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BRITAIN AND EUROPE: backing into the future

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The United Kingdom's exit from the European Union has become a real political possibility. Why has the relationship reached this point, and are there prospects for readjustment that avert a complete break?

The eurosceptic momentum has led David Cameron to embrace a dual strategy announced in January 2013: promising to engage in negotiation with the EU to secure new national guarantees and/or repatriation of powers, before seeking endorsement of the results in an "in-or-out" referendum (though he will first need to win the national election due in May 2015.)

Britain's awkward relationship with the EU will endure due to issues related to the two biggest political difficulties faced by successive governments: the rise of centrifugal forces that may rupture the UK, and the structural flaws of the British economy. Both will require intense political management over the next decade, and correspondingly limit the political space available for substantial movement over Europe.

"Europe" has come to operate in the British debate as a screen onto which eurosceptics project the blame for defects that in most cases are home-grown. This process, amplified by the more toxic media outlets, has acquired a dimension of real pathology. Even reforms of the UK-EU relationship which the London government carries in a referendum are unlikely to change it.

The next few years will have its share of unforeseeable events. Much depends on the character of forthcoming EU reform, the outcome of the government's balance of competences review, and whether Britain can join any EU-wide process or negotiate new special arrangements and opt-outs.

My working title for this Nota Internacional was "Britain's European problem". To many Anglophone ears the phrase will sound easy, plainly descriptive of the often unsettled relationship between London and the European Union. From the other end of the telescope, though, "Europe's British problem" would be equally accurate, even if to the same ears it might sound discordant or vaguely insulting. So used are the British public to their politicians and media depicting Europe as an irritant or threat, it's hard to consider that - as the conspirator Cassius says in Shakespeare's *Julius Caesar* - "The fault, dear Brutus, is not in our stars, / But in ourselves..."

In one sense, though, even to frame the issue in either of these terms no longer works. For if Britain was for many years the European Union's "exception", that is arguably no longer the case. In today's EU, beset by multiple challenges - from the eurozone's dysfunction to institutional tensions, from divisions over reform to the growth of populism - it can seem that *everyone* has a "problem" with Europe. The evidence of widespread discontent with the EU in successive Eurobarometer and Pew Research polls, and of the rise of populist parties and sentiments in many member-states, suggests that Britain - the home of euroscepticism, its political class and public the main source of criticism of the European Union in the name of the nation-state - appears more of a pioneer.

There is, though, a fundamental reason for "the British file" to occupy its special place on the shelf for at least a few more years. This is that the United Kingdom of Great Britain and Northern Ireland - to give this multinational state its conventional title - is the only EU member-state where powerful elements of its public, political elite and media have never reconciled themselves to the fact of its membership, even forty years after accession.

These voices have devoted immense energies to keeping alive the argument for a reversal of the decision to join what was then the European Economic Community (EEC), made in 1972-73 and confirmed by referendum in 1975 (after minor adjustment to the terms of membership were negotiated by an incoming Labour government.) Their case gathered renewed strength in the financial downturn after the crisis of

2008, and achieved a breakthrough in January 2013: securing from the Conservative prime minister a guarantee that, if he remains in office, he will hold a referendum by the end of 2017 in which the question of membership will be put directly to the British people.

The political momentum behind a possible "Brexit" is particularly associated with the rise of the United Kingdom Independence Party (UKIP), which many predict will win the elections to the European parliament in May 2014 (in 2009 it received 16.5% of the vote and saw twelve candidates elected as MEPs, since reduced to nine by resignations.) UKIP is a nationalist party which campaigns vigorously on opposition to large-scale immigration and to the European Union. Its public voice is abrasive, blustery, and nostalgic; its policies seem less important than its implicit offer of a refuge from the modern world's complications. It seeks to maintain a respectable image, lacks any street or militant wing, and is concerned to exclude extremists (though the tendency of some of its representatives to flirt with racist language causes it periodic embarrassment). It has also proved capable of taking votes from Britain's three major parties - Conservatives, Labour, and Liberal Democrat.

