

Britain can benefit from Brexit

DR. ABDULLAH SHIBLI

THE British voters' decision to leave the European Union (EU), or "Brexit", has triggered a major reshuffling of global political and economic alignments. However, the economic consequences for Britain are expected to be minor and only in the short run but somewhat positive in the long run after it formally leaves EU in 2019. This assessment is in line with predictions offered by various forecasting companies and has been reiterated by all British and EU leaders. While we might see some moments of uncertainty that might best be compared with "solar flares", when the dust settles down, we will in five years see a very robust and prosperous Britain. In this commentary, I will outline what Britain can do to keep the momentum going following the historical vote, and identify areas where it can act to counter any headwinds as it tries to navigate through some uncertain times.

While Britain is yet to invoke Article 50 of the Treaty on European Union and notify EU of its plan to leave, this will happen within the next six to eight months and the new British PM Theresa May has strongly indicated that she will do so and completely quashed any discussions of "Second Referendum" on Brexit. UK already has a tough-talking new Foreign Secretary, Boris Johnson, and a realistic Brexit Secretary, David Davis, who together, are expected to play important roles in negotiating the terms of withdrawal and future relationship with EU. Ironically, Scottish First Minister Nicola Sturgeon is seeking a special dispensation for Scotland, declaring brashly, "We're in uncharted territory, and when you are in uncharted territory with effectively a blank sheet of paper in front of you, then you have the opportunity to try to think things that might have previously been unthinkable and shape the future." But Secretary Davis will have none of that and shot back, "And we will try as best we can - they can't have a veto because there are 17.5 million people who have given us a mandate."

The exit process will involve UK and EU going through 80,000 pages of laws that bind



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these two now, and pick which ones may be kept--and there are precedents for that since EU has similar special relationships with non-members such as Norway and Switzerland. While the British voters have rejected EU membership by a 52-48 margin, a recent opinion poll reveals that 66 percent consider that access to the single market to be given the highest priority, as opposed to 31 percent who want restriction of freedom of movement to be at the top. For UK, these are two priority negotiations items. Fortunately for UK, the European Union is already reviewing policies to protect the borders in the wake of the recent refugee crisis.

Overall, as negotiations proceed, rough passages can be expected in the following three areas: division of assets, budgetary issues (including Post-Brexit contributions by UK), and free entry and passport-related questions, the last one to set out the future rights of EU nationals in the UK and vice versa. At the

end of the process, the British team will push hard to retain the benefits that it received as a member of EU without the price it is now paying. EU heads of state on the other hand are keen to prevent disintegration of the union and a Brexit-led domino effect. Fearing that, EU will seek to prevent other countries from following the U.K. and will use the Brexit negotiations as an opportunity for a genuine conversation about its costs and benefits.

And therein lies the main reason for my optimism that Britain could turn this process into a win-win situation. Some EU leaders are publicly stating that it is important during the negotiation that the EU leave the door open for the U.K. to return. "The more the EU sets out to punish or humiliate Britain during the negotiation process, the less likely its return is to happen."

Turning to the economic impact for UK, as economists now tally up the costs and benefits

of Brexit under some alternative scenarios, the gains are likely to be in trade, migration, minimum wages, budgetary surplus, and foreign direct investment. Brexit will eventually offer greater flexibility in economic policy, business practices, and regulatory freedom. As one observer commented, UK will be free of the "EU Yoke". Just to take one example, the Common Agriculture Policy (CAP) currently costs the UK at least £16bn per year. An Institute for Fiscal Studies' report released recently states that the precise scale of the fiscal consequences of a British exit is uncertain, and will depend on whether the U.K. continues to make a contribution to the EU budget to maintain access to the bloc's single market for goods and services.

On the cons, there are continued economic uncertainty, reduced GDP, lower FDI, and higher unemployment in the short run. Theresa May's government will need to do more to counter any negative fallout. And the

new government appears to be adjusting fast. To take the case of FDI, taking advantage of a cheaper pound, SoftBank, a Japanese company just offered more than \$32 billion for AMR Holdings, a British microchip company. British leaders portrayed the deal as an endorsement of Brexit.

