial markets, and, through them, real activity in the United States."

On Wednesday, Fed Chair Janet Yellen declared, "Clearly this is a very important decision for the United Kingdom and for Europe. It is a decision that could have consequences for economic and financial conditions in global financial markets."

In an article published Wednesday and entitled "Is Brexit good for America? Nope," the Brookings Institution, a Washington think tank with close ties to the ruling Democratic Party, warned in a dire assessment, "The UK leaving the European Union would mean substantial upheaval for global markets, financial firms, and businesses that would likely leave London... Already, markets are nervous, U.S. and global stocks are slumping, and money is pouring into safe haven sovereign debt: the yield on the 10-year U.S. Treasury note is approaching record lows, while Germany's 10-year note broke a new record low—a negative yield!"

Beyond the economic turbulence that would accompany a vote by the population of Europe's second largest economy

to exit the EU, there are major geostrategic implications.

The UK is a nuclear power and the closest ally of the United States in the US-led NATO military alliance.

The Brookings Institution noted, “The United Kingdom has traditionally been in between continental Europe and America, not only in geography but also in policy.”

It concluded, “America spent enormous resources during the 20th Century engaging when continental Europeans fought each other, always aligned with Great Britain, in support of our ‘special relationship.’ If Britain leaves, it raises the chances of another crisis in Europe which could spread to our shores. It is simply not in our interests to watch the UK walk away from the EU.”

A vote to leave will intensify centrifugal tendencies already threatening to tear the European Union apart. The ruling elite internationally fears a Leave vote could prompt a devastating economic chain reaction under conditions of massive and growing hostility to the European Union.

A recent poll by the US-based Pew Research Center found that only 38 percent of the population of France had a favourable view of the EU, down from 69 percent in 2004. This is even lower than the level of support in the UK. Just 44 per cent of Britons felt positively about the EU, down from 54 percent in 2004. Only 47 percent of the Spanish population holds a favourable view of the EU, down from 80 percent in 2007.

The political atmosphere in Britain is growing increasingly febrile, as the vote looms closer. Prime Minister David Cameron, who leads the Remain campaign and whose government is irrevocably split over Europe, was only re-elected with a small majority just over a year ago. Whatever the result, it is likely that Cameron would be forced to stand down after the referendum. Another party leader and prime minister could be chosen from among the right-wing Thatcherites who lead the Leave camp.

A Leave vote, or indeed a close result either way, also throws the opposition Labour Party into crisis. Its nominally “left” leader Jeremy Corbyn has now been tasked by the Conservative government with fronting the Remain campaign in the days leading up to the vote.

A Brexit vote also raises a potential break-up of the UK, with the possibility that it could prompt a second referendum on Scottish independence. The governing Scottish National Party is in favour of remaining in the EU, with around two-thirds of the Scottish electorate also in favour.

Leave represent the interests of a section of the ruling elite who view the EU as an impediment to the interests of British capital, not just in Europe but on the global arena.

It is dominated by forces of the Tory right and the xenophobic United Kingdom Independence Party (UKIP),

with the support of a section of the Labour and trade union bureaucracy. It is backed by major newspapers including the *Sun*, owned by the billionaire oligarch Rupert Murdoch, and the immigrant-baiting hate sheet *Daily Express*.

Yesterday, UKIP leader Nigel Farage unveiled a poster showing a long queue of desperate Syrian refugees on a road near the Slovenian border, under the heading “BREAKING POINT: The EU has failed us all. We must break free of the EU and take control of our borders.” As many commentators pointed out, the poster mirrors the imagery of Nazi propaganda, which, against a picture of war refugees condemned the “parasites undermining their host country.”

But this anti-migrant rhetoric is mirrored by Remain, and especially the Labour Party. Leading party figures such as Alan Johnson and Tom Watson have made speeches insisting that the only way for the British population to stop immigration and take “control” of Britain’s borders is by voting to Remain. Yesterday, Labour’s shadow chancellor John McDonnell said that Labour would look again at its position on the free movement of labour in the EU. Asked his response to Labour’s adoption of UKIP rhetoric, Corbyn responded that he had challenged Cameron to “explain why he was not taking action to stop firms advertising jobs abroad but not in the UK.”

The central issue posed to the working class is to establish its political independence. The Socialist Equality Party, the British section of the International Committee of the Fourth International, is calling for workers and youth to actively boycott the referendum. The deepening crisis of European and global capitalism is engendering massive class tensions and provoking struggles throughout the continent. It is imperative that the working class in Britain reject all the factions of the bourgeoisie and ties its fate to that of workers in Europe and internationally.

The SEP and its German sister party, the Partei für Soziale Gleichheit (Socialist Equality Party—PSG), fights for the unification of workers in Britain with their class brothers and sisters throughout the world in struggle against the EU and its constituent governments, based on the struggle for the United Socialist States of Europe.

To contact the WSW and the
Socialist Equality Party visit:

<http://www.wsws.org>