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UKIP's principal political danger is to the Conservative Party, Britain's historic governing party of the centre-right, which took power in coalition with the (europhile) Liberal Democrats after the election of 2010. Many UKIP members are defectors from the Conservatives, and many Conservative loyalists share UKIP's adamant opposition to the EU and immigration; indeed, in many ways UKIP can be regarded as the subconscious of the Conservative Party. This combination of domestic pressures on Europe, from outside and inside his party, was reflected in the coalition's European Union Act of 2011, which mandates a referendum in the event of any increase in the EU's power. This was followed in July 2012 by the foreign secretary William Hague's announcement of a "balance of competences review", examining the EU's powers across the range of government policy.

The eurosceptic momentum further led David Cameron to embrace a dual strategy announced in January 2013: promising to engage in negotiation with the EU to secure new national guarantees and/or repatriation of powers, before seeking endorsement of the results in an "in-or-out" referendum (though he will first need to win the national election due in May 2015.)

For their part, several Conservative members of parliament want the referendum to be held now. A substantial part of the media, notably the right-leaning mass-circulation newspapers, continues to target Europe with sustained and more or less indiscriminate animosity. In particular, the papers depict the EU as an always-imminent source of mass immigration, which echoes and reinforces UKIP's main campaign theme. The principal alarm now relates to Bulgaria and Romania, with the expiry on 31 December 2013 of transitional rules governing the free movement of their workers.

These trends - UKIP's advance, concern about immigration, Europe's loss of face in the eurozone crisis, the propitious political circumstance (for the eurosceptics) that the Conservatives failed to win a majority in 2010 and were forced to bargain with their supporters and backbench MPs to retain the political initiative - have had the overall result of making Britain-EU relations reappear as a matter of high-level dispute. "Reappear", because - though it is hard now to recall - "Britain's European problem" did go into remission during much of Tony Blair's period in government between 1997 and 2007. The more pragmatic and positive stance of Blair's "New Labour" towards the EU, exemplified in areas such as enlargement and the constitutional treaty, was welcomed in Europe, even if the early enthusiasm at his arrival in power soon dissipated; in domestic terms too, Blair's change of tone on the EU seemed to accord with evolving British opinion.

Moreover, Blair's hegemony pushed the Conservatives deeper into what seemed to their moderate, pro-European wing an almost pathological obsession with the EU and its threat to British sovereignty. John Major had sought to pursue a centrist course following Margaret Thatcher's removal in 1990, but was handicapped by party division and relentless fire from the eurosceptic right; three subsequent leaders then embraced the anti-EU cause, failing either to revivify Conservative fortunes or to convince a wider public. By 2005, when David Cameron was elected leader on a promise to modernise its policies and outlook, the party was established in the public mind as dogmatic and obsessive - with "Europe" as the prime example of its unhealthy fixations.

Here, Cameron's advice to the Conservatives to "stop banging on about Europe" - suggesting a monotonous drumbeat that found no echo - was emblematic of his desire for a fresh political start: the centre-right equivalent of Blair's once-attractive but now tarnished promise of social-democratic renewal. But by the time he limped into power in 2010 at the head of a coalition, tight domestic policy constraints - most of all a severe debt crisis caused by the emergency bailout measures of 2007-08 - looked set to dominate his term; his power was compromised by the need to work in tandem with his Liberal Democrat partners; and his cohort of new Conservative MPs were as a whole more vehemently eurosceptic than ever, reflecting the systematic preferences of local constituency parties across the country for whom the old anti-Europe verities were by now articles of faith.

