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► To cite this version:

Jacqueline O'Reilly, Julie Froud, Johal Sukhdev, Karel Williams, Chris Warhurst, et al.. Brexit: understanding the socio-economic origins and consequences. *Socio-Economic Review*, 2017, 14 (4), pp.807-854. 10.1093/ser/mww043 . hal-02287030

HAL Id: hal-02287030

<https://sciencespo.hal.science/hal-02287030>

Submitted on 19 Dec 2022

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Discussion Forum

Brexit: understanding the socio-economic origins and consequences

Jacqueline O'Reilly, Julie Froud, Sukhdev Johal, Karel Williams, Chris Warhurst, Glenn Morgan, Christopher Grey, Geoffrey Wood, Mike Wright, Robert Boyer, Sabine Frerichs, Suvi Sankari, Akos Rona-Tas, and Patrick Le Galès

Abstract

The unprecedented geopolitical shift resulting from Brexit reflects deep socio-economic fault lines within and beyond the UK. In many ways foreshadowing the US presidential election of Donald Trump, Brexit brought to the surface and gave a public voice to socio-economic divisions that were deeply embedded, sometimes illogical, but until now had either been ignored or hushed out of 'respectable' public debate. This Discussion Forum emanates from a spontaneous seminar organized 2 days after the Brexit vote on June 25, 2016 as part of the SASE conference held in University of California–Berkeley and followed by an open call for papers by *Socio-Economic Review*. The papers here draw attention to the origins of the Brexit vote in deep-seated socio-economic divisions (O'Reilly), widening differences in economic performance across sectors and regions of the UK (Froud, Sukhdev and Williams) and the growth of poor quality jobs (Warhurst). Meanwhile, the political dynamics of the Brexit vote were also shaped by the fractured nature of UK business elites (Morgan), divisions between locals and cosmopolitans (Grey) and creative but muddled actions of elites that arguably generated consequences they themselves failed to fully anticipate (Wood and Wright). From the perspective of Europe, Brexit reflects a history of dysfunctional economic policy in Europe that prioritized market competition in ways that neglected and ultimately undermined solidarity (Boyer). Here, Brexit reflects a political strategy to both renationalize and re Commodify solidarity in the face of fears over migration, and which are likely to have major consequences for social solidarity in Europe more generally (Frerichs and Sankari). However, Brexit is unlikely to provide a durable social and political solution to the wider tensions between globalization and democracy, which also affect all countries throughout Europe (Rona-Tas). Ultimately, the Brexit vote underlines social divisions that combine class inequalities with regional ones, not just in Britain but throughout Europe (Le Galès).

Key words: comparative politics, democratic capitalism, elites, Europe, inequality, low-wage employment, territory

JEL classification: P16 political economy, O52 Europe

The Fault lines unveiled by Brexit

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While much reaction to the Brexit decision has been one of shock, others commentators said they saw it coming (Cohen, 2016; Clarke *et al.*, 2016; Boyer, *this volume*). The Brexiters seemed pretty surprised themselves: 54% of those who voted Leave had not expected to win (Lord Ashcroft Polls, 2016). Perhaps the biggest shock was to the broken hubris of the British political establishment revealing the fractured nature of British business elites and the weakening of the existing social order over the past 30 years (Morgan, *this volume*).

As the results sank in, pandemonium broke out. As the only Prime Ministerial candidate left standing Theresa May stepped in. Brexit became a catalyst: releasing vitriolic feuds in the British Labour Party; resuscitating aspirations for a second Scottish Independence Referendum and worrying those involved in the Northern Ireland peace settlement. Despite claims that 'we should have seen this coming', no one could have predicted the dizzying levels of political bedlam and cluelessness that ensued (Wood and Wright *this volume*).

The antecedents for Brexit had been bubbling under the surface of British politics for a long time. David Cameron triggered the referendum as a means to contain the right wing margins of the Conservative Party and stem the rising tide of the 'people's army' of UKIP. Much to their own surprise the Conservatives won a majority in the 2015 General Election. The referendum promise, that had potentially been part of an anticipated coalition trade-off, had now become a manifesto pledge.

It was an accident waiting to happen, according to Warhurst (*this volume*), and the result of a long-awaited crisis of extreme social polarization according to Boyer (*this volume*). However, the heterogeneous coalition of Leave voters suggests that other characteristics contributed to this outcome (Grey *this volume*). Brexit revealed a very ugly face of xenophobia and violence that had not been visible for decades, witnessing the attack and subsequent death of the MP Jo Cox during the campaign and a rise in hate crimes since (NPCC, 2016; Home Office, 2016). The dominant issue is commonly assumed to be migration according to Le Galès and Frerichs and Sankari (*this volume*). While undoubtedly significant, evidence from Lord Ashcroft Polls (2016) cite 'gaining back control' was the primary motivation to vote Leave, even if ironically this is likely to increase the UK's economic vulnerability (Froud *et al. this volume*).

