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IMF warns against British exit from EU

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The International Monetary Fund (IMF) entered into the campaign over Britain's membership of the European Union on Friday, with dire predictions that a Leave vote in the June 23 referendum would cause recession and a slump in property values.

Speaking at the Treasury in London, IMF head Christine Lagarde warned, "We have done our homework and we haven't found anything positive to say about a Brexit [British exit from the EU] vote."

Every country she had visited in the last six months had expressed concerns about the outcome of the referendum, she explained. Given the "huge amount of anxiety" around the vote it was "entirely legitimate" for the IMF to make its position known, she said.

In the event of a Leave vote, Lagarde said the UK could enter into technical recession with its economy shrinking in two consecutive quarters. In anticipation, financial markets could see "sharp drops in equity and house prices, increased borrowing costs for households and businesses, and even a sudden stop of investment inflows into key sectors such as commercial real estate and finance."

"The UK's record-high current account deficit and attendant reliance on external financing exacerbates these risks," she added.

On Wednesday, Conservative Chancellor George Osborne reported that the Treasury had begun contingency planning to shore up Britain's financial system should the Leave vote win the referendum, to counter what he described could result in "extreme volatility." UK manufacturing is already in recession. Figures from the Office for National Statistics released earlier this week showed that British industry had entered its third slump in a decade, with sharp falls in output at the start of 2016.

Lagarde's predictions on the state of the UK economy following a Remain vote, however, were hardly reassuring for millions of working people. The IMF forecasts that even in this instance, growth was "likely to fall below 2% for the full year 2016, before returning to an average of around 2.25% over the medium term…"

The IMF's concern is not with the fate of working families. It has been one of the main agencies for imposing austerity across Europe, most notably in Greece. It speaks on behalf of the global banks and corporations—such as Goldman Sachs and JP Morgan—which are playing a significant role in bankrolling the official Remain campaign led by the Conservative government of Prime Minister David Cameron.

Major property companies are especially opposed to a Leave vote, because of the impact it will have on their holdings. London in particular has become a magnet for the global super-rich looking to expand their fortunes through the capital's property bubble.

The default response of the Leave campaign to such predictions is to rubbish them as "Project Fear". However, the prospect of economic slump and instability has been welcomed by its main financial backer.

The day before Lagarde's report, billionaire stockbroker Peter Hargreaves said that the financial insecurity caused by a Brexit would be "fantastic."

Hargreaves is the co-founder of stockbroker Hargreaves Lansdown and one of Britain's wealthiest men—describing himself as "rich as Croesus." He is the largest single donor on either side of the campaign on EU membership, having given £3.2 million to the Leave camp.

Likening the consequences of a Leave vote to the forced retreat by British armed forces from Dunkirk in the Second World War, Hargreaves said, "It would be the biggest stimulus to get our butts in gear that we have ever had."

"We will get out there and we will be become incredibly successful because we will be insecure again. And insecurity is fantastic," he added. "All the people in the City of London who I rate and are intelligent and talk sense actually say it would be better if we left. All the government lackeys, all the bureaucrats and the people on the boards [who] haven't got a clue what they are talking about want us to remain."

Of particular significance was Hargreaves' eulogy to the economy of Singapore, which he cited as the model for a Britain free from EU regulation. When Singapore became independent of Malaysia in 1965 it was "mosquito-infested swamp with no natural resources," he said. Then Prime Minister Lee Kuan Yew (who died in 2015) had turned Singapore "into the best economy in the world. It's a bit of a clinical place, but it shows what a small country with limited resources can do. And we are much bigger and have more resources. Britain will be far better off as an independent nation."

Hargreaves' paean to Lee Kuan Yew exposes the class motives driving the official Leave campaign. The establishment of Singapore as an "independent" city state on August 9, 1965 was the occasion for a relentless assault on the working class as Yew positioned the country as a magnet for foreign capital investment looking to penetrate the Asian region. He had a long alliance with Indonesia's General Suharto who seized power in 1965, and carried through the massacre of one million members and supporters of the Communist Party of Indonesia and trade unionists.

Behind the façade of democracy and "national unity", Yew responded to social dissent with brutal repression. Migrant workers, which make up 44 percent of Singapore's workforce, have no rights and can be forcibly repatriated at a moment's notice for the slightest complaint at their conditions. This virtual slave labour force is used to depress wages, with the result that social inequality is among the highest in the developed world.

It is this that accounts for Singapore being listed as the second most "competitive" city in the world. It is also the world's third largest financial centre, with its tax breaks and absence of regulation a magnet for hedge fund operations in particular. The country has the world's highest concentration of millionaire households, at approximately 15.5 percent.

Hargreaves makes plain that for the Leave campaign, economic instability is welcomed as providing the whip hand for smashing up wages and conditions in the UK—all in the name of the national interest.

A sharp fall in sterling in the event of a Brexit would be the occasion for "whoopee-do", Hargreaves said. Looking back nostalgically to 1992 when sterling was forced out of the European Exchange Rate Mechanism, causing a 20 percent fall in its value, the billionaire said this would be "positive for exporters and the market."

Workers' rights would have to suffer, Hargreaves said, complaining that EU legislation concerning limited social directives was a hindrance to employers. "It should be up to firms" to determine working conditions, "not governments."

Hargreaves is not alone in his objectives. The Leave campaign is led overwhelmingly by right-wing Thatcherite forces, including many from hedge fund and asset-stripping operations with headquarters in London's Mayfair. They include the multi-millionaire asset and fund manager Jim Mellon, billionaire Crispin Odey, founding partner of Odey Asset Management and Sir Michael Hintze, founder of the CQS hedge fund.

Last October, Paul Stephenson, former Conservative press officer turned Vote Leave's communication director, boasted, "We are confident that hedge funds and many other financial firms will support 'Vote Leave, take control'."

Mellon has boasted that the success of his company, Charlemagne Capital, was directly bound up with the massive privatisation of state industries undertaken by the former Soviet bureaucracy after it liquidated the Soviet Union in 1991.

Earlier this week, Aaron Banks—a millionaire who leads the Leave.EU group and backs the UK Independence Party, said, "If it were up to me, I'd privatise the NHS." He spoke during a visit to address the Cato Institute in Washington.

Such statements validate the Socialist Equality Party's refusal to endorse a Leave vote in the referendum, despite its hostility to the EU. Advancing the call for an active boycott, the SEP explained that the referendum is the outcome of a reactionary faction fight within the British bourgeoisie over the best means to attack workers' social conditions and democratic rights.

"The terms negotiated by [Prime Minister David] Cameron as the basis of the UK remaining in the EU sanction his government's attacks on migrants and measures to protect the criminal activities of the UK's banks and financial institutions", its statement explains. "A Leave vote, however, would be seized on as an endorsement of demands for British 'sovereignty' and 'independence'—euphemisms for removing all obstacles to the intensified exploitation of the working class and a more ruthless clampdown on immigration."