All this will sound familiar to many of my readers, since none other than EU Chief, Jean-Claude Juncker said, "the economic consequences of Brexit are only short term" if any. IMF chief Christine Lagarde's assessment was no different from Juncker's when on July 7 she said that a global recession was "unlikely" despite Brexit, and it's growth forecast in Eurozone was revised upward, to 1.6 percent from the previously forecast 1.5 percent.

But that is not to suggest that we will not see a few more upheavals, moments of tension, and some tomfoolery by politicians in the two years leading up to the formal "decoupling" of a relationship that lasted for more than 40 years. In this context, an economist respected by all, Paul Krugman, who won the Nobel Prize in economics in 2008, said that "Brexit" was only a storm in a teacup, and characterised E.U. as "fundamentally at odds with democracy and the idea of a democratically elected government."

In recent days, UK is returning to more stable times. Mark Carney had before the vote raised an alarm warning that Brexit could bring in a disaster, but last week the central bank left the interest rates unchanged. The FTSE 100 index took a hit following the vote, but has recovered since then, rising from below 6,000 to close to 7,000 lately. In the foreign currency market, the pound dropped from a high of \$1.50 against the dollar before the vote to \$1.2798 and has edged up to 1.3197. The lower value of the pound will boost British exports which are expected to rise by 3.4 percent next year as pound sterling stays low.

One area where the British people might see further uncertainty is in property values. However, Royal Institute of Chartered Surveyors (RICS) expects "housing prices to surge by an average of 14 per cent in the next five years".

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<Cap-Dem-Rel>

#ResearchResearch



NADINE SHAANTA MURSHID

CAPITALISM prioritises policies that promote efficiency in resource allocation, while democracy espouses ideas of equality and fairness. Capitalism focuses on autonomy, individualism, and a particular

brand of [economic] success, while democracy focuses on community and participation of the people in matters that govern them. The two constructs are "ideologically" at odds. So, how have they come to co-exist?

Short answer:

In tension.

Slightly more elaborate two-part answer:

A. Democracy and capitalism can co-existent because they are inter-dependent.

Capitalism allows people to have wealth, which in turn allow them time to participate in community action and political discourse, supported by income-generating media houses and education systems. Capitalism also furthers the idea of individual responsibility that can collectively benefit the rest of society (trickle down effect).

Democracy is well-positioned to provide capitalists with favourable laws, regulations, and safety nets, while capitalists, with their resources, have the financial power to influence policy via lobbying and campaign donations during elections. In some countries such practices are institutionalised. Such as the United States. In others, like Bangladesh, some call it favours or quid pro quo. Or simply, corruption.

This inter-dependency between democracy and capitalism means that the purveyors of democracy and capitalism look out for the other, which allow both systems to survive, even flourish.

[There are plenty of examples of this: In 2007 the housing bubble burst in the United States because of deregulation of financial



IRISHTIMES

institutions. This burst was to be remedied by the Emergency Economic Stabilization Act of 2008 (aka the bank bailouts) that Obama's government introduced. The goal of the Act was to ensure that the economic system doesn't collapse. Great move, sure. But, we also saw how low-income individuals who went bankrupt did not receive similar kinds of bailout packages. The financial institutions received assistance, none of which were transferred to the individuals who lost their homes.]

But, one might ask, what does this inter-dependency between capitalism and democracy mean for people? Well, they are pulled in opposite directions; as they strive to gain control over their political rights, they are having to give up control over their economic rights - it is a battle between personal and property rights, a conflict between the social roles of citizens versus that of consumers. The fallout is that citizenship becomes synonymous with consumerism; consumerism sur-

reptitiously eclipses citizenship. (Think about the number of pink-coloured products that people are told to buy to "support" breast cancer research). People's values as citizens are drawn upon to enhance consumerism, which then becomes a pseudo act of citizenship. Economic forces, thus, impinge on peoples' ability to govern themselves in ways that best serve the democratic value, vis-a-vis the collective.

These contradictions between democracy and capitalism are arguably the sources of the tensions we see worldwide - social unrest across the world, the collective uprisings, the monetary crises in Europe, Brexit. In Egypt, we have seen how capitalism and democracy together became a threat to sovereign and autonomous nation state. In Turkey, we have seen how democracy can easily be threatened by military coups in a capitalist world, which then has its own repercussions, clamping down on academic freedom being one.