As predicted the value of sterling plummeted, alongside a worse than expected manufacturing slump (Khan, 2016). The Bank of England injected £3.1 billion into UK banks, ready to provide an additional £250 billion to backstop markets (Rodionova, 2016); subsequently interest rates

were cut to bolster the economy. Negative economic consequences will affect Germany, whose foreign trade with the UK amounted to over €89 billion in 2015, the UK being their third most important trading partner after the USA and France (Statistisches Bundesamt, 2016). Smaller more vulnerable countries dependent on trade with the UK, like the Irish Republic, have been described as sitting in the passenger seat of the Brexit car crash (Fingleton, 2016). For many the prospects are bleak; for others this is an opportunity to create new economic and social institutions for the digital age (Colin, 2016) and embolden progressive movements (Fazi, 2016).

Looking for concepts to help us analyse and understand the causes and consequences of the Brexit vote I draw on some of the interpretations we made of the financial crisis of 2008, using the concept of 'fault lines' and the Polanyian concept of a double movement (O'Reilly *et al.*, 2011). These concepts draw attention to the fractured coalitions supporting leave, and the extent to which this can be seen as a reaction to protect against the negative impacts of globalization and neo-liberalism.

1. Socio-economic Fault lines

The concept of 'fault lines' used by the economist Rajan (2010) identified deeply embedded flaws in the international system of financial regulation that caused the 2008 financial crisis. His seminal article *Has Financial Development Made the World Riskier?* (Rajan, 2005) was the first to predict the financial crisis. He argued that accentuated risk taking by financial intermediaries had generated enormous wealth and access to finance. But this behaviour exacerbated fluctuations: the risks taken made their organizations and subsequently private households financially more interdependent and vulnerable. Rajan (2010) proposed greater control and more prudent supervision was necessary so that 'market friendly' policies would reduce the incentives for intermediaries to take excessive risks. At the time he was ignored because government regulation of the sector was too closely tied to the interests of the large financial organizations benefitting from these risky and highly profitable transactions (Rajan, 2010, pp. 180–81). David Cameron's political risk taking with a 'dash of Bullingdon hubris', and a series of unexpected outcomes, like winning the 2015 general election, has some parallels with the profile of a particularly powerful political class that Rajan identifies prior to the financial crisis.

But these elites have become increasingly fractured (Morgan *this volume*) and incapable of effective action (Wood and Wright *this volume*). Froud *et al.* (*this volume*) suggest that 'multiple interconnected economies' have generated splintered economic experiences. These cannot be simply read off in terms of a process of bifurcated class and immiseration, or the unappreciated effects of European investment to compensate for the fundamental shifts in the structure of employment (Warhurst *this volume*). These variegated distinctions and experiences are discussed by Grey (*this volume*) in terms of 'cosmopolitans' and 'locals'. Locals represent a 'contradictory coalition' of communities combining 'elements of national-ist traditionalism with economic globalization' cutting across traditional political divides. The Brexit referendum unveiled a growing disjuncture between a politically divided population and the institutions failing to represent and protect them.

2. The referendum results

The Brexit 'fault lines' of political and social divisions cut across regions, generations, class and ethnic cleavages in a visibly disunited kingdom. The results have been well established and

