

A SIMILARITY BETWEEN BREXIT AND REFUNDMENT

Napoleon POP¹

Valeriu IOAN-FRANC²

Abstract. *The European present is a perpetually conflicting past, remodelled for the future. A break in history causes a repetition in the worst form. Speaking about time and times when shocking events take place – both for the British and the Romanians – we should first consider the evolution of the human rights. In these hard times, when Brexit is only a symptom of the centrifugal forces within the European Union, we should first observe the European values. There is always a need for intelligent development within the social/political system. The similarity between Brexit and the Romanian refundment law is shown by the nature of the symptom of protection, by the neglect of the fundamental values that require rules of living together.*

Keywords: general economics; macroeconomics; monetary economics; financial economics; demand for money; credit; fiscal policy; macroeconomics and monetary economics

JEL Classification: A1, D0, E0, G0, E41, E51, E62, N1.

Some time has passed from a crucial event in post-war Europe after the Berlin Wall fall. The amazement at the vote for Brexit is mainly caused by the perception of “the time return” for a continent frequently devastated

¹ PhD in Economics, Senior Researcher , Scientific Director Institute for Institute For World Economy - Romanian Academy; iemnapoleon@gmail.com

² PhD in Economics, Senior Researcher , Deputy General Director National Institute of Economic Research ”C.C. Kiritescu” – Romanian Academy, Member of European Academy of Management and Business Economics (AEDEM); cide90@gmail.com

by bloody conflicts, of which younger generation are becoming less aware. When we read the history handbooks of our children, we should not be surprised that an event like Brexit – a way to part with the prime cause of the moment – could easily become real. Being unaware that our society is now defined as “United Europe”, but not quite a perfect one, is the result of a historical process that has diminished our trust. But it also means giving up the primary lesson of our existence consisting of the moral law of our birth, the valuation of the life’s grace, guaranteed only by the respect paid to the people around us, with whom we cooperate or for whom we decide.

There is no future without a past remodelled for a certain present. The European present is a perpetually conflicting past, remodelled for a perpetual peace. A break in history causes a repetition in the worst form. The new generations believe that all things they enjoy now are naturally given to them, that what they live through their freedoms can be turned around through the same freedoms. European polarisation of any kind – but mainly the political one – bringing about a concentration of forces from the centre to the limit pushes large numbers of the new generations towards radicalism. From this there is only one step towards soft violence (expressed in votes) and hard violence (physical aggression or murder).

Brexit, on another scale, could be compared to the latest tragedies (murders caused by hate) in the USA, reminding us of the killing of Robert F. Kennedy and Martin Luther King. “America is crushed” (Europe is not far from that! – author’s note) as Spike Lee, a film director, says “...it goes to an abyss and we should press the brake.” Even if the present events do not match the 1968 ones, according to Julien Zelizer, a Princeton professor, it is obvious that the American nation is facing “an extraordinary volatility”. But how is today’s Europe or European Union?

The connection referred to in the title could take many by surprise, just as the sequence of the two should be reversed. But, as all people are concerned with the effects of Brexit, not confirmed by a firm vote, it is not very easy to find the deep causes of the event that shocked a lot of people. Rightly, the prime cause of the common denominator could be clarified on an unemotional basis only if we remove all that distorts our thinking, as Niall Stance, an American journalist, said, i.e. the terrible “growth of social media and severe fragmentation of traditional media”. The fight for validating our personal opinions of any kind through social media caused the expansion of a radical support which brings together large groups of

people. This equally explains the issue or how we came to the refundment law and the English to Brexit.

First, we deal with the political project of integration with Europe, to which Romania is a member state, and which Great Britain is about giving up membership. The key question for both countries is to what extent – from the accession to this club – people are aware of the quality of European citizen “striving for peace among nations with different cultures, and then the quality of member state, guaranteeing peace on this continent through the EU institutional structure. When we deal with the quality of European citizen, we should overlook the idea of “free access” identity card and strictly refer to what extent each of us observes the fundamental European values. In other words, do we think that we belong to a socio-political model we opted for (at least through the referendum on the Constitution)? We notice that while the political elites firmly cooperated to help their countries become EU member countries, the citizens, generically pertaining to a United Europe seem either not to comply with the European civic education or to be disappointed with it, thus looking for another dimension of it. Their political option through democratic exercise gave us – through democratic vote – today’s political leadership.

To be more exact and consider the time and times when shocking events take place – both for the British and the Romanians, we should first consider the evolution of the human rights, *i.e.* the individual freedoms starting with the new European construction. On the paper, they are firmly protected by the philosophy of the Western-type democracy and, further, limited, especially after the World Trade Center attack. A first distinction concerning this limitation is that, while founders of a United Europe based on democratic values were lucky to assert themselves through laws difficult to attack by their followers, the states where this had to be taken on – we refer to emerging democracies after the Berlin Wall Fall – were not lucky to have regulators facing doubts and fears and/or the obsession of a very valuable “historical tradition”.

