



# SPECIAL ANALYSIS

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## The British referendum – Déjà vu?

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## Introduction

The British decision on whether to remain in the EU is under the spotlight of public life in Britain and in the European media. The debate revolves around the latest issues and current problems, so that it appears as though it's actually a completely new situation. Yet almost exactly 41 years ago the British went through one such referendum. History, of course, is never repeated.

Upon closer inspection, one can find that it's very difficult to find any differences between how the referendum took place in June 1975, and how it will be conducted in June 2016. I therefore believe that the referendum of 1975 is worth closer attention. Particularly if we're not indifferent to how the British will decide in less than a month.

## A comparison of 1975 and 2016

The degree of similarity and comparability of both referenda, particularly at the political level, is startling. Like Harold Wilson in the 1970s, David Cameron today faces an unprecedented threat to his political party. Then it was substantially socialist and Eurosceptic, and the Labour Party was divided by Roy Jenkins and his group of pro-European liberal Labourites. The Conservative Party is today, apart from the internal tension between its pro and anti-European wings, also threatened from the outside – by the anti-Europe UKIP party of Nigel Farage.

Besides these internal political motivations, both prime ministers had a further common motive for a referendum - both helped to win elections. Then as now, most of the latently Eurosceptic British public welcomed the opportunity to revise its relationship with the continent.

The incentive was even the same which firstly Wilson and recently Cameron gave to voters. Both were aware that from a pragmatic point of view European integration is convenient for the United Kingdom, but it doesn't change the fact that it doesn't appeal to the British and a certain feeling of distrust toward the continental powers remains. The offer that either they are able to negotiate more favourable terms of membership or both parties will split amicably, sounds very tempting, and maybe even adventurous. Brits should in either case improve their situation.

The similarities continue in how negotiations of new and better conditions have taken place. The only thing that's different is the goals. Labour in the 1970s promised voters that it would change the rules for calculating the UK's contribution to the EC (European Community) budget, protect the access of Commonwealth produce to the British market, ensure the reform of the common agricultural policy, reverse the course of European integration toward economic and monetary union, ensure greater sovereignty in the support of national industry and other economic policy measures, and avert the tendency to harmonise VAT.

David Cameron promised voters other changes, but the principle is the same. Most Britons resent the multinational and political character of integration, but it can't be changed, and so they identify at least concessions that would otherwise make membership of a disagreeable community a little more palatable for them. In both cases it led to long negotiations, an initial alliance with Germany and the resistance of France, and in both cases it also turned out similarly. Some concessions and vague promises were able to be negotiated, negotiation of a lot of topics didn't occur at all, and changes to the founding treaties were difficult to imagine. The outcome of the latest negotiations was basically the same as 40 years ago.

The specific wording of the negotiated conditions mentioned in the minutes of the meeting of the European Council, were not overly significant to the result of the referendum in the 70s and nor is it today. The final minutes are in fact extremely complicated, they use complex language, contain a lot of broadly defined terms and phrases that will be necessary to further define, and mainly it's not a legally enforceable document. How this result will be accepted by the public has depended and will depend on whose explanation is trusted.

Eurosceptic circles see a lot of problematic provisions in the agreement, and supporters of Remain have of course found plenty of reasons to defend the agreement. The actual vagueness and complexity of the agreement, however, makes any objective assessment impossible. The negotiated amendments concerned purely Anglo-European relations, while the discussed change of the nature of European integration itself, which is what bothers the British most of all, did not occur and even the ambition to make changes was not even there. The similarities continue even in the formulation of government recommendations to voters.

Both prime ministers referred to here supported remaining in the European Union, but faced enormous pressure from the Eurosceptic wings of their parties.

Against all the practices and principles of good policy they ultimately had to agree that the individual ministers of their respective governments had to be able to campaign according to their beliefs, and thus in many cases agitate against each other.

Harold Wilson in the 1970s recommended that the British vote for the „New Deal in Europe“. David Cameron today even recommends that voters remain in a „reformed European Union“ where the United Kingdom will have a „special status“.

Historical developments are also reflected in the evolution of public opinion. British society has long been strongly Eurosceptic. That's why this card is so politically attractive and someone has always been trying to take advantage of it. According to opinion polls, from 1967 until 1974 the majority of Britons were against membership in the European Community.

The degree of British Euroscepticism has naturally changed over time, but it's difficult to quantify that change because survey questions have often changed.

There was an interesting development, however, just prior to the referendum at the end of 1974 and the start of 1975. The majority of voters were still for an exit from the EC. A turnaround occurred in November 1974 and 53% of those surveyed by the Harris agency responded that they would like to remain in the EC under suitable conditions. And in January, according to Gallup, despite the fact that a clear majority was against remaining, 71% respondents said that they would change their minds under new and appropriate conditions. It's thus clear that current British government policy is drawing inspiration from the 1970s when so many accepted the reform nature of the newly negotiated conditions.