In this light, Cameron's promise of a referendum in 2017 can be seen in part as a sober adjustment to his vulnerability *vis-à-vis* his own party, in part as an artful effort *reculer pour* *mieux sauter*. The promise buys time, which he can hope to fill by gaining the semblance of a new deal from the EU of sufficient lustre to convince party and people to support it; it also turns the issue of Europe from a static to a fluid and future-oriented one, linking Britain's position within the EU to the Union's own reform process. The political risk - "Brexit" - is clear and stark; but it also carries the potential benefit of making the UK's membership of the EU definitive, and even turning the dynamics of the tendentious, generation-long debate about Europe in a positive direction.

The hope of resolution in Britain's European drama is thus counterbalanced by the many uncertainties that surround this latest episode. The referendum timetable, in the context of other items on the electoral calendar, also means that the European issue is now being filtered through high-stakes political questions: will the referendum take place, what will be the result if it does, and will the process solve "Britain's European problem"?

There are too many "known unknowns", both inside Britain and in its discussions with European partners, to be confident of the answers now. But an informed guess on the first two questions is possible, which in turn clears the way to address the third and perhaps most difficult. In brief, then - and mindful of the warning, "never make predictions, especially about the future" - it is probable that a referendum on the UK's membership of the EU will happen, and that the result will be to accept whatever new terms David Cameron negotiates and thus to stay in the EU.

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The likelihood of the referendum taking place reflects underlying political dynamics. Here, the prime minister's schedule - negotiations, then plebiscite - is an authoritative attempt to create new political "facts on the ground." But it also reflects a growing belief across the society that another nationwide decision over the EU is the only way to resolve what has become an impossible dispute. True, the opposition Labour Party led since 2010 by Edward Miliband - currently 5%-10% ahead in the polls, which would give it a clear majority in 2015 - has so far refused to endorse the referendum plan. This is less from pro-EU enthusiasm (of which there is very little on any side) than from fear of losing the freedom to act on its own initiative. But the pressure on Labour to decide whether it supports a referendum will increase as the election approaches, and the call to "let the people decide" will be hard to resist - as much, perhaps, if Labour wins as if it loses.

The current polls show the British public to be finely balanced on the issue of EU membership; the respected YouGov agency finds in mid-November 2013 that both "in" and "out" options have 39% support. Peter Kellner, who heads YouGov, writes that the public mood has shifted from a more antagonistic position: "[As] the prospect grows of a referendum in the not-too-distant future, the dangers of departure loom larger in people's minds. It's not that more people than before think departure would, say, be bad for jobs, but that this issue influences voters more than it did when a referendum was a more distant prospect. The prose of economic calculation is beginning to count for more than the poetry of sovereign pride."

Alongside this shift in the public's outlook - which, of course, could be reversed - influential parts of Britain's political and business elites are sharpening their case for the UK's continued membership. It is a near-certainty that the leadership of Britain's three major parties - as well as those of the Scottish and Welsh nationalists - will adopt a "yes" position in a referendum (albeit many Conservative MPs and members will campaign for a "no", as will a sizeable contingent on the Labour and trade-union side). This strong phalanx of establishment support will be reinforced by most of the business class and financial sector. The Confederation of British Industry (CBI), for example, has published a report - *Our Global Future: the business vision for a reformed EU* - finding that 80% of its members wants Britain to stay in the EU, and claiming that membership adds an extra 4%-5% to the country's GDP. This echoes statements by major regional employers such as the car manufacturer Nissan that they would consider exiting a Britain outside the EU, so important to its operations is access to the single market. In conditions of widespread insecurity for many in and on the fringes of the economy, the importance of Kellner's "economic calculation" cannot be overestimated.

Moreover, and despite the eurosceptic vehemence that has long defined the character of the European debate in Britain, it is relevant that what pollsters call the "salience" of Europe as an issue among the broader public tends to be very low. A poll in June 2013 is representative: asked to choose "the most important topics facing the country", Europe came eighth out of thirteen - behind the economy, immigration, health, welfare, tax, crime, and education - and only 13% mentioned it as one of the top three issues (with just 20% even of Conservative voters and 32% of UKIP citing it). Admittedly, "Europe" is associated in voters' minds with other issues to produce a negative reaction, particularly immigration, but this is as likely to dilute as to concentrate anti-EU sentiment. The strident and obsessive eurosceptics give a false impression of overall popular feeling, which is more complex than their polarising views allow.