The consequence of “giving away” some human rights, in spite of the concerns of our leaders and of those who should enjoy them, have – for various reasons like terrorism, national security, sovereignty, tradition – continuously put pressure because of this “unstable” ground. It happened that this unstable ground was essential for the social contract between citizens and the state. This escalation – when considering man’s psychology

– could only cause the seclusion of the rejuvenating social. But from time to time, it burst into fury and violence outside the protecting shell, in the public area.

Of course, generations change and have ideals, but we should return to the reality that still takes us by surprise. Why the departure of these new generations from the ideals of the European Union is too fast at the beginning of the third millennium? What was the change in the perception of the profound values on which it was based? Trying to answer this, we come to the **thin line** that separates Brexit and the refundment law from the essence of the European project. The line is represented by **knowledge** and **ethics** of the common European citizens and their democratic representation – their political leaders. In our opinion, this line was made thinner by the fact that the two attributes of the human being seem to be in dissolution. We face an “agglomeration” of politicians unable to consider the historical reality or the ideals to be followed for carrying on the European project. We see that governments are of poor professional quality. We are facing corruption within the fundamental institutions of the state of law. But the same line that defines subliminally the link between **freedom** and **responsibility** shows that the last compulsory human quality seems to gradually vanish. But not only in relation to us or our practical action, in our attempt to take absolute advantage of freedom. Could we agree with an individual’s responsibility for the society that gives him liberty? Should we always consider old times when social irresponsibility has always deprived man of freedom?

A long time has passed since the decision of the founders of the European project (Schuman, Monnet, Adenauer, Alcide de Gaspari, etc.) whose political will was highly appreciated to the present, when many talk about a disunited or disintegrating Europe. Moreover, this kind of message comes from European leaders who, at least by their sense of responsibility for the continental peace if not for a united Europe, should struggle for more political solidarity as required at this hard time.

We refer here to **the nature of solidarity** emerging after World War II among men of political vision, not to today’s principle of solidarity, eroded by internal competition, suitable for higher objectives of the EU member states. That is why, the profound causes of Brexit minimise the issues by the referendum result. These neglected causes weakened the Union solidarity. Is it not the quality (implicitly the responsibility) and questionable legitimacy of the European governance that diminished the

trust in the internal solidarity of the Union? Is it not the policies based on hard technicism and parasitic bureaucracy (all at the highest decision-making level / the European Council) that affected the European citizens' trust in solidarity and cohesion?

We have been supporters of the European integration, from inside this process, as researchers, from the very beginning. We support this process further by studies on a EU vision, after the report of the five presidents or the euro adoption by Romania. But we still wonder why (ten years after the accession to the EU) Romania has no highway linking it to Europe, why are no modern transport links among the historical provinces after 100 years after their unification as a consolidated state, why the development level of our country cannot overcome a constraint often mentioned by politicians but difficult to understand by the citizens. Besides the bureaucratic or technical obstacles, there is a responsibility of the political class in Romania and the EU as long as we say that only the political will makes things move. Could we deal with knowledge, ethics, and responsibility of the political class without remembering the causes of the lack of results of the political will?

But in these hard times for Europe, when Brexit is only a symptom of the centrifugal forces within the Union, we should ask why the Union, as an expanded bloc, shows no major interest in eliminating any kind of polarisation which could endanger the European construction: peace among nations and social peace in every member state? Why is there in this context no political will in Brussels for a real and faster development of the member states in Eastern Europe (former socialist states), as a priority measure to prevent the contamination with a centrifugal tendency of its weak links? In this area we notice an early failure to observe the European values, by attacking the state of law and accentuating the latent ones in the older integration area, but in accordance with the rule of law which still is democratic.

By these questions concerning the evolving realities, we provide a view both on the political decisions of the union and on the weaknesses of our politicians as regards "the technology" of the policy for the Union development, applied to the weaker members, always sent to the periphery. The access to the structural funds and the expanding and obscure bureaucracy redirected the purpose from development to corruption, often blamed by the Union. We agree to support our credibility by the prevalence of the national effort, but when it is defeated by "external forces", often a

matter of criticism with quite a broad hint that the accession to the EU was a mere colonisation of Romania, then all these issues should be clarified by the institutions of the Union.

No serious political action has been taken at the EU level or the national level, with regard to ineffective legislation for public procurement, always appreciated at Brussels for transparency, efficiency, quality, fair competition, etc. which are idle words. On the contrary, its implementation destroyed our credibility, and after many years even they consider it a tool/obstacle against structural development. Could we agree that the same procedures and standards applicable to countries with consolidated democracy are applicable with the same good effects to emerging economies of the Union, both as democracies and market economies? Successive attempts to simplify the so-called complex problems for understanding the simpler components lead us to the essential aspects of the functioning of a society eager to develop by green, inclusive, sustainable growth, in accordance with the Union documents.

