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## Brexit, #indyref and Trump: Indicators of the crises of legitimacy

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Since the mid 1980s, the reduced restrictions on international capital have seen increased flows of capital between countries, which increased global economic integration.

Moreover, competition for capital has led to a high degree of international political convergence to signal market confidence, e.g. balanced budgets, moderate taxes, light regulation and privatisation.

Thomas Friedman referred this as fitting into the “golden straitjacket” and suggested it causes “your economy grows and your politics shrinks”.

Voters tacitly accepted the “golden straitjacket” during periods of economic growth, which was largely fuelled by consumer spending driven by cheap credit.

However, since the 2008 financial crisis, real wages and living standards have fallen.

But mainstream political parties have remained ideologically narrow.

Thus, the legitimacy of government favouring capital over labour started being called into question, albeit implicitly.

Calls for Scottish independence, Brexit and Trump are signals of crises of legitimacy arising from the “golden straitjacket”.

The election of Jeremy Corbyn is recognition that the Labour Party wants to fix the systemic problems in our society.

The European “golden straitjacket” is at the heart of the EU.

Whilst many voters spoke of their concern regarding the free movement of people, this was a symptom associated with the underlying cause, highly mobile capital.

The UK’s vote to leave the EU is a signal to correct the systemic imbalances arising from over three decades of economic policy-making being dominated by capital interests – those of bankers, investors and financiers.

The transition to legitimacy lies with us.

We must offer radical change that provides improved living standards and opportunities.

Leaving the EU provides the opportunity for government to reduce the deficit by stimulating growth via public investment in house building and other social infrastructure projects and implement public ownership.

The Tories won't do this, which is why Corbyn's transformational agenda must be triumphant in 2020.

A Corbyn-led government needs to reintroduce controls on capital account transactions.

These controls aim to shield the country from risks associated with fluctuations in international capital flows.

But more importantly, capital controls give power back to government, such as the ability to deploy monetary policy to exploit the trade-off between inflation and unemployment.

Corbyn has plans to deliver full employment and capital controls could assist this.

A Corbyn-led government needs to re-balance the economy with a managed transition away from financial services.

The financial sector contributes £66 billion to the Treasury, which represent 11% of the tax receipts.

However, the UK's over exposure to the financial sector has weakened our democracy.

A UK exit from the EU may have a greater impact on the financial services sector than for any other area of the economy and it is probable that in the Brexit negotiations the voices from international capital are more likely be heard than those of working class people, which is likely to cause further frustration.

The Labour Party needs to tap into this frustration.

We must be innovative in raising awareness of how a Corbyn-led government will eradicate this illegitimacy as the forces of capital will be against us.