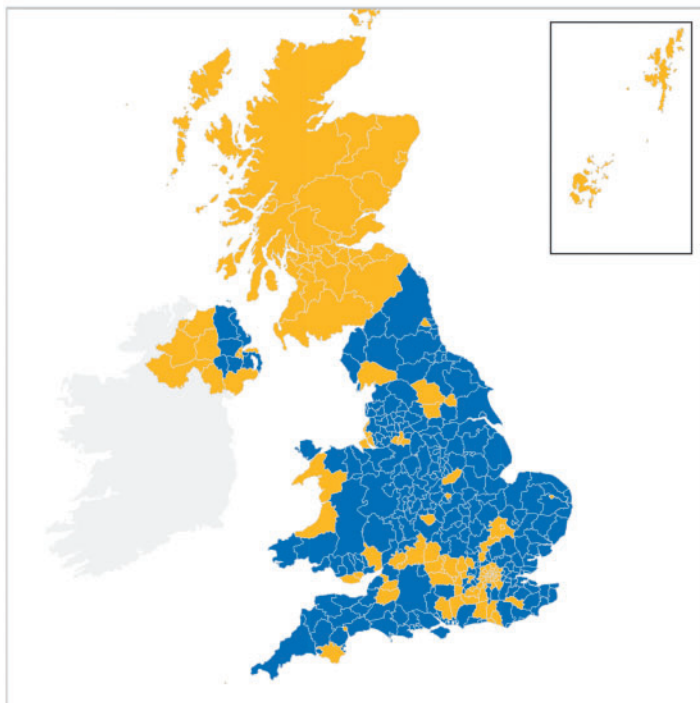
discussed (Ashcroft and Culwick, 2016): Scotland voted Remain; Northern Ireland was divided, and England and Wales voted Leave. Support for Remain was strongest in the major cities of England and weakest in the provinces (BBC, 2016a). Older voters were more likely to have voted Leave while nearly three quarters (73%) of 18- to 24-year olds voted Remain; although a lot less young people turned out to vote. The university educated voted Remain and those who had left school at 18 years or younger voted Leave. Most people with children aged 10 years or under voted Remain; while most of those with children aged 11 years or older voted Leave. A majority of those working full- or part-time voted Remain; whereas most of those who are not working, because they were unemployed, retired or 'inactive' voted Leave (Lord Ashcroft Polls, 2016). Leave voters were, as Grey points out, a motley coalition.

A frequently held interpretation has been that the Remain campaign lost in the traditional, disaffected and deindustrialized Labour heartlands of the North and among the working class. But Williams (2016) argues it was not quite as simple as that: most Leave voters, apart from London, were from the south. High proportions of Leave votes were registered in traditional industrial areas in the Midlands and the North East; but the highest proportion of Leave voters came from more rural locations and from the south-west and the south in general as illustrated by the electoral map of results (BBC, 2016a).

The overall result

Leave polled the most strongly in 270 counting areas, with Remain coming first in 129.

Key: ■ Majority leave ■ Majority remain ■ Tie ■ Undeclared



Nearly two thirds of manual workers (64%) voted Leave, and their voice was augmented by approximately half of the middle classes who also voted Leave; a majority of the professionals and managerial classes voted Remain (57%). Looking at housing characteristics of Leave voters illustrates this unusual 'contradictory coalition'. Those who owned their own home, without a mortgage (most probably older voters and the very rich), and two thirds of council and housing association tenants voted Leave; homeowners with a mortgage voted Remain (Lord Ashcroft Polls, 2016).

Gender divisions were not evident, but ethnic divisions were; and they were also fractured. White voters were slightly more likely to vote Leave (53%) than to vote Remain (47%). Two thirds (67%) of those describing themselves as Asian voted to remain, as did three quarters (73%) of black voters. Nearly 6 in 10 (58%) of those describing themselves as Christian voted to leave while 7 in 10 Muslims voted Remain. However, some migrants from the Commonwealth who voted Leave did so because they wanted a fairer system of migration that did not give preferential treatment to East Europeans over people from their own countries (Parveen, 2016).

Brexit unveiled fault lines in the fractured face of class divisions in the UK. It revealed unexpected alliances of shared opinion mobilized around an over simplified and highly emotional in-out choice. It cut across business elites (Morgan *this volume*), regional economies (Froud *et al. this volume*), local and cosmopolitan identities (Grey *this volume*) and employment statuses (Warhurst *this volume*).

3. Political Fault lines

But these fault lines among voters are not limited to the UK. 'Soft' and 'hard' forms of Euroscepticism range from disenchantment with the European project to outright opposition (Szczerbiak and Taggart, 2008a,b). Political contagion from Brexit has yet to be felt in the extent to which it will bolster right-wing populist movements across Europe (Emmerson *et al.*, 2016; Stokes *et al.*, 2016; Rona-Tas *this volume*). The evidence to date has been mixed. The Spanish elections in June resulted in a hung parliament and disappointing support for the anti-austerity Podemos; the right-wing Alternative for Germany (AfD) delivered a stinging defeat to Merkel in local elections in September; but Viktor Orbán's October referendum opposing EU refugee quotas was humiliatingly boycotted by Hungarian voters with less than a 50% turnout (Economist, 2016b). There has been a significant and visible rise in the radical right in many of these countries (Economist, 2016a; Le Galès and Rona-Tas *this Discussion Forum*), but recent evidence indicates that there is also considerable support for the EU from Polish and Hungarian voters, while Greek, French and Spanish voters are less favourably disposed (Stokes, 2016).