There is always a need for intelligent development (Isn't it knowledge?) within the elected social/political system (Isn't it the ethical one?). Can we achieve this intelligent development without science and responsibility for its moral utilisation? This rule is applied, in the name of reason and collective choice, to all citizens, irrespective of their social-professional and, especially, political involvement. What happened to these anchors of joint action is explained by our answer to the similarity between Brexit and the refundment law.

The advance of the Union, besides achievements, tends to become centrifugal, because the reasons that objectively lead to the launching of the project – peace and welfare for the citizen after the fiercest world war – vanished in the long stability of the continent. But the lack of structural reforms, in spite of achievements, caused economic problems to all the European citizens and to the perception in integration. The good effect of free movement in the four capital domains of the single market was a revolt against intruders and dramatically diminishing tolerance. These intruders were identified in other cultures, ethnical groups, refugees, emigrants, corporations, large financial institutions which, through competition, labour market tensions, tense social and social assistance policies, fear of positive discriminations, income polarisation, etc.

Both peace among nations and social peace of the nation states were affected. We notice that the European integration caused educational and cultural problems to the citizens, and knowledge and responsibility problems to the politicians. Either the integration went ahead before raising the peoples' awareness of that or the politicians were unable to raise the citizens' awareness on integration. Concepts like diversity, unity by diversity, solidarity and cohesion have turned into mere slogans without content from instruments of partnership and mutual trust. The shock caused by the last financial crisis accentuated the separation between community and national, while the dark side of globalisation revived the idea of nation state as against uncontrolled interdependence.

The first similarity between Brexit and the refundment law is **provided by their nature of symptom of a protection, by neglecting the fundamental values of the belonging that requires rules of living together in conditions of obvious exposure to partners. The consequence reflects some isolation from the effects of the common freedom ignoring that the so-called national freedoms** curtail by isolation the freedom of the individuals. The protection against the rules of a union that isolates reduces the accessibility to the common freedoms of the single market, which become asymmetrical to the citizen's detriment.

So we come to *the second similarity between Brexit and the refundment law, i.e. causing uncertainties for long periods, due to confusion.*

It is not necessary to discuss about the widely debated good or bad (As compared to what?) effects of Brexit and the refundment law in foreign and national literature. The problem is that they happen outside predictable rules. In case of unpredictability, the known reaction is the high risk expectation, slowing down, decision delay, and the "hurt" party is just the party needing protection: Great Britain against the Union decisions, and the Romanians against the bankers' "oppression". Therefore, the access to the integration freedoms or to bank services is denied. There will be a new state of the individual freedoms, narrower as regards the supply in relation to wishes. In other words, there will be higher thresholds for enjoying the freedoms, and the new constraints will stick at a lower level, already exceeded.

The third troubling similarity between Brexit and the refundment law is **a negative reaction (not to call it hate) to the integration values and**

benefits, in relation to the Union governance or to the business model of the banks. In both cases, there were opportunities for safeguarding provided in the partnership contract with the EU (the United Kingdom enjoyed many exceptions, when we come to the Community budget or the final exemption from adopting the euro), or in the credit contract (by the Civil Code). But since Brexit and the refundment law occurred, it seems that something else was intended instead of what was declared or the stake was different. Beyond these presuppositions (largely debated, as well), it is obvious that in both cases the tolerance limits were exceeded and there is a “social war”.

Brexit is about causing a social war in Europe, and the refundment law in Romania, between debtors and creditors. In this context, parliamentary and presidential elections will take place in several countries of the Union (elections before term in Spain, the presidential elections are repeated in Austria, and we should not ignore the presidential election in the USA, the parliamentary elections in Romania, the referendum for the constitution modification in Italy, etc.). All of them will probably face an early deviation, mostly for the power’s sake, benefiting by the votes of those who received satisfaction, unfortunately supported by poor knowledge or the wish for something new or not experienced so far. The politicians, owing to the original “ethics”, helped the unknown to emerge, and the citizen will not find out soon the desired “relaxation”, but for a while he will get what the time offers.

The fourth similarity is the revolt against the system. This because there was not more economic growth to the benefit of the disfavoured categories or no jobs were created for decent living conditions according to the present standards. Both expectations are influenced by the harmful effects of globalisation, emigration, the refugees and terrorism, all of them shattering the social peace. Generations want changes, but what is their long-term plan and what values do they look for? There is no moderate political guidance, *i.e.* a real social construction able to meet expectations, defined beyond the present radicalism. These generations give support to radical political leaders opposing the system, but once in power there is no guarantee that things evolve according to the creed of these generations, because they have first to fight the effects produced by the need for change.