B.

Democracy and capitalism are able to co-exist because individuals have multiple selves that support each other. The self-framework consists of the personal self, the relational self, and the collective self. Each "self" can find affinity with the other selves by accepting capitalism and democratic principles at the same time.

Let me briefly elaborate.

The personal self is able to fit its unique identity into the capitalist structure that prioritizes the self, individuality, individual freedom, and individual hard work that leads to individual success. This fit allows the individual to find credence in his personal-self.

On the other hand, the relational and the collective selves are based on group membership; that gives individuals a place in the social world. These relational and collective selves are validated by democratic principles that promise individuals a voice - a collective voice - and rights that may be deemed good for the collective.

There is, thus, a tension between the human need for unique individuality i.e. being their personal selves and their need to be part of something bigger than themselves, i.e. being their relational or collective selves.

In other words, there is a conflict between potential identities that arise between needs to identify as a unique or distinct individual versus being embedded in a relationship or being affiliated to a group. Indeed, those who are "lone wolves" - completely different from everyone else -- have a similar degree of discontent (even if it varies by type) as those who lack "self definition" because of the de-individualisation that occurs when one's key identity is that of a group member only. The question is then, how is this tension resolved?

Optimal distinctiveness theory (Brewer 1991) suggests that that individuals negotiate between these multiple selves by inculcating both uniqueness and affiliation. But, there is trajectory. It is when individuals' need for affiliation is satisfied that they emphasize their individual identity over their relational (or collective) identity. Optimal identities satisfy the need for affiliation and distinction within the group and between groups.

In effect, optimal social identities involve shared distinctiveness. This allows individuals to select group identities that are inclusive enough to foster a sense of belonging but exclusive enough that they provide some basis for distinctiveness from others.

So...

What do we do when a perverted version of religion - an extremist, annhilist form - enters the milieu? Does our need for shared distinctiveness support the joining of such distinct organizations? Or, do we apply capitalist principles to the practice of religion, thus commodifying it? Or, do we apply our democratic principles and push against the perversion?

That's what we need to think about.

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CROSSWORD BY THOMAS JOSEPH

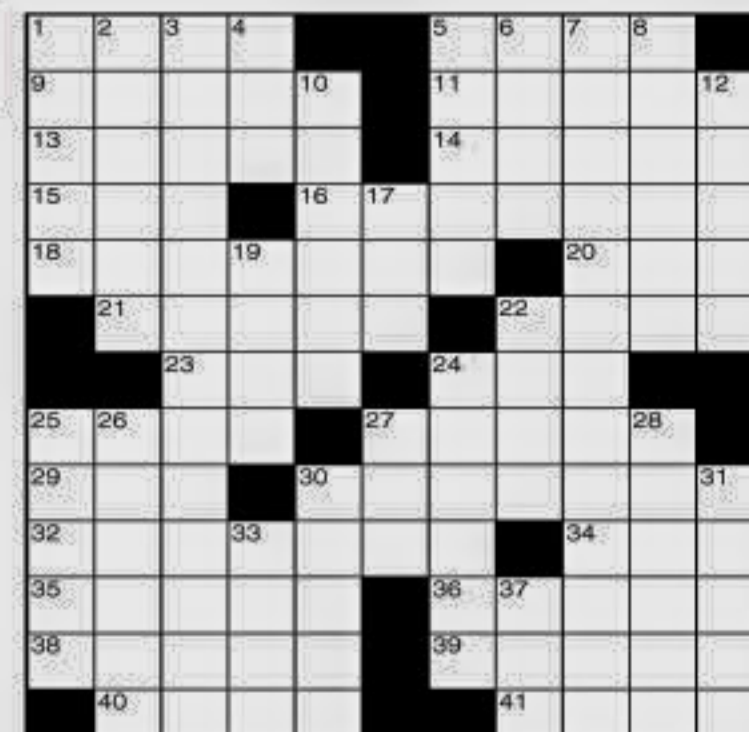
ACROSS

- 1 HMO group
- 5 Baylor setting
- 9 African lilies
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- 25 Finish
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- 27 Nap sack
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- 30 Diver Tom
- 31 Monopoly cards
- 33 Comic Carvey
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YESTERDAY'S ANSWER

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