There has been a growing level of dissatisfaction with the handling of the economic and the migrant crisis, and limited support for a closer union (Frerichs and Sankari *this Discussion Forum*). There is evidence of a growing inward looking public opinion focused on domestic issues especially from those on the political right (Stokes *et al.*, 2016). Although many also want the EU to play a more active international role in the future, this internationalist stance has the strongest support in Germany and Sweden. In contrast the French are more despondent, as their international position has declined.

This perception of the effect of changing international status is also echoed in Grob-Fitzgibbon's (2016) analysis of the UK. He argues that the unreconciled longings for the loss

of Empire and post-imperial nostalgia are where we find the roots of Euroscepticism in Britain. Nearly half (49%) of Leave voters said the main reason for their choice was about sovereignty: *'the principle that decisions about the UK should be taken in the UK.'* One third (33%) said that leaving *'offered the best chance for the UK to regain control over immigration and its own borders'*. Leavers saw more threats than opportunities to their standard of living from the way the economy and society are changing—and they felt that opportunities for their children had deteriorated. Leave voters were more likely than Remain voters to see multiculturalism, feminism, the Green movement, globalization and immigration as forces for ill (Lord Ashcroft Polls, 2016).

Polanyi outlined in the Great Transformation how the destructive forces of laissez faire liberalism encountered a counter reaction from unions and socialist parties to protect vulnerable groups from the potentially destructive outcomes of markets. We are currently at a point of rapid transformation where multidimensional crises challenge the post-war neo-liberal economic order; these challenges emerge from changing labour markets, welfare states and financial markets reforms (Colin and Palier, 2015). As traditional political affiliations are weakening, the distinction between left and right becomes increasingly blurred and the legitimacy of political institutions and parties is being questioned. The attitude of Leave voters and the strapline on their campaign 'take back control' clearly reflects an anxiety with the rapid transformations changing the complexion and structure of society. The Leave vote was not just a protest against the political establishment in Westminster and Brussels, but also a naïve desire to re-establish some form of 'protective' control. This could be interpreted as reflecting the sentiment associated with the double movement (Polanyi, 1957 [1944] 2001), but as Stiglitz argues in his forward to *The Great Transformation*: *'rapid transformation destroys old coping mechanisms, old safety nets, while it creates a new set of demands, before new coping mechanisms are developed'* (p. xi). The Brexit vote unveiled how these new coping mechanisms are currently missing.

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Multiple economies: before and after Brexit

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The Brexit vote has highlighted economic divisions within the UK which have been neglected partly because of conventional ways of thinking about one national economy measured in terms of GDP. This predominant understanding of the economy as a manageable, unitary entity came out of the external conflict of World War II; and the internal divisions revealed by the Brexit vote should now stimulate a new kind of thinking about how there is more than one economy. When British voters are not living in one economy that diffuses standard outcomes, GDP as a sociotechnical form of quantification fails to capture the multiplicities that require a new approach to management.

The idea of the unitary, manageable national economy is, as Mitchell (1998,2002) has demonstrated, an invention of recent date. It links to GDP as the quantitative measure that comes out of the World War II, when economic mobilization in the USA and UK required management calculations of national full employment activity levels (Fioramonti, 2013; Coyle, 2014). The policy instruments of activity management have changed in the past 50 years as fiscal policy and various kinds of corporatism have been displaced by monetary policy of an increasingly experimental kind with measures such as quantitative easing (QE). But, jobs and GDP growth remain the superordinate policy objectives for Governor Carney and the Bank of England, as they were for the British Treasury in the 1960s.

Many critics have rightly argued that GDP and jobs are (marketable) activity measures not (social) welfare measures, but few have questioned the unitary economy framing and the

underlying assumption that we do (or should) live in one economy. If prosperity does not trickle down, the policy response within the unitary frame has been to promote inclusive growth which will benefit disadvantaged people and places by raising their incomes towards the mean, usually by bringing jobs.

From centre-left, Piketty's (2014) *Capital* diagnoses increasing inequality caused by returns to capital higher than the growth rate and prescribes the remedy of progressive national taxation to redistribute income and wealth. From the ordo-liberal right, Glaeser's (2012) *Triumph of the City* is a paean to the power of agglomeration in cities and thereby supports the standard policies of investing in infrastructure and upgrading skills to extend the internal labour market and attract mobile capital to create the jobs. Through such policies, the GDP national economy measure (and the related GVA regional economy measure) have performative power because they guide policy initiatives which mobilize resources.

But the measures also disclose the fact that 2:1 GVA per capita differences are long established or increasing, regionally between London and Wales or the North East England, and intra regionally between Manchester City and outer boroughs like Oldham within the Greater Manchester area. That is not because standard policies have not been pressed hard enough but because socio-economic relations have changed in ways that make both the GDP measure and the one economy assumption obsolete.