But if the referendum is likely to take place and likely to confirm the UK's membership of the EU, will it bring "closure" to the long debate about Britain's position in Europe and commit the country to a decisive, Europe-centred course? Here, it may be that a clear "psephological" result (in the counting of votes) will not bring such a clear "psychological" result (in the settling of minds). The UK's position as an EU member will have been confirmed, but this will not entail any fundamental change in the quality of the UK's European commitment. In this sense, Britain's European problem - and Europe's British problem - will continue for another generation.

The currents of history

This prediction could be read, from a pro-European point of view, as a form of "pessoptimism", in that it would confound eurosceptics while failing to satisfy europhiles. The rationale for making it lies partly in the deep structures of Britain's international history, including its three-dimensional foreign policy, and partly in the challenges of its contemporary politics, especially its economic troubles and national-regional tensions.

With regard to the first factor, the legacy of history, this continues to inform Britain's actions and choices. The dominant themes of Britain's relationship to European unity is familiar: from the delay and evasion of the years after 1945, through the acrimony of the 1980s, the reluctant cooperation of the 1990s, to more recent compromises and tensions. For the later period, the poisonous misinformation fed to the British public by the more partisan media cannot be undelivered, nor its influence in creating a malign image of the European Union easily lifted. The accumulated experience of these decades has created its own inheritance, which can shape and constrain the policy of any British government.

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In particular, the imprint of the strategic decisions made, and avoided, in the period after the Second World War continues to have its effects in Britain. This was a time when successive governments first avoided supporting the embryonic moves towards economic coordination among the "six", then sought to create an alternative bloc, before submitting a series of applications to join what had become the EEC, the third of which was accepted after Charles de Gaulle's retirement from the scene in 1969.

For many pro-European British politicians and historians, this story was long told as one of lost opportunity: a refusal to recognise the country's European destiny. Britain's reluctance to embrace - and lead - Europe in the late 1940s and early 1950s meant that it missed the chance to play an equal role with West Germany and France in shaping the Union. Britain was consigned to the role of a difficult partner, and forced to carry the burden of that early indifference. This was long referred to, including in a splendid book of interviews with British diplomats and politicians by the BBC reporter Michael Charlton, as "the price of victory".

In many ways it's a persuasive story. It also has an element of teleology that leads it to miss the contemporary psychology of the governing elite. This is encapsulated in Winston Churchill's advice in 1948 to the diplomat Oliver Franks (soon to be the UK's ambassador in Washington): there are three "intersecting circles of British foreign policy", said Churchill, "the United States, the Commonwealth, and Europe. Young man, never let Great Britain escape from any of them!"

It was a universal assumption in the official mind that Britain was and must remain a world power: in practice, that meant distributing its influence between the empire-commonwealth (whose sterling-zone accounted for around half of its trade), the United States, and Europe, with Europe seen - increasingly from 1947 - in terms of the Soviet Union and the incipient Cold War.

Now, it would be wrong to substitute an alternative teleology for the Europe-centred one; to simplify Britain's complex history over seven decades; or to suggest that a country or people can be so trapped by the past that they lack the agency to choose a new course. But looking at the entire period since 1945, and taking Britain's inheritance of war and empire into account, it does seem that Britain's post-war politicians and diplomats were engaged in a juggling-act which more truly reflected how the state saw itself and its role in the world than any other act they could imagine, then or later. This multi-directional diplomatic stance has been much criticised, on the grounds that it overextended Britain's scarce resources or that it represented a failure to come to terms with post-imperial realities. But it also reflected the near-existential desire to be (and to be seen as) a world power. And over time, albeit the term "world power" has been quietly substituted by the more modest "world country", the juggling-act is still fundamental to Britain's self-perception - even imprinted in its DNA.

