

“Seismic Shock”: UK Vote to Leave the EU Triggers Economic and Political Crisis

By [Chris Marsden](#) and [Julie Hyland](#)

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Britain voted to leave the European Union (EU) in yesterday’s referendum by a narrow margin—51.9 percent to 48.1 percent on a turnout of 72 percent. In response, Prime Minister David Cameron announced that he was standing down, but not until the Conservative Party conference in October.

The referendum result has sent a seismic shock, not only through Britain but Europe and the world. It confounded the expectations of the financial markets, hedge funds, bookmakers and the political establishment.

Even as polls closed at 10 p.m. yesterday, predictions were for a Remain vote—reflected in the value of the pound soaring and a recovery on global markets. By the early hours of Friday morning, however, the pound had fallen to its lowest level in more than 30 years, plunging 10 percent against the dollar and falling against the euro and the yen.

The UK is the fifth largest economy in the world and the second largest in Europe. The implications of its departure from the EU are widely seen as potentially precipitating its break-up, with France, the Netherlands, Spain, Greece and even Italy registering majorities for exiting the euro in polls.

The UK itself is divided, with England and Wales voting to leave and Scotland and Northern Ireland voting to remain. Fifty-three percent in England and 52 percent in Wales voted for Brexit, but 62 percent in Scotland and 56 percent in Northern Ireland voted to stay.

There is talk of a second referendum on Scottish independence, with former Scottish National Party leader Alex Salmond insisting that such a referendum must take place within the two years specified by Article 50 of the EU’s Treaty of Lisbon, which would begin the process of a UK withdrawal from the EU.

Sinn Fein leader Gerry Adams stated that the referendum result raised the issue of a united Ireland, under conditions in which there are suggestions of the reintroduction of border controls and tariffs along the Republic’s 330-mile border with the North.

In England, London was the only region to vote for Remain, by 60 to 40 percent. Every other region went to Leave, by 58 percent in Yorkshire and Humberside, 54 percent in the North West, 59 percent in the West Midlands, and more than 50 percent in both the South East and South West.

The most significant exception to this voting pattern was among those under the age of 24, where the Remain vote was 75 percent in favour.

In Westminster, the primary concern was to try to stabilise the financial markets, with banks insisting that Cameron should delay invoking Article 50. The FTSE 100 fell by £120 billion—500 points—on opening, with particularly heavy losses for banks and house builders. Mark Carney, Chairman of the Bank of England, pledged to pump £250 billion into the markets, and there is speculation that interest rates will be cut to zero by August, with UK growth expected to “slow to a crawl.”

Cameron’s resignation announcement is designed to meet this demand for a delay. He insisted that it was still his prerogative to decide when Article 50 was invoked and he would not do so until a new Conservative Party leader was elected in the autumn. His pledge is at the same time an appeal to the Brexit wing of his party around former London mayor Boris Johnson, who led the official Leave campaign, to work together in the short-term to ensure economic stability.

Johnson is touted as the leader necessary to head off an electoral challenge by the UK Independence Party (UKIP). UKIP leader Nigel Farage is the only party leader to have gained from the referendum—striking a populist pose against the “merchant banks” and the “elite.” He has positioned himself as a critic of any compromise over invoking Article 50.

Labour Party leader Jeremy Corbyn’s position is by no means assured. Criticisms made by his Blairite opponents that he did not do enough to win the argument for Remain have been mirrored by the 10 to 15 Leave Labour MPs. They now claim to speak for 45 percent of Labour voters and have condemned him for abandoning his previous opposition to the EU and being “out of touch” on immigration.

With the likelihood of a leadership challenge, Corbyn’s response, as always, is an attempt to triangulate between his critics. He has called for Article 50 to be triggered immediately as representing the will of the people and indicated his support for immigration controls, based on economic criteria, once EU legislation on the free movement of labour is no longer in force. But he did so while insisting that the government must be supported in its efforts to stabilise the economy.

Crisis meetings are underway in Brussels between European Council President Donald Tusk, European Commission President Jean-Claude Juncker, European Parliament President Martin Schulz and Dutch Prime Minister Mark Rutte, who holds the EU’s rotating presidency.

Talks between the EU’s remaining 27 member states are to be held next week without the UK, with Tusk warning it was “not a moment for hysterical reactions.”

However, Manfred Weber, a senior German conservative Member of the European Parliament, warned the UK will receive “no special treatment,” declaring: “Exit negotiations should be concluded within two years at max... Leave means leave.”

Schulz said he would be speaking to German Chancellor Angela Merkel on how the EU “can avoid a chain reaction” of other member states following the UK’s lead.

The referendum has produced a significant shift to the right in Britain and throughout Europe. There is a large element of social protest involved in the result, which led to a significant increase in turnout in working class areas. Disaffection with the Tory government and the Labour Party was combined with hostility to the EU to ensure an overwhelming Leave vote—especially among those earning less than £15,000 per annum.

However, anger has been successfully channelled behind right-wing political tendencies deeply hostile to the working class, in a campaign characterised by nationalism and anti-immigrant xenophobia.

Across Europe, many far-right parties exploit anti-EU sentiment and the social devastation caused by austerity for reactionary ends. France's Front National leader Marine Le Pen said: "Like a lot of French people, I'm very happy that the British people held on and made the right choice." In the Netherlands, Freedom Party leader Geert Wilders called for a referendum on the country's membership of the EU.

Their populist demagoguery conceals the aim of a more aggressive offensive against the working class. On the morning of his "victory," Farage said the Leave camp had made a "mistake" in promising that the £350 million in current UK contributions to the EU would be spent on the National Health Service in the event of a Brexit vote.

A politically criminal role has been played by George Galloway, the Socialist Workers Party, the Socialist Party, Counterfire and the Communist Party. As the Socialist Equality Party explained, in urging a "Left Leave" vote they helped subordinate workers to a right-wing initiative aimed at shifting political life even further along a nationalist trajectory, "thereby strengthening and emboldening the far-right in the UK and across Europe, while weakening the political defences of the working class."

In calling for an active boycott of the referendum, the SEP insisted that the EU was in an advanced stage of break-up due to the global economic crisis and the rise of national and social antagonisms. But the working class must formulate its own independent response—one based not on a defence of capitalism and a retreat into the nation-state but on the unification of the European working class in the struggle for socialism.

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