Current opinion polls show that approximately 40% of Britons have long been in favour of withdrawal from the EU, but if the question is how they would decide if the government managed to negotiate better conditions, then the number in support of withdrawal does not exceed 30%. This method was first recommended to the British government for the first time by Robert Worcester, an advisor to Harold Wilson at the start of the 1970s.

Worcester then reasoned that the result of the referendum would be strongly influenced by how the government would be able to convince the public about the advantageous membership conditions Britain has within the EU and that the government would be able to negotiate better conditions. The number of undecided voters also played a role in this when after the referendum 46% of voters admitted that they had made their decision in the previous six months.

The campaign thus had two aims: to convince the public of the advantages of membership within the mainstream of European integration and that the government had managed to obtain some better position. This is true of both 1975 and 2016.

A campaign prior to a referendum in Britain is always led by two „umbrella“ organisations selected by the electoral commission. In the 1970s they were Britain in Europe and National Referendum Campaign, today they are Britain Stronger in Europe and Vote Leave. Even though it's possible to find some differences in the campaigns, once again similarities prevail.

What is fundamental is the support of the establishment and this is constantly on the side of British membership in the EC/EU. The Government, popular politicians, publicly renowned personalities, the media, big and small businesses, banks, international organisations, foreign partners, and other EC/EU countries were and are mostly for remaining.

The United States then and now supports the British in the EU in order to remain within the mainstream of European integration. Covert interventions by the European Commission have also occurred. Then as now all living former prime ministers participated in the campaign for remaining. In the 1970s there were church prayers for Europe.

Today you will find an entire section devoted to the referendum on the webpages of the Anglican Church. According to a poll by The Times in 1975, 415 out of 419 surveyed representatives of large companies wished to remain in the EC. Today Britain in Europe is actively supported by both federations of industry and small and medium-sized companies. The result is that the EU membership supporters' camp had and has overwhelming marketing, organizational, personnel and financial dominance. Opponents of membership are in comparison literally like poor relatives. Moreover, the group is hugely disparate.

In the 1970s, those for leaving the EC were right-wing nationalists, conservatives, Marxists, socialists and communists. There were naturally huge differences and contradictions between these groups. They were never able to agree on anything else other than that the UK should leave the EEC. There were not able to create a coherent argument or a compact unit.

### The main stars of the NO camp in 1975 – Enoch Powell and Tony Benn („the men with staring eyes“)



Source: Prospect



Source: Telegraph

### The main stars of Vote Leave today - Nigel Farage and Boris Johnson



Source: International Business Times



Source: The Guardian

## Economic context 1975 – 2016

The biggest difference between the 1970s and today is the economic situation in which Britain finds itself. The 70s were generally an economically unfavourable time. Most of the developed world was sobering up from Keynesian delirium. The first oil shock, growing inflation, increasing unemployment and the falling competitiveness of British goods had nearly brought Britain to its knees. Since the end of the Second World War, the British had more or less flirted with socialism, some economic sectors were nationalised, the power of central trades unions grew continuously and the government perceived itself to be in a position to thoroughly influence and manage the economy. The British position was not at all enviable. The government had tried at the start of the 1970s to cure new problems with old methods. The then Chancellor of the Exchequer earned the nickname Demon Barber as a result of his expansionist monetary economic policy. The unions gradually acquired such power that they were able to paralyze the entire country with their strikes. A gravediggers' strike and piles of unburied bodies in 1979 was symbolic of the whole decade.

The number of all working days thwarted by strikes grew from 7,197,000 in 1969 to 23,909,000 in 1972. Edward Heath therefore held an election in February 1974 and used as a slogan "Who governs Britain?". To illustrate the gravity of the situation it's enough just to list the measures that the then government had to accept. A three-day working week was introduced because there was insufficient coal due to a miners' strike and Britain couldn't afford imports. The social system and the control of food prices linked to it were more and more expensive. The trade balance deficit continued to increase the costs of debt servicing. The victors of the 1974 elections, Harold Wilson and his Labour Party, were then able to dampen clashes with the unions and agree with them on a voluntary restriction on wage increases, although it was paid for with agreement on pro-union measures that led to a further growth in union power. The result was that in 1975 the government spent the largest amount of GDP since the end of the Second World War – 49.7%. This record hasn't been surpassed to this day. Governments tried to extinguish the blazing fire, but no-one came up with a sufficiently vigorous solution. And so in 1976 Her Majesty's Government has to ask the IMF for a rescue package, and negotiate relief agreements with its creditors (the USA and Germany) tied to a reform programme and austerity

measures. The situation was not dissimilar to today's Greece. It is of course possible to find more differences. The topic of immigration is very pertinent today and its influence on British decision-making is often talked about. But the British were also dealing with immigration in the 1970s. Maybe in a different context, but immigration is not something that would weigh upon the British today as much as some countries on the continent. The form of mainstream European integration is certainly different. In the 1970s, Labourites especially protested against the EC and in particular from a socialist position. The main fear was that the EC is a capitalist and liberal conspiracy that would scupper plans for building socialism in Great Britain.