In the 1950s and 1960s, new categories of activity measurement meshed with co-existing social relations around large-scale (male) factory employment at standard wages. The leading sector was UK manufacturing which, in the mid-1960s, supplied 90% of the domestic market, exported 20% of output (Williams *et al.*, 1983) and diffused prosperity by employing 5–6 million; the anchor institutions were the giant public company and the nationalized corporation paying standard wages for unionized, full-time, secure employment with a defined benefit pension at the end.

The context of the 2010s is very different.

- Manufacturing now means imports of goods and labour. The UK has a trade deficit of 7% of GDP with no sustained increase in real manufacturing output since the 1970s (Froud *et al.*, 2011). Manufacturing employs no more than 8% of the workforce, the largest sub-sector is food processing and one third of manufacturing process operatives are foreign born (The Migration Observatory, 2015).
- Large-scale factory employment has collapsed and incidentally weakened private sector trade unionism so that no more than 15% of private sector workers are unionised. There are now fewer than 2000 factory establishments employing more than 200 workers in the UK. The average British owned manufacturing firm employs less than 10; while one third of UK employment is in micro firms employing an average of less than 2 (Froud *et al.*, 2011).
- Informalization is everywhere: 15% of workers are classed as self-employed after a one million increase in the self-employed workforce over the past 10 years; some 800 000 workers are officially on zero-hours contracts and the number is currently increasing by 100 000 per annum.

This is partly, as Warhurst argues in this Discussion Forum, about bad jobs but socio-politically it is more about the emergence of an increasingly unprotected and disaffiliated working class with no connection to any kind of industrial and political labour movement.

Before the Brexit vote, this was sociologically observed as the rise of the precariat. Afterwards we have had a political panic about the other Britain: the UK has now joined other high-income countries with insurgent populisms and increasingly unbiddable electorates threatening the post democratic status quo, as described by Crouch (2004).

Significantly, in response to the Brexit vote, many reached for binary 'them and us' socio-cultural explanations, echoed in some of the contributions to this issue. The psephologists showed that working class 'leave' voters were observably older, socially conservative, nationalists with very different attitudes from younger, educated, socially liberal, big city cosmopolitans who voted to 'remain' (Ford, 2016). This difference of attitudes clearly relates to more material differences. Because, as Neil Fligstein (2008) argued some years ago, social class position in the EU has correlated empirically with participation in, and perceived benefits from the EU project.

The 'left behind' trope has been widely used to explain the places and groups that voted leave (because they were not getting their share of GDP). For John Lanchester (2016), 'leave' was the option of places disadvantaged by structural change: seaside resorts which lost their role with cheap flights; coalfields where the good jobs went with pit closure; and knocked about factory towns like Oldham in north-east Greater Manchester. Andy Haldane (2016), in his Port Talbot speech after the Brexit vote, lays out multiple differences between different socio-economic groups using standard indicators and comes to the conclusion that recovery from the post-2008 recession had not done enough for the many, especially the young. Those who gained income and assets under the old order have houses and pension rights; while one quarter of 21- to 34-year olds now live with their parents (Haldane, 2016).

And all this is true: as we have noted elsewhere the top 20% of (non-retired) UK households captured nearly half of the nominal income gains from 1979 to 2010 (Brill *et al.*, 2014). But there is another story here which is about something other than income. As Haldane (2016) notes, reassuring indicators of recovery in income/GDP, jobs and wealth did not square with food banks distributing more and NGOs reported increasing homelessness. 'The language of recovery simply did not fit their facts' as disclosed by visits using the Bank's system of regional agents which long predated GDP measures. And much standard policy appears to be irrelevant or meaningless for voters. The EU provided regional aid for infrastructure projects like new roads which did not buy the gratitude and loyalty of voters in places like Blaenau Gwent or Cornwall.

The structural changes of the past 40 years have been as much about dismantling a social settlement as about deindustrialization and that process of dismantling is not captured by standard income statistics. The median income of pensioners is within 7% of those in work so that the *Guardian* talks jokingly of 'peak pensioner' (Collinson, 2016); but in England between 2009 and 2015 the number of old people receiving home visits, under local authority funded domiciliary care schemes, declined by some 20% and home visits are now rationed so that only the most infirm are eligible (Burns *et al.*, 2016). How can we understand these discrepant facts without reading them simply as a macroeconomic policy mistake by a Treasury committed to spending cuts?

