Brexit Blamed for Market Upset, But Is It So?

In the wake of Brexit, financial markets across Europe and the world are experiencing some choppy waters. Those who opposed the U.K.'s move to regain independence from the EU have been quick to point to the financial turbulence with a not-so-subtle I-told-you-so. Their message is clear: Brexit is responsible for the downturn, and it will only get worse if other nations follow suit.

But is it really the catastrophe the globalists make it out to be? In answering this question, consider that the architects and promoters of European integration promised in the past that the creation of the Common Market and other steps leading to the European Union would usher in an era of jobs and prosperity. But they were wrong.

Now, as other EU member countries consider following the U.K.'s lead, those in favor of maintaining the EU find themselves facing the very real possibity that it could completely unravel. Having failed to keep their promise of unparalleled jobs and prosperity with the formation of the super government, they are now resorting to doomsday fear tactics to hold it together.

Headlines in many mainstream media articles after the passage of Brexit attempt to blame U.K. independence for the market upset while making as much of that upset as possible. Consider the following sampling:

• The *New York Times*, 'Brexit' Hits U.S. Stock Market Harder Than an Election

• The *New York Post*, Brexit wipes out $420B in the stock market

• NBC News, Brexit Backlash Dow Plummets as Markets Reel

• The *Wall Street Journal*, Brexit Rattles Emerging Market Stocks

• FOX Business, After Brexit Carnage, Should You Rejigger Your Investment Portfolio?

Markets — it would appear — respond to fear tactics. In other words, the downturn in the economy is likely a self-fulfilling prophecy. If a bad prediction is screamed loudly enough from enough rooftops, some investors become concerned. That concern leads to those investors backing off until they can see what's going on. The market reflects that back-off, and — voilà — the prophecy is true.

The U.K. was not just *any* member of the EU; it was a financial beast-of-burden. It was, in essence, the wealthy friend invited to dinner for the express purpose of picking up a disproportionately large share of the tab. *Of course* the EU will miss the U.K. The U.K., however, will not likely miss the EU. As *The New American*'s John McManus wrote in March:

> The possible loss of the second largest contributor to the EU budget has the moguls managing the Brussels-based EU quite worried. Cameron will do all he can to persuade his countrymen to remain tied to the 28-member super government knowing that other EU member nations may follow if Britain leaves.

> England has been a member of the EU since its founding by virtue of already holding membership in the European Economic Community (EEC). In 1973, the EEC was known as the Common Market, a clever but deceitful name persuading many to think their country would benefit from increased trade and nothing more. But after Britain and other European leaders signed the Maastricht Treaty of 1993, the EEC became the European Union and member countries were now not only trading goods; they were trading away sovereignty.

Having voted to regain its sovereignty, the U.K. — that "second largest contributor to the EU budget" — has stirred the financial waters of the EU and left a hole which will not likely be filled. With the fear tactics trotted out in force even before the vote, the stage was set for placing the blame on those who would choose independence. As William F. Jasper wrote for *The New American* on Wednesday:

> With only one full day of campaigning to go before the Brexit referendum, British Prime Minister David Cameron yesterday resorted to a desperate appeal to older British voters. With the official PM residence of 10 Downing Street as a backdrop, Cameron passionately urged Britons to vote on Thursday to remain in the EU, citing economic, security and legacy ("it's for the children") arguments, all standard bromides that have failed to stop the momentum for the Leave (Brexit) side.

As Edward Chancellor, a Briton and an economic columnist for Reuters, asserted on June 16, the naysayers "lack credibility." He wrote:

> Legions of economists, policymakers and political grandees from around the world have warned of the economic threat of Brexit. These voices lack credibility. None of the Remain economists, to my knowledge, anticipated the global financial crisis. The UK Treasury claims that British incomes will be lower for years after leaving the EU. The same Treasury, however, has consistently had problems forecasting next year's UK GDP.

As John F. McManus pointed out in his article quoted above, the U.K. — despite being a charter member of the EU — never adopted the euro. The seeds of independence that led Britons to hang onto their own currency eventually led them to reject the EU altogether. As McManus wrote:

> Britain's membership in the EU is somewhat unique in that the nation variously known as the United Kingdom has never given up its own currency. Where the Euro prevails in almost all of the 28 formerly independent nations, including nearby Ireland, the British pound still exists and is a constant reminder for many Britons of the desire to remain aloof from the many political and economic ties to the continent. Resistance to being dominated by a multiplicity of EU regulations and subjection to the decisions of the European Court of Justice have led many to prefer to quit the EU and go it alone.

Chancellor pointed out that those who claim that Brexit will necessitate some type of financial crisis also claimed that the U.K. should adopt the euro. They were wrong then, and they should be listened to with a healthy dose of skepticism now. He wrote:

> Not long ago, many politicians and businesspeople argued that Britain would miss out if we didn't join the European single currency. We now know that the real calamity would have been joining the euro.
>
> In truth, the greatest economic risk posed by Brexit comes from the threat of retaliation by our erstwhile European "partners". Given that Britain runs a large trade deficit with Europe, a trade war would be irrational. It is a poor reflection on the EU that such a threat should be credible.

And while Chancellor's political leanings are somewhat questionable (he ends his article with a nod toward "Kant, the greatest of Enlightenment philosophers"), he is certainly correct in his assertion that "developed economies have withstood far greater shocks" than the U.K. freeing itself of the tyrannical chains of the EU.

If there is a lesson to be learned (or learnt, as our friends across the pond would say) from all of this, it is that independence is worth the risks. Perhaps the United States should consider taking independence seriously again by moving to leave the United Nations. Brexit — as important as it is — would pale in comparison.