Britain missed out on European idealism at every stage - both the pioneers' version, and the idealism of the new members emerging from dictatorship in the 1980s and 2000s. Uniquely, membership of a united Europe could be portrayed in Britain as a diminishment, rather than enrichment, of the country's status and ambitions. The traces of origin can be seen in many places today, notably the ambitious narrative - embraced mainly by intelligent eurosceptics, but shared too by David Cameron and his close allies - that Britain must have "global" horizons, and not merely European ones. Their effect is to circumscribe the terms of Britain's relationship with Europe, making its "awkward partner" role hard to escape.

It's important to emphasise, though, that from the British side, the juggling-act does not at all imply a rejection of Europe, or tend in the direction of a rejection of Europe. But will such a decision be made "for" Britain, either by a European Union with renewed commitment to integration, or from within Britain itself?

Britain's British problem

The second factor that suggests Britain's awkward relationship with the EU will endure relates to the two biggest political difficulties faced by successive governments: the rise of centrifugal forces that may rupture the UK, and the structural flaws of the British economy. Both will require intense political management over the next decade, and correspondingly limit the political space available for substantial movement over Europe.

The national question

The more immediate issue is highlighted by another referendum, in September 2014, in which the people of Scotland will choose "yes" or "no" to their country's independence. For the Scottish National Party (SNP), which heads the "devolved" government in power in Edinburgh, this offers the chance to fulfil a long-standing aspiration, to restore the full political sovereignty compromised when Scotland and England's parliaments were unified in 1707, and use that to chart a distinct future for the country. In the SNP's vision, Scotland would no longer be part of the UK, though it would retain Queen Elizabeth and her successors as head of state, continue to use sterling as its currency, and remain (or become) a member-state of the European Union.

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This is the latest event in a process that saw demands for greater autonomy in Scotland evolve in the post-1945 decades; stall when a referendum on limited self-government failed to gather sufficient support in 1979; then come to fruition after another referendum in 1997 (under Tony Blair's New Labour government). The latter led to the establishment of a Scottish parliament in Edinburgh in 1999, with authority for most policy areas (though not security, defence, foreign affairs and social welfare.) The first two parliamentary terms saw Labour governing in Edinburgh in coalition with the Liberal Democrats, but an SNP minority government in 2007 was followed by the party's landmark victory in the 2011 election, allowing it to rule alone. This outcome ensured that a referendum on independence - the SNP's *raison d'être* - would be held in the ensuing four-year parliamentary term.

In the discussions following the SNP's announcement in January 2012 of the referendum date, many in Scotland wanted the option of voting on more powers for the Edinburgh parliament as well as the binary choice of independence or the status quo. (That option is called "devo-max", denoting "maximum devolution" within the UK short of independence.) In the end it proved politically impossible to include a third option, so the choice in 2014 is of a zero-sum kind. A "yes" vote would lead to negotiation with London over the many outstanding issues that would arise - from maritime boundaries (crucial to ownership of hydrocarbon resources) to pension liabilities - and then, in the SNP first minister Alex Salmond's belief, to statehood in March 2016.

Thus, the sovereign powers and territorial reach of the UK state are subject to the Scottish people's will in 2014, the most radical constitutional step since the treaty that established Ireland's "free state" in 1922 (leaving the province of Northern Ireland within the UK) - when violent insurrection had been the prelude to political negotiation. The secession of Scotland, which London would very much see as a loss, would profoundly affect the self-image of the so-called "rUK" (that is, the "residual" or "remaining" UK) and its standing in the world. It would be a major European event, at all levels, raising contentious constitutional and legal questions. It would raise fresh criticism of the UK state's membership of the United Nations Security Council, and doubts about the viability of its nuclear-weapons policy (given that the home port of the nuclear-armed submarines is in Scotland). It would reverberate across many other security fields, from coastal defence to cyber-security. And the dissolution of the 300-year-old union between England and Scotland would force a psychological reorientation on both sides with consequences that would take years to unwind.