Today it's exactly the opposite. Scotland then also played an opposing role when the Scottish National Party was for withdrawal. The Vote Leave camp is also not at such a great disadvantage financially and even some media are no longer as unflinchingly euro-optimistic as they were then. Even the position of the continent is today diametrically at variance. Back then it was an alliance of countries that were managing better.

Today it is the Eurozone countries in particular that are in an unenviable situation. Not everything today is comparable with the year 1975 and all manner of things have changed significantly, but the influence of these aspects on the referendum probably won't be so great.

## Conclusion

Voter turnout of 64.5% in the referendum in 1975 ended in the United Kingdom remaining in the European Community. A total of 67.2% voted for remaining and 32.8% for withdrawal. At the same time, a mere six months after the referendum took place surveys again showed that the majority of respondents would prefer to withdraw. According to public opinion polls, the British at that time became considerably pro-European only for the duration of the referendum. At first sight, this may appear peculiar. For a better understanding of this phenomenon one needs to take into consideration the fact that the British have long been disinterested in European integration. The British are certainly Eurosceptic and they have a complicated relationship toward the continent. But there are always many more topics to be found that they place greater importance on.

For example, in the pre-election campaign in 1970, i.e. the time when Great Britain had already submitted two applications for entry into the EC and was actively striving for this, entry into the European Community wasn't even among the 12 most important topics for television debates. European integration didn't overly interest the British and therefore they couldn't have a strong opinion about it. The campaigns were hence greatly influential. Today the British hear about the EU from all sides. But is the situation different? The Economist magazine together with the prestigious agency Ipsos MORI have published rankings of the most important topics for the British public. In June 2015, a year prior to the referendum, European integration was the 7th most important topic.

The British will hence deal with the same issue in the upcoming referendum and in the meanwhile the story of the referendum will play out in a similar manner to 40 years ago. The similarities, however, continue. Today, just like 40 years ago, the British have no alternative to membership in the mainstream of European integration. This has finally occurred to them and that's why the whole establishment is in support of remaining. The British have decided to follow those who are the most trustworthy for them.

And so today even though not everything is comparable to the situation 40 years ago, the fundamentals are. If I therefore had to make some prediction, which naturally wouldn't be judicious at all, I would say that it looks the same and will end up the same.

### Analysis of the impacts of the British referendum on remaining in the EU

According to European legislation, Great Britain has no other option than to negotiate its withdrawal from the EU with member states. The EU will thus have to consent to the conditions of withdrawal with a qualified majority in the European Council. Great Britain will be forced to negotiate bilaterally at least with the larger member states. The country will therefore be pushed into a compromise. Withdrawal from the EU, however, will also mean parallel negotiations for Britain over the new conditions for working together with the rest of Europe. There are probably two main options: either a) Great Britain will become part of the European Economic Area, or b) Great Britain will negotiate a bilateral treaty with the EU on working together. Other options for freer relations also come into consideration, but which aren't overly probable. According to studies, however, it's not important which path Britain sets out on – what is important is the disadvantage it will also be at when negotiating this agreement and the pressure it will come under from the European Union to make substantial compromises.

The effect of Britain's withdrawal from the EU will therefore be highly unsymmetrical – it will naturally impact upon Great Britain the most. Immediately following withdrawal there will be a reaction on the capital markets which will immediately include the increased uncertainty in prices. This will be partially reflected in the economies of the European Union. One can expect in the mid-term a reconstruction of trade flows with external partners, especially North America. If Great Britain enters the EEA, a change to the actual economy will take place slowly and statistically it will be nearly impossible to capture. Even this scenario, however, will create pressure for structural change in the economy and will have long-term impacts. Brexit would impact on the Czech economy mainly through two channels – through exports and the European budget. According to studies by the OECD and the LSE, Brexit would lead to restrictions in international trade, which in relation to Britain would result in the loss of around 6 – 9%. In such event, the Czech Republic would record a net negative impact in exports amounting to 0.33 – 0.49% on the assumption that exports would not be redirected elsewhere. In regard to GDP, it would mean a decrease in overall GDP by 0.25% and would be accompanied by the loss of 650 – 1,600 jobs. Among the most affected sectors would be the automobile industry (230 – 400 places), the engineering industry (120 – 300 places), electronics (30 – 80), and the production of plastic and rubber products (30 – 70). This scenario, however, tends to be the maximum possible because it's based on the improbable assumption of a zero substitution of exports.

The other effect is the fall in resources to which Great Britain contributes as a net payer into the European budget – this would mean the loss of around CZK 107 billion. Because of this, one can infer an additional long-term negative impact amounting to 0.28% of GDP. In other words, it's not a big economic threat for the Czech Republic.

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