One good starting point would be to jettison the unitary economy assumption which leads to regret about persistent large differences in GVA, disappointment about the non-diffusion of income, wealth and decent jobs and puzzlement about discrepant facts. If we want to begin to understand multiple economies and how they can be managed, we need to

turn back from economics to historians like Fernand Braudel who recognized that there is more than one economy.

Partly in opposition to the post-1950s rewriting of economic history as the history of economic growth, Fernand Braudel (1981,1982) in his history of the early-modern period distinguished three levels: an everyday economy of subsistence and make-do, which was partly outside the market economy that was disconnected from high finance and long distance trade. Economic history is then about the interference between these levels as the market expands and Europe develops world economies. The Braudelian question for our own time is how we would now distinguish different economies and analyse their mutual interference.

The aim should not be a taxonomy of economies, but an understanding of the difference between zones, the identification of welfare-critical zones where outcomes matter to all citizens, and an understanding of each zone's history, internal logic and intrication with others. From this point of view, our main interest is in what we call the 'foundational economy' (Bowman *et al.*, 2014), which distributes essential goods and services consumed by the whole population through networks and branches: health, education and care, pipe and cable utilities, transport, retail banking and food distribution.

The foundational economy is big everywhere: in deindustrialized Liverpool it employs more than 40% of the work force; and in London it still accounts for 35%. It also has a trajectory which is not captured in GDP cycles. Until 2010, government revenues were being steadily applied to expand health and education so that more than half of all new jobs were publicly funded under the Thatcher and Blair premierships (Buchanan *et al.*, 2009). And the foundational then took over from manufacturing as the diffuser of prosperity, often by putting a female wage earner into a two income household. Many of those in publicly funded jobs (or privatized monopoly utilities like gas or telecoms) still have decently paid secure employment in school teaching, para medical or technician roles.

What remains is stable on the demand side but increasingly caught up in a supply-side crisis. Demand is underwritten by the stable population base in areas like the Welsh valleys where there is nothing like the large-scale interwar outmigration, when jobs and family houses were available in the English midlands. But the foundational economy is increasingly now in crisis and not simply because of austerity cuts in revenue. Outsourcing has degraded pay and conditions in public service activities like residential adult care or prisons (Bowman *et al.*, 2015). While public company and private equity business models requiring 10% plus returns lead to investment rationing in telecoms and pressure selling in retail banking (Bowman *et al.*, 2014).

More broadly the Braudelian idea of interference, gives us a new insight into the process and outcomes of financialization. For example, present-day British informalization is *sui generis* and quite unlike the long-established informalization in the global south. Informalization (and much else like the churning of ownership) in the UK is being pressed by organized money when publicly-owned companies are under pressure for shareholder value and private equity operations are under pressure for a surplus over the cash cost of bonds. Under these pressures, the foundational economy is the dragging sheet anchor of welfare.

Brexit is going to be a right mess: as Morgan argues in this issue, British elites are divided and we would add that the centrist political classes in the main parties are caught between organized business which wants market access and an electorate which wants controls on

immigration. But some good would come from Brexit if they began to realize that GDP and the unitary economy is an invention of recent date which is reaching its end. Because this would open up new and constructive possibilities of economic management for controlling informalization, curbing financial engineering in low risk and low return activities and securing foundational provision.

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Accidental tourists: Brexit and its toxic employment underpinnings

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1. Sureties, surprises and the sidestepping of a problem of the government's making

On June 23, 2016, on a turnout of 72.2% of those eligible to vote, a small majority (51.9% vs 48.1%) in UK's EU referendum voted to leave the EU. UK people will now no longer be citizens of the EU but tourists and visitors to it. However it was an accidental exit. The referendum was called by UK Prime Minister David Cameron to appease his own party's rebellious backbench MPs. But Brexit was not the intended outcome. Cameron only triggered the referendum because he thought the Government would win it. Neither the Remain nor Leave camps seriously thought that the UK would vote anything other than Remain. Neither camp had any plans for anything else. For the Government there was no Plan B and for Brexiteers there was no Plan A.