These big stakes are reflected in the increasingly febrile rhetoric around the referendum. The process reached an important stage on 26 November 2013, when the SNP government in Edinburgh published a 670-page prospectus containing a detailed blueprint for an independent Scotland. At present, and indeed for years past, polls indicate that a clear majority of Scots - by a margin of 10%-20% - will vote against independence. But most expect a far narrower result, and many in the anti-independence side are nervous. Moreover, the "devo-max" option may be revived after a "no" vote, for the SNP and others will continue to press for greater autonomy and powers *vis-à-vis* London, a wish shared even by most Scots opposed to independence. The SNP, like its Welsh counterpart Plaid Cymru, is also strongly pro-European at leadership level.

A "yes" vote in the Scottish referendum would derail if not destroy David Cameron's plan for a plebiscite on EU membership by 2017. The planned vote would by default become one for the rUK (composed of England, Wales and Northern Ireland.) It may in practice still be feasible to hold it, but the post-referendum crisis would be such that pressures for its postponement or cancellation would be high. In any event, Cameron would almost certainly resign, freeing his successor from his political timetable. Equally, any revised schedule of decisions on the rUK's future in the European Union would depend on how the newly shrunken state manages its varying international obligations in a changed environment.

The Scottish process can also be seen as part of a longer-term trend across the UK, where successful campaigns for parliaments or assemblies in Scotland, Wales and Northern Ireland in the 1990s are deepening into efforts to win more complete self-government. It's worth noting that the process extends to sub-national collectivities: for example, Scotland's three island groupings (Orkney, Shetland, and the Western Isles) which all seek more autonomy from Edinburgh, and some English cities and metropolitan clusters. In England, the trend takes the character of opposition to perceived over-centralisation embodied by London, though this has yet to develop into a coherent campaign for pan-England self-government.

Indeed, how English political identity will develop in relation to the Scottish vote will also shape Britain's political future. Will this identity favour cooperation across the existing UK, allowing for a renewal of "Britishness" along more decentred, quasi-federal lines; or will it turn inwards, and be used as a channel of resentment towards neighbours, immigrants and Europe alike? In either case, will the English continue to be the only nation in the UK without a parliament, or will they acquire institutions of their own, either by default (like Russians after the Soviet Union) or by decision?

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To raise these questions is to indicate that there are more "unknown unknowns" about England than about any other aspect of the UK's constitutional future. An implicit theme of many debates over nationalism, regionalism, devolution and identity in Britain since the 1990s might be described as "waiting for England". Some cite polls finding that large numbers of English people are supportive of Scotland's independence (often more than the Scots themselves!), and anticipate a figure on the centre-right who would champion England's interests and lead the UK towards a "velvet divorce" (Vaclav Klaus in Czechoslovakia is the model here.) Others, mainly on the left, raise the flag of a "progressive" Englishness; the republican and radical currents in England's history, they contend, show that there are abundant resources in English society for a civic patriotism - urban, inclusive, and Europe-friendly - to emerge.

England's political ambiguity and lack of definition reflect its singular position within the changing UK. It is by far the most populous nation - with 54 million people to Scotland's 5.3m, Wales's 3.1m, and Northern Ireland's 1.8m - yet its neighbours' political over-representation and higher public-spending levels accentuate mixed feelings of disadvantage, victimhood, and even invisibility. The subsuming of England within Britain - historically, institutionally, and linguistically - means it is difficult in practice to make a cultural and symbolic distinction between the two, though this would be necessary to any English political articulation. UKIP illustrates this difficulty: its opposition to the Scottish parliament and Welsh assembly, which it sees as part of a sinister European plot to destroy Britain, confirms that it can be seen as expressing a form of English nationalism in semi-disguise.

