

# UPON "BREXIT" AS A POLITICAL OPTION WITH ECONOMIC RESULTS

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## **Abstract:**

*After the "BREXIT" political option, the goal of macroeconomic stability in Europe has become argued again. When financial and economic crisis slowed down the growth rates on all continents, people believed it was an objective and functional fluctuation. Anti-crisis measures were taken, and they targeted the unique European market, tending to balance the prices but meanwhile the economic flows are carrying price charges which include the full cost to carry a commodity. The inside E.U. "EXIT" does not mean the exit from the global market, and consequently the major economic phenomena remain globalized.*

**Key words:** "BREXIT", stability, Europe.

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## INTRODUCTION

The present millennium is about to change the meaning of the brief expression "major economies" in "remarkable in effectiveness and increasingly complex economies", weather grounded or not on large amount of resources. Such major and remarkable economies, as models of development for all the smaller countries apply a specific social democratic organization, that put in its' place the principle of justice, as a conformity to truth, reason and facts, in an impartial way.

## DEBATE

European scientific thinking owes a millenarian experience in analyzing the functioning and the organization of the society, in order to avoid tensions and disharmonies while making the market mechanism go on and the profits go up.

If the political sphere consecrates equality in functioning fundamental rights and duties, it is here that we found the inner resort of the success of the economic sphere: in his "The Republic", 360 B.C.E., Plato was questioning about how the state should protect and support the citizens (through the voice of a character) "...justice is nothing else than the interest of the stronger", or "...not only the obedience to the interest of the stronger but the reverse"? (3)

This way, "a State ... arises... out of the needs of mankind" and because the primary needs are of economic nature, the idea of justice meant a social distribution of wealth: the ideal state of Plato feeds all its' citizens and fulfill their basic necessities.

The epoch of sciences could not arrive without a wide philosophical approach upon the correlation among social, economical and political rights, as universal values of the humanity, and history has choose Jean-Jacques Rousseau (1712-1778) to retake and empower the idea of state responsibilities for the citizens, in the well-known "Du Contrat Social ou Principes du droit politique", 1762 (4).

Europe restored at the time the ancient ideal of The Republic as a solution for famine and misery, hoping that justice through its' tools, liberty, equality, fraternity, will

automatically bring prosperity: "Homme est né libre, et partout il est dans les fers; le plus fort n'est jamais assez fort pour être toujours le maître, s'il ne transforme sa force en droit, et l'obéissance en devoir" (4).

On the other cymbal of that time balance we see Jean-Baptiste Say (1767-1832), who in "Traité d'économie politique", 1803, (5) explained that to produce is enough and automatically this will create an equal and corresponding demand; the market mechanism seemed simple, fortunate, optimistic so that governors could easily lead the real economy to efficiency and equality in the same time.

It was most unexpected then why the modern liberty and equality did not work to bring social harmony, but how could bring harmony the state and the individuals - as two parties situated in such an irrefutable opposition as the "laissez-faire" envisaged.

In economic science we always keep in mind the wealth generating, distribution and consumption, but because they all became more and more sophisticated and unpredictable in the process of inter-mediation with human action, the study of each part becomes at some point not fit to reality: social evolution considerably improved all of them, but poverty remains and even increases in some parts of the world.

After the 2016 BREXIT political option, meaning the withdrawal of the United Kingdom from the European Union, consequently to the majority of the voters' decision, expressed only few months ago, amazed people questioned again, as their ancestors did before, if the rights and priorities of the most powerful always have been a market principle, if the apparently contradiction between political and economical sphere will bring more harm to them. One reason why the British voters

A tool to measure poverty is known as "Gini index", able to measure the extent to which the distribution of income (could be consumption or expenditure) among individuals or households within an economy deviates from a perfectly equal distribution: the lower it is, the lower the differences in distribution are. To compare and conclude this aspect, we notice that: GINI index (World Bank estimations) varies by country in Europe: the state with the highest value here is Macedonia, with a value of 44.05, in 2012, while the state with the lowest value here is Ukraine, with 24.55 in 2012.