Therefore, we have to cope with uncertainties that place the government and the opposition on a larger front. Non-observing the values

of the present European construction can only please those who want a divided Europe. If Europe cannot be economically defeated as a bloc (single market, rules and common values), then the weakening of its political strength (reversing the European integration) can be viewed as a “broken mosaic”, the future of which is uncertain.

Fifth, Brexit and the refundment law **negate the Union’s active multiculturalism**, which shows limited political knowledge in a time of advanced knowledge. We deal with this considering the grim reality of the present elite. Besides the generation change, there is much talk about a war of the political elites: the traditional ones, still dedicated to the founding values for a continent of peace and the new ones created by the opposition to the setbacks of the European construction. The question is how elites, both of them, actually support the effective continuation of the European construction.

Considering the size of the European political project, *Brexit and the refundment law* might be mere symptoms of different impact, but *their causal significance is common*: the way it succeeded to bring the European integration culture to the European citizen’s knowledge and this should be made by elected leaders. In our opinion, this is the objective rule for carrying on the European project by leaders educated within that culture and able to influence the Community regulations, in accordance with national interests. Euroscepticism should have been considered an immediate challenge to Brussels and the EU’s political leaders, and the causes should have been assumed by all, politicians and bureaucrats alike.

Unfortunately, the assertion of the EU weak leadership in the last decade and its domination by Germany – not necessarily by political power but by an economic and financial governance discipline – strengthened the idea of division of the Union and even of later two-speed development. Considering now the expansion of euroscepticism, both of the European Council and of other decision-making structures is not only very late but also harmful because of poor communication, which could have given satisfaction in real time to those who criticized the integration governance.

People wrongly believe that obscure forces made us see a deterioration of the European project, when, in fact, we witnessed a struggle between a liberal expansion of the Union and a central power concentration by a forced uniformisation of the Community regulations, thus destroying even the cultural diversity. Where does xenophobia come from in

multicultural Europe? Of course, invoking sovereignty is a right of every member state, but a sovereignty of Westphalia Peace type differs significantly from the present sovereignty exerted now in a globalized world, when adverse shocks cross any border. In the name of sovereignty, we think that we could find solutions to Brexit or the refundment law, both causing losses to sovereignty, instead of co-working for common ideals and less isolation. A surprising role of the nation state in a partnership, by negating the benefits of an expanded market and affecting the individual freedom, shows a new type of voluntary isolation (Caused by what?), be it a state conduct or third parties' perception of it.

But we believe in a logical consequence of the action of the EU member states. We believe that instead of Brexit or a refundment law we need now a re-founding opinion, able to stimulate the European citizens as it happened in the 1950's, *i.e.* **Europe of Peace**. At that time, it was obvious that the European societies after the bloodiest genocide (also caused by nationalist policies, for economic and social reasons) agreed all on the importance of their project. **A re-founding speech now means to carry on the integration project in a more complicated context, but which provides a common point of attraction and unification of the member states for meeting challenges.**

We should carefully look at the present context which raises a question, as Joshen Bittner wrote in *New York Times*: “**Is this the West's Weimar Moment?**”. The question is fundamental if we think the liberal democracy has gone too far in the public opinion. This is a symptom “**of a cultural shock against post-modernity**” (Bittner), both in America and in Europe. Probably, liberal democracy has become an attribute of the elite at the expense of the others, called “**forgotten invisibles**” by Marine Le Pen.

As for us, we think that the invisible and forgotten people have been deprived – by the policies implemented by the EU and the member states – of the necessary education based on democratic values. They should last long as social significance and peaceful societal essence, to ensure the evolution of the society without uncontrollable shocks. Deprived of this kind of education, the society would freely evolve as well, but using the mind of people excluded from fundamental decision-making, with solutions contrary to the present logic. Have we created a European citizen in the sense of a Union of the citizens? In Romania, the significance of some regulatory intentions shows that the people regulating under the voters'

pressure depart from the fundamental values of the liberal democracy, in general, and from the common EU decisions, in special.

What we are experiencing now, as Bittner says, is not similar to the 1933 events and consequences “... *since now democratic institutions are stronger and stable. But the power of nostalgia does not depend on the time when one lives. Therefore, in spite of all differences, we witness another 1930 moment for the West*”. At all the levels, people believe that the demagogic speech is part of the solution, without understanding that it is an attack against our own society and the nation’s future. In such speeches, it is accepted that the adaptation to new realities is useful, but the powerful parties did not do anything for this adaptation, i.e. many necessary reforms, still at a declaration level.

Bittner’s conclusion is fatal: “*Now, just like in the 1930s, what we see is the failure of the liberal mainstream to meet serious challenges, the failure of those who endanger their own existence*”. Shall we only blame our wish to get back our sovereignty?