The Scots and Welsh are more accustomed to living with a "dual identity", which can make easier their acceptance of "multiple identities", including European; though there are complex variants within all nationalities, including very strong urban and regional loyalties in England. The differences between nationalities considered *en bloc* can be exaggerated as much as the diversity within each nationality can be underplayed.

The economic question

The other major domestic problem that will consume the energies of British government in coming years is the economy. This is linked to the national question; in so far as the effort to give to the UK's imagined communities a new institutional expression also reflects the country's economic insecurities in a complex, fluid period of globalisation and associated social and technological change. Both problems also touch on the core capacities of the UK state. But irrespective of how the national issues are resolved, the UK's long-term economic challenges are so grave that they will continue to dominate government policy.

The recovery of the British economy from the financial implosion of 2008 has been slow and, for many, painful. The main tools of official strategy - huge monetary injections ("quantitative easing"), phased reductions in public spending ("austerity"), very low interest-rates and incentives to bank lending - have produced minimal or near-zero results. The current growth projections are more positive (1.5% in 2013, and perhaps 2.6% in 2014), but they also reflect government measures to promote house-buying, which raise echoes of the "bubble economy" that helped produce the crash. Even analysts sympathetic to the government speak of the "wrong sort of growth", and recall that in 2010 the government aimed to rebalance the economy towards manufacturing industry. There are few signs of this, and a 20% devaluation in sterling since 2008 has not prevented the endemic trade deficit growing ever higher. Public-sector debt in late 2013 is £1.2 trillion (€1.4 tr), around 76% of GDP (a doubling since 2008).

In short, the financial crisis has exposed persistent structural weaknesses in the UK's economic model, whose most visible features are huge indebtness, low capital investment and productivity, a deficient skills-base, and enormous trade imbalances. Behind these are concerns over the dominance of the financial sector and the associated long-term decline of manufacturing, the scale of household debt (reinforced by the vampiric housing economy), pervasive social inequality (within cities, across regions, between generations), a banking system disconnected from the real economy, unsustainable welfare dependency, and the gulf between supercharged London and everywhere else.

The longer-term trend here, one that can be tracked across decades and is intertwined with Britain's European saga, is the UK's search for a healthy and balanced economy that can avoid vulnerable over-dependence on particular sectors and generate sustainable growth to meet the state's ever-rising obligations.

It may sound melodramatic to describe the UK's predicament in these terms, especially when several eurozone states are undergoing hardship as a result of the post-2009 bailout programmes. Indeed, some British media commentary mixes relief that the UK retains relative freedom in monetary policymaking with a certain sense of vindication. More important to note is that continental Europe's economic health is vital to Britain, and that Britain needs to tackle its own structural fragility if it is to avoid a major crisis - or simply a less dramatic but real comparative decline - over the next decade.

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Britain's membership of the European Union is at the centre of intense, politicised debates about its economic prospects. Many advocates of Brexit argue that the EU blocks the UK from realising its destiny as a global trading power. A long-standing eurosceptic theme - though it is more favoured by a metropolitican current than the nativist one represented by UKIP - is that the rise of Asia, and particularly China, shows the need for Britain to "look beyond" sclerotic Europe and rediscover its buccaneering instincts. Some invoke Norway, Switzerland and even Singapore as possible exemplars for an *entrepôt*-style post-EU Britain. The diagnosis, if not the political logic, is shared more widely: David Cameron and his chancellor George Osborne talk regularly of a "global race" in which Britain must compete, building close links with China in the process.

The attraction of these ideas has grown in parallel with the eurozone's travails. They also benefit from the implicit (and sometimes explicit) connection between the English trading empire of the 16th and 17th centuries and the realities of the 21st-century global economy. The fact that they appeal both to hard-line eurosceptics and those (like Cameron and Osborne) who want Britain to stay in a reformed EU indicates how powerful this tide of opinion is.