We use some suggestive data examples of the evolution of wealth distribution, presented by authorized institution (World Bank, <http://www.nationmaster.com/country-info/stats/Economy/Inequality/GINI-index>; <http://www.indexmundi.com/facts/indicators/si.pov.gini/map/europe>) (8): while E.U. had an average Gini index of 30.6 in 2012,

- United Kingdom (non euro-zone) had a Gini index of 32.6 in 2012, lower than 35.97 in 1999, so during this period of time, the distribution mechanism has improved;
- Romania (non euro-zone) had a Gini index of 27.3 in 2012, lower than 32.13 in 2007;
- France (euro-zone) had a Gini index of 33.1 in 2012, higher than 32.74 in 1995
- Germany (euro-zone) had a Gini index of 30.1 in 2011, higher than 28.31 in 2000
- Bulgaria (non euro-zone) had a Gini index of 36 in 2012, higher than 29.24 in 2003
- Sweden (non euro-zone) had a Gini index of 27.3 in 2012, higher than 25 in 2000

Examining these simple statistical findings we remark that in UK the Gini coefficient is higher than the European average, but having a good trend, and our logical inference is that not poverty was the essence of the "veto" given by Britain citizens to the European Union. It is not famine that got hot the spirits, we were no longer in Middle Ages.

The British people exercised their constitutional right to reject the proposal made EU: the proposal was not directly connected to their welfare level, but interfered with their way of life, and that was the refugees distribution as mandatory quotas. ( European Commission , “Refugee Crisis – Q&A on Emergency Relocation”, Brussels, 22 September 2015 [http://europa.eu/rapid/press-release\\_MEMO-15-5698\\_en.htm](http://europa.eu/rapid/press-release_MEMO-15-5698_en.htm)) (7).

Besides that, there are other theories, some of the avantgarde, and some of biological origin, trying to explain the differences among countries, the differences among economical, political and social behaviour; among them we notice the neuroeconomics ( which makes cognitive, psychologic experiments, and that found for instance that a reduction of cortisol in the human body is correlated with a higher degree of impulsivity in intertemporal choice tasks (6); or found that using nootropics/smart drugs could help investors and traders enhance their cognitive acuteness while trading the market). In the same line, of finding a biological causality of economic and social motion, a recent study showed the results of testing with a statistic correlation software how health and health-care can explain the difference in levels between countries, concluding that “we can say that our results confirm the results of specialized studies according to which health has a role in economic growth”, and “people with higher life expectancy are likely to invest more in education which in turn should facilitate economic growth” (Galea, 2014, (1).

In Romania, after the 1989 Revolution, and not only here, the governors generated a policy subordinated to the economic sense of rationality, aiming the personal satisfaction and the aim of consolidating the political parties: all the economic functions of the present state, such as allocation, stability and distribution of wealth, have been used as tools for obtaining in fact financial incoming resources for them or for the parties they belong; social justice, job creation, sustainable development, investments, infrastructures, education, health-care, and so on, are politically interesting as long as they benefit from a steady financing from the real economy, they influence the voters and they contribute to the empowering the leadership of political parties.

This way, we found one source of inefficiency in preventing poverty, for instance, because the leaders are deputized by the electors to decide in their own way.

In our opinion, one reason why Romanians were eager to join the EU definitely was their expectation of more justice entailing the EU accession.

Here we arrived to the public option applied theory: it is easy to use the popular vote to clarify the necessity for unity in Europe, as long as the citizens actually will vote accordingly to the welfare vision of a politician.

## CONCLUSIONS

From Plato to Rousseau and towards the 2016 Nobel for economics winners, Maija Halonen- Akatwijuka and Oliver Hart, the contract among people, meaning the the just state aid, has undergone an extensive becoming.

The analysis of the fabulous hug between justice (fairness) and efficiency was carried on by the two famous winners of the Nobel Prize for economics in 2016, Maija Halonen- Akatwijuka and Oliver Hart, in their "Continuing Contracts"(2).

In this work, they demonstrate that "the rolling contract" is a sign of justice in the contemporary state, having a cost-cut advantage.

The continuing contract is the expression of justice in times of crisis. It can be a solution for reducing the (re)negotiation costs relative to a short- term or long- term contract when encountering uncertainty about future gains from trade. As the authors underline: “Fair dealing may limit the use of outside options in bargaining and as a result parties will sometimes fail to trade when this is efficient. For- cause contracts, where termination can occur only for a good reason, can reduce this inefficiency.”

BREXIT came in the EU stirring existence just like a crisis itself, and after this political happening, the goal of macroeconomic stability in Europe has become argued again. When financial and economic crisis slowed down (2007-2010) the growth rates on all continents, people believed it was an objective and functional fluctuation.

Anti-crisis measures were taken for all the EU member states and they targeted the unique European market, tending to balance the prices but meanwhile the economic flows are carrying price charges which include the full cost to carry a commodity.

The Brexit follow up is that the inside E.U. "EXIT" does not mean the exit from the global market, where the major economic phenomena remain globalized: the trend to stability will (re)move the ethnic barriers and will sweep away the cultural discrepancies.

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