Much has been made of a disconnect between Westminster and those who voted to leave as a key reason underpinning the result and the Government's miscalculation. There is some truth in this claim. While much has been said about the propensity of older voters to vote leave, the largest ratio by demographic was for the lowest skilled, voting 70–30% to leave (with an almost inverse ratio for the highest skilled voters, 32% vs 68%, among whom of course are most MPs).¹

Although the government argued an economic case for staying in the EU, that case was based on the price of exiting. 'The UK', Chancellor George Osborne (2016, p. 9) declared, 'would be permanently poorer if it left the EU'. His and the Government's widely publicized

1 <https://yougov.co.uk/news/2016/06/27/how-britain-voted/>.

claim that every family in the UK would be £4300 worse off if the UK left the EU was the obvious example. What Osborne could not talk was about the current price being paid by those families as a result of the Government's prolonged pursuit of austerity and a recovery driven by the creation of ever more bad jobs. In contrast, although some (often knowingly spurious) financial case was made for leaving the EU, the Brexiteers' real dog-whistle issue was immigration into the UK. UKIP's now infamous poster portraying migrants on the march was merely a pictorial condensing of the argument. On this issue the Government was vulnerable. It too had long proclaimed migration to be a problem in need of control and reduction. However, 6 years in power, it had failed to do so. It tried to avoid the issue during the referendum, leaving the Brexiteers' spin on immigration mostly unchallenged. However outside the political posturing and in the real economy, the two issues had created a toxic mix: too many UK workers jostling with immigrants at the deteriorating bottom of the labour market.

2. Unpacking the toxic mix

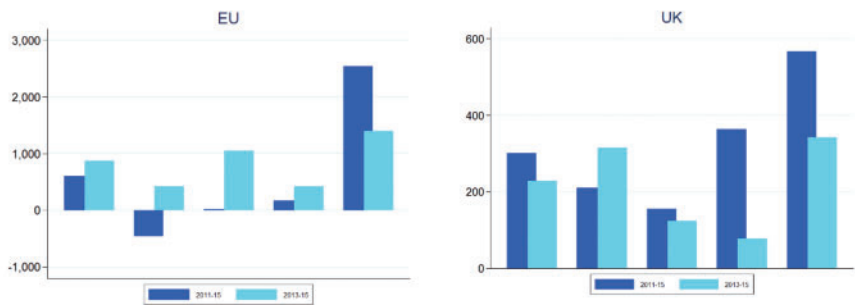
Since the global financial crisis, the UK's employment rate has risen but real wages have fallen. Over 2007–15 the drop has been 10.4%—the worst, along with Greece, among the leading OECD countries. Over the same period in Germany real wages have risen 23%. The OECD average is 6.7% growth (TUC, 2016). Moreover by 2015 around 20% of jobs in the UK paid less than the voluntary living wage—then set at £9.15 in London and £7.85 elsewhere in the UK (TUC, 2015).

However there are more subtle changes to the UK labour market as measured by pay, as data from Eurofound² reveals. Using pay as a proxy for job quality then dividing the pay range of jobs into quintiles and charting the expansion and contraction of the number and proportion of jobs in each quintile over time, Eurofound has been assessing employment restructuring in Member States of the EU. Three developments are revealed for the UK: job polarization, increased non-standard employment generally and among the worst paid jobs, and UK-born workers benefitting less from employment restructuring.

Undoubtedly job creation has been strong in the UK post-crisis; almost every quarter the UK Government's Office for National Statistics (ONS) has reported a record high in the number of jobs (<https://www.ons.gov.uk/>). The type of jobs being created though is worrying. Unlike many other EU Member States and the EU overall, the UK labour market shows a stubborn trend of polarization, making the UK economy one of good and bad jobs by pay. Even more worryingly, an asymmetrical polarization has emerged recently, skewed towards the creation of the worst jobs (Quintiles 1 and 2), as Figure 1 reveals. This trend dates back as far back as the 1970s (Eurofound, 2015) and, with it, wage inequality in the UK (as measured by the Gini index) has become so great since 2008 that it distorts the EU average; stripping out the UK results, the EU average 'remained more or less stable' according to Eurofound (2016b, p. 78).

2 Eurofound is the agency for improving living and working conditions in the EU.

Chart 1: Net employment change by job-wage quintile EU and UK 2011-15 (1000s)

