# CARLSON FINANCIAL MANAGEMENT

### BREXIT

'I'm all right Jack' is the classic English workingman's response to any noisome do-gooder who presumes to help him out. The message is leave me alone, stop telling me what to do and stop telling me you love me. It is no stretch to imagine the pink palmed Eurocrat twirling his \$1000 Mont Blanc pen in disgust as he ponders the ignorant Brit who has just dismissed him. The European Union was supposed to embody the march of history, pointing to a future where national sovereignty would fade and a unified Europe would arise to ensure domestic peace and prosperity. Now the British have opted out of that future. There was a certain inevitability to this 'Brexit', at least there had to be a major blow up at some time.

The United Kingdom's exit from the European Union has a history. At its very beginning in 1957 the Union envisioned the eventual full economic. social and political integration of all Europe. But its initial provisions were quite modest. At the start there was only an agreement between the Benelux countries, Germany, France and Italy; and it only specified an end to customs duties on goods shipped across national boundaries. It was a very restricted free trade arrangement. Great Britain, however, was never primarily concerned with removing commercial barriers. The British always resisted joining the Union out of fear of losing sovereignty. Among them there has always been some feeling that they are not really Europeans anyway. They are, well,



Brits and the closest thing to them would be Yanks, Aussies and Canucks.

The EU developed very slowly. The initial advances were economic, the first being the free movement of capital. By the time that Great Britain finally overcame its reluctance and joined the Union, in 1973, fully sixteen years after the EU's inception, virtually nothing had changed in the political sphere. There was no European government, the Union was still just a pact among equals. It was not until 1986 that an EU body had the power to overrule an individual country's wishes. The Treaty of Maastricht in 1992 is probably the single most significant signpost along the way. It gave the European Parliament some real power and began the process of setting up institutions that could affect common policies in the home affairs of the individual states. This treaty also made a very important symbolic difference. Until then the Union's

official name was the European Economic Community, the EEC. Obviously this emphasizes the Union's primarily economic focus and the term 'community' clearly means a gathering of equals. With Maastricht the name changed to European Union, making the whole greater than the parts.

Now EU law and regulation takes precedence over national law. Major confrontations are avoided only because the Union is fairly careful not to create laws that would cause big internal disruptions in the member countries. The Union is after all democratic. Its principal law making body, the Parliament, is directly elected by all European citizens and representation is roughly proportional to population. The other law making body, a form of senate, the Council of the European Union, is made up of representatives appointed by member governments.

Still, this can't but be fuel for nationalist fires. There are 119 separate regulations regarding pillows. At last count, since 2010 the Union has issued 3589 new regulations, consisting of over thirteen million words. This stuff can be irritating regardless of the source but it is worse when it comes from a faceless bureaucracy in Brussels. We have a parallel in this country. Whenever the federal government passes a law or issues a regulation the opponents immediately think their own state government would never sanction such a thing and if it did it would not

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be nearly as bad.

This is the backdrop against which Brexit supporters, the Leave movement, made their case. Every law, every petty conflict over a new regulation, was another reminder of the loss of national sovereignty. Leave supporters put this in a larger context. They argued that Europe is essentially a dysfunctional society with high unemployment, high debt, slow or no growth and an aging population. Great Britain, with a reasonably healthy economy, would be roped into maintaining a Europe that lacks the dynamism to resolve its self created problems. The euro crisis is an additional reason to avoid the continent. A Great Britain without sovereignty might eventually be forced to give up the pound, then contribute to the bailout of countries with unsustainable debt.

The final factor that drove Brexit is immigration. The standard view is that the working class, devastated by de-industrialization and disinclined to celebrate diversity, was no longer willing to tolerate its dark skinned neighbors. But it is more complicated than that.

Britain's non-white population comes from Commonwealth

countries, former colonies. They are largely from India, Pakistan and the Caribbean. Britain establishes its own immigration policy as far as these people are concerned. The EU has nothing to do with it. The arena in which the Union does figure is where EU citizens are concerned. Any EU citizen has the right to live in any EU member country. There are 2.8 million in Great Britain. The stock figure for the unwanted immigrant is not dark, he is the 'Polish plumber'. This serves as a metaphor for all eastern European immigrants. For whatever reason the Brits have taken a peculiar dislike for these people. Perhaps it is because they are the new kids on the block. It was only about ten years ago that substantial numbers of Europeans began to arrive, while immigrants from the Commonwealth have been coming since the end of World War II.

Asylum seekers are the latest category of undesirable immigrants. The EU takes this as peculiarly its jurisdiction and will override national governments that do not abide by its rules. The Union is very liberal in its desire to accommodate these people. What was a steady stream is now a flood. Way the largest fraction of these migrants are from the Middle East and North Africa. Nearly all are Muslim and, as we know, that has become the occasion for major concern.



What will be the effect of Brexit? Most knowledgeable observers agree they don't have a clue. Probably it won't change much. If Britain wants tariff free access to the European market it will have to agree to the free migration of EU citizens. That is the agreement that Norway, a non-Union country, had to make. True, the British can make their laws now without fear of EU interference, but those concerns were overblown in the first place. Great Britain will no longer have to worry about being pulled into the morass of a dying Europe, but how that theme plays out will only become apparent in a distant future.

What happened in Britain is just the first dramatic example of what is happening all over Europe. Nationalist sentiment, economic crisis and fear of refugee immigrants is universal in EU countries. Already there are very loud and very popular calls for other national referendums. It could be contagious. We may be witnessing the disintegration of the European Union.

The Union's fundamental problem is overreach. It wants to go beyond being simply a free trade area to become an all inclusive government, homogenizing national laws and integrating social systems. If there is going to be a European ethnicity with a single central government it is going to be far, far in the future. There may be a lesson in our own experience.

Until the Civil War the federal government almost never intruded upon a state's internal affairs. Federal power was very circumscribed, applying to just a few specific areas. Free trade among the states was one of them. It took a bloody civil war to even begin the process of federal intrusion into states' internal affairs. This in a country populated by a fairly homogenous ethnic group, a country consciously founded as an experiment, and one that had not even a century of experience in practicing self rule.

Contrast Europe which is populated by people who have been developing separate identities for a few millennia. They have been at war with each other for most of that time. The European Union is a bold experiment but if it wants to survive it will have to restrain its grasp and take a breather. There is no need for a European government to tell people what kind of poison they can dump on their lawns, how many hours its workers can work, what welfare arrangements to make for immigrants or if it can deport immigrants it considers dangerous. It can however establish a tariff free union and allow for free migration, but only for employment reasons.

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