But such ideas also tend to evasion and displacement. First, they underplay the fact that a healthy European economy is also vital to Britain's prosperity; geography is destiny, and any global success begins with Europe. Second, they imply without convincing evidence that withdrawal from the EU will of itself liberate the UK's "animal spirits". Third, they miss the fact that the source of Britain's severe economic deficiencies is domestic not European. The long-term remedies of accumulated negligence - in supply-side reform of education and training, for example, and much greater capital investment - also lie at home. Moreover, the UK economy's currently positive export areas (such as luxury goods and educational services to China) are as little handicapped by EU membership as Germany's of high-end engineering products there.

"Europe" has come to operate in the British debate as a screen onto which eurosceptics project the blame for defects that in most cases are home-grown. This process, amplified by the more toxic media outlets, has acquired a dimension of real pathology. Even reforms of the UK-EU relationship which the London government carries in a referendum are unlikely to change it. Perhaps only substantial movement in addressing "Britain's British problem" - both national and economic - has a chance of doing so.

The waiting game

A unique coalescence of events, processes and accidents has made the possibility of the United Kingdom's departure from the European Union a real option. In an unprecedented way that helps explain the sense of ferment that presently surrounds British politics, the issue has moved up the political agenda at the same time as other headline stories: Scotland's potential exit from the UK, a lengthy economic downturn, and a fluid political situation with no decisive majority in parliament or among the population on big strategic matters. The European question in British politics thus combines with others to create a situation full of both drama and indeterminacy.

The next few years will have its share of unforeseeable events. Much, for example, depends on the character of forthcoming EU reform, the outcome of the government's balance of competences review, and whether Britain can join any EU-wide process or negotiate new special arrangements and opt-outs. But here are two scenarios based only on "known unknowns":

* In 2014 the Scots vote against independence (if perhaps, more narrowly than current opinion-polls suggest); this, and a growing economy, gives David Cameron's Conservatives enough of a boost to win the election in 2015 (without an overall majority); he carries the resulting momentum into talks with the EU over national competences, securing an outcome acceptable to all sides, and which he can present at home as a British "victory"; this helps him to unite the centre-right and most of the centre-left, marginalise UKIP and the more vocal eurosceptics, and win the referendum in 2017. This hard-won consensus provides the foundation for wider constitutional and economic progress.

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* In 2014 the Scots vote for independence by a small margin, setting off fireworks in every sense and every part of the continent; this opens a tough negotiating process with London, and Brussels, which ends with the establishment of the new Scottish state in 2016; Cameron's successor as Conservative leader, George Osborne, loses the 2015 election to Edward Miliband's Labour Party, pushing the shattered Conservatives to the eurosceptic right; their new leader, Boris Johnson, announces a "historic compromise" with UKIP and wins the 2017 campaign to withdraw from the EU under a "Global England" banner. Wales declares "independence in Europe" and holds a referendum to ratify its decision, opening talks with Brussels. The Conservatives split into UKIP-led "England for the English" and "Greater England" factions. London declares independence from England.

Exciting, fantastical, alarming, irrational? It's a mark of how interesting are these times in the UK that there are good reasons to see the second scenario as more likely than the first. To illustrate the point, London's interests and powers are now a live topic; the leading expert on its governance, the LSE's Tony Travers, suggests that it could need a more open immigration regime than the rest of the country. London is a "European" and "global" city as much or more as it is a "national" one (unless the nation is London itself); closed borders are not an option. The political reality is that the UKIP version of Britain - or England - is just not going to happen there.

In its own way, each scenario also signals a key requirement in Britain's debate on Europe: a confident, linked account of the unfolding options both of EU membership and UK politics. In turn this needs political leadership capable of rare realism, imagination and intellectual coherence. In its absence, Britain - or what's left of it - will see its margin for choice ever diminishing, and be carried "backwards into the future."