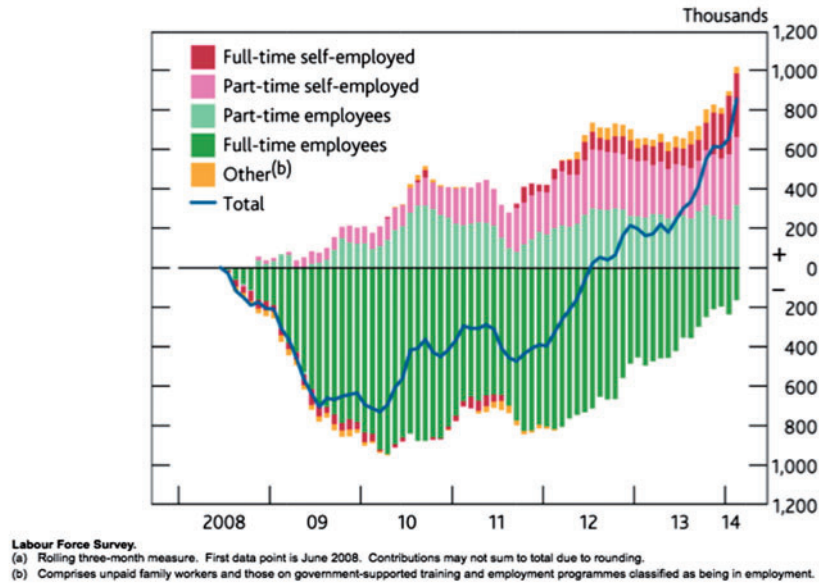


NB the lowest quintile 1 is left, the highest quintile 5 is right

Source: Hurley (2016)

There have also been subtle shifts in the types of employment created since the crisis, with the creation of more ‘non-standard’ jobs as opposed to what Eurofound terms ‘core employment’ (2016b, p. 23). As Figure 2 shows, permanent, full-time jobs have been lost, replaced by part-time and self-employment. Over half of UK jobs growth to 2014 was accounted for by self-employment. In the 3 months prior to the referendum, 88% of new ‘jobs’ were created through self-employment. It is this self-employment that keeps unemployment low in the UK (ONS, 2016b).

Chart 2: changes to UK employment 2008-2014



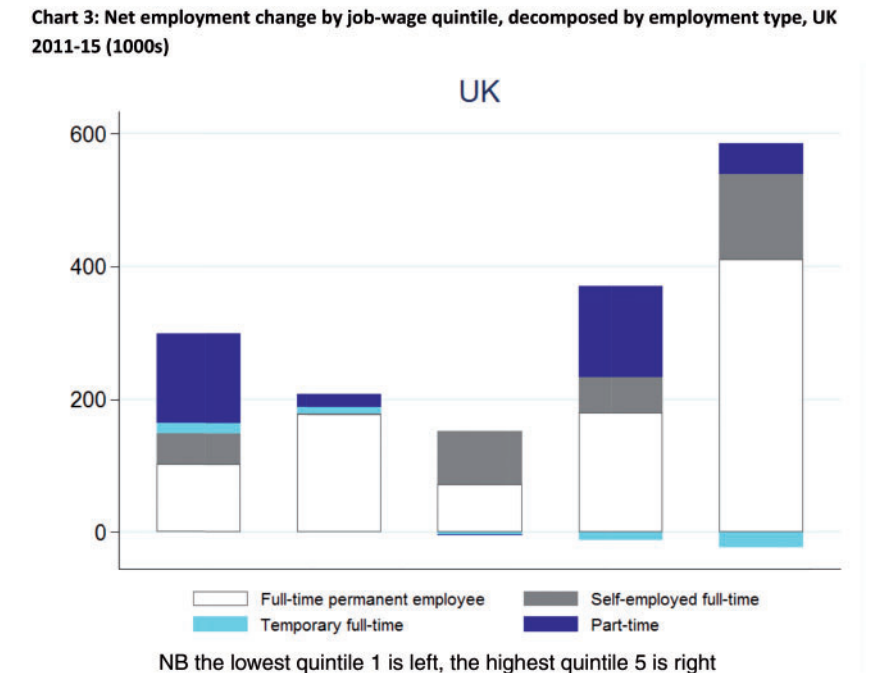
Source: Bank of England (2014)

Self-employment now accounts for 15% of the UK workforce. Construction workers, taxi drivers/chauffeurs and carpenters/joiners were the ‘top 3 roles’ (ONS, 2014). As the

ONS has recognized more recently, the growth of self-employment since the crisis is an outcome of the flight from unemployment and a shift from other forms of employment. Much of the latter is enforced. For example, since the economic crisis the number of jobs in public sector education increased by 5% but the number of self-employed jobs in education rose by 58%. A similar pattern has occurred in health. What is significant is that this self-employment is provided through temporary work agencies which have contracts to provide temporary not permanent positions, with workers filling the posts having to be registered as self-employed to be eligible for placement (Cribb *et al.*, 2014; Coulter, 2016).³ Significantly, average earnings for the self-employed are low. Average weekly earnings (excluding bonuses) for employees was £450 a week in June 2014; for the self-employed £207 a week and falling over 20% since the crisis (ONS, 2014). As Frances O’Grady, General Secretary of the UK’s trade union umbrella organization the TUC, has remarked:

While it is good to see more people in work, the huge increase in self-employment raises questions about the nature of those jobs. These newly self-employed workers are not all budding entrepreneurs. Many don’t choose self-employment, being forced onto contracts with fewