



## Brexit as Working Class Rebellion against Neoliberalism and « Free Trade »

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*Class, nationalist, and ethnic elements are all involved in the Brexit vote in a complex integration of protest.*

*Press and media emphasize the nationalist and ethnic (immigrant-anti-immigrant) themes but generally avoid discussing or analyzing the event from a class perspective. But that perspective is fundamental. What Brexit represents is a proxy vote against the economic effects of Free Trade, the customs union called the European Union. Free trade deals always benefit corporations and investors.*

*Free trade is not just about goods and services flows between member countries; it is even more about money and capital flows and what is called direct investment. UK corporations benefit from the opportunity to move capital and invest in cheap labor elsewhere in Europe, mostly the newly added members to the EU since 2000, in eastern Europe. Free trade also means the unrestricted flow of labor. Once these east European countries were added to the EU treaty, massive inflows of labor to the UK resulted. Just from Poland, more than a million migrated to the UK alone.*

In the pre-2008, when economic conditions were strong and economic growth and job creation the rule, the immigration's effect on jobs and wages of native UK workers was not a major concern. But with the crash of 2008, and, more importantly, the UK austerity measures that followed, cutting benefits and reducing jobs and wages, the immigration effect created the perception (and some reality) that immigrants were responsible for the reduced jobs, stagnant wages, and declining social services. Immigrant labor, of course, is supported by business since it means availability of lower wages. But working class UK see it as directly impacting wages, jobs, and social service benefits. This is partly true, and partly not.

So Brexit becomes a proxy vote for all the discontent with the UK austerity, benefit cuts, poor quality job creation and wage stagnation. But that economic condition and discontent is not just a consequence of the austerity policies of the elites. It is also a consequence of the Free Trade effects that permit the accelerated immigration that contributes to the economic effects, and the Free Trade that shifts UK investment and better paying manufacturing jobs elsewhere in the EU.

So Free Trade is behind the immigration and job and wage deterioration which is behind the Brexit proxy vote. The anti-immigration sentiment and the anti-Free Trade sentiment are two sides of the same coin. That is true in the USA with the Trump candidacy, as well as in

the UK with the Brexit vote. Trump is vehemently anti-immigrant and simultaneously says he's against the US free trade deals. This is a powerful political message that Hillary ignores at her peril. She cannot tip-toe around this issue, but she will, required by her big corporation campaign contributors.

Another 'lesson' of the UK Brexit vote is that the discontent seething within the populations of Europe, US and Japan today is not accurately registered by traditional polls. This is true in the US today as it was in the UK yesterday.

The Brexit vote cannot be understood without understanding its origins in three elements: the combined effects of Free Trade (the EU), the economic crash of 2008-09, which Europe has not really recovered from having fallen into a double dip recession 2011-13 and a nearly stagnant recovery after, and the austerity measures imposed by UK elites (and in Europe) since 2013.

These developments have combined to create the economic discontent for which Brexit is the proxy. Free Trade plus Austerity plus economic recovery only for investors, bankers, and big corporations is the formula for Brexit.

Where the Brexit vote was strongest was clearly in the midlands and central England-Wales section of the country, its working class and industrial base. Where the vote preferred staying in the EU, was the non-working class areas of London and south England, as well as Scotland and Northern Ireland. Scotland is dependent on oil exports to the EU and thus tightly linked to the trade. Northern Ireland's economy is tied largely to Scotland and to the other EU economy, Ireland. So their vote was not surprising. Also the immigration effects were far less in these regions than in the English industrial heartland.

Some would argue that the UK has recovered better than most economies since 2013. But a closer look at the elements of that recovery shows it has been centered largely in southern England and in the London metro area. It has been based on a construction-housing boom and the inflow of money capital from abroad, including from China investment in UK infrastructure in London and elsewhere. The UK also struck a major deal with China to have London as the financial center for trading the Yuan currency globally. Money capital and investment concentrated on housing-construction produced a property asset boom, which was weakening before the Brexit. It will now collapse, I predict, by at least 20% or more. The UK's tentative recovery is thus now over, and was slipping even before the vote.

Also frequently reported is that wages had been rising in the UK. This is an 'average' indicator, which is true. But the average has been pulled up by the rising salaries and wages of the middle class professionals and other elements of the work force in the London-South who had benefited by the property-construction boom of recent years. Working class areas just east of London voted strongly for Brexit.

Another theme worth a comment is the Labor Party's leadership vote for remaining in the EU. What this represents is the further decline of traditional social democratic parties throughout Europe. These parties in recent decades have increasingly aligned themselves with the Neoliberal corporate offensive. That's true whether the SPD in Germany, the Socialist parties in France, Spain, Italy, Portugal, and Greece, or elsewhere. As these parties have abdicated their traditional support for working class interests, it has opened opportunities for other parties—both right and left—to speak to those interests. Thus we find right wing parties growing in Austria, France (which will likely win next year's national

election in France), Italy, Netherlands, and Scandinavia. Hungary and Poland's right turn should also be viewed from this perspective. So should Podemos in Spain, Five Star movement in Italy, and the pre-August 2015 Syriza in Greece.

Farther left more marxist-oriented socialist parties are meanwhile in disarray. In general they fail to understand the working class rebellion against free trade element at the core of the recent Brexit vote. They are led by the capitalist media to view the vote as an anti-immigrant, xenophobic, nationalist, right wing dominated development. So they in a number of instances recommended staying in the EU. The justification was to protect the better EU mandated social regulations. Or they argue, incredulously, that remaining in the free trade regime of the EU would centralize the influence of capitalist elements but that would eventually mean a stronger working class movement as a consequence as well. It amounts to an argument to support free trade and neoliberalism in the short run because it theoretically might lead to a stronger working class challenge to neoliberalism in the longer run. That is intellectual and illogical nonsense, of course. Wherever the resistance to free trade exists it should be supported, since Free Trade is a core element of Neoliberalism and its policies that have been devastating working class interests for decades now. One cannot be 'for' Free Trade (i.e. remain in the EU) and not be for Neoliberalism at the same time—which means against working class interests.

The bottom line is that right wing forces in both the EU and the US have locked onto the connection between free trade discontent, immigration, and the austerity and lack of economic recovery for all since 2009. They have developed an ideological formulation that argues immigration is the cause of the economic conditions. Mainstream capitalist parties, like the Republicans and Democrats in the US are unable to confront this formulation which has great appeal to working class elements. They cannot confront it without abandoning their capitalist campaign contributors or a center-piece (free trade) of their neoliberal policies. Social-Democratic parties, aligning with their erstwhile traditional capitalist party opponents, offer no alternative. And too many farther left traditional Marxist parties support Free Trade by hiding behind the absurd notion that a stronger, more centralized capitalist system will eventually lead to a stronger, more centralized working class opposition.

Whatever political party formations come out of the growing rebellion against free trade, endless austerity policies, and declining economic conditions for working class elements, they will have to reformulate the connections between immigration, free trade, and those conditions.

Free Trade benefits corporations, investors and bankers on both sides of the 'trade' exchange. The benefits of free trade accrue to them. For working classes, free trade means a 'leveling' of wages, jobs and benefits. It thus means workers from lower paid regions experience a rise in wages and benefits, but those in the formerly higher paid regions experience a decline. That's what's been happening in the UK, as well as the US and north America.

Free Trade is the 'holy grail' of mainstream economics. It assumes that free trade raises all boats. Both countries benefit. But what that economic ideology does not go on to explain is that how does that benefit get distributed within each of the countries involved in the free trade? Who benefits in terms of class incomes and interests? As the history of the EU and UK since 1992 shows, bankers and big corporate exporters benefit. Workers from the poor areas get to migrate to the wealthier (US and UK) and thus benefit. But the indigent workers in the former wealthier areas suffer a decline, a leveling. These effects have been

exacerbated by the elite policies of austerity and the free money for bankers and investors central bank policies since 2009.

So workers see their wages stagnant or decline, their social benefits cut, their jobs or higher paid jobs leave, while they see immigrants entering and increasing competition for jobs. They hear (and often believe) that the immigrants are responsible for the reduction of benefits and social services that are in fact caused by the associated austerity policies. They see investors, bankers, professionals and a few fortunate 10% of their work force doing well, with incomes accelerating, while their incomes decline. In the UK, the focus and solution is seen as exiting the EU free trade zone. In the US, however, it's not possible for a given 'state' to leave the USA, as it is for a 'state' like the UK to leave the EU. And there are no national referenda possible constitutionally in the US.

The solution in the US is not to build a wall to keep immigrants out, but to tear down the Free Trade wall that has been erected by US neoliberal policies in order to keep US jobs in. Trumpism has come up with a reactionary solution to the free trade-immigration-economic nexus that has significant political appeal. He proposes stopping labor flows, but proposes nothing concrete about stopping the cross-country flows of money, capital and investment that are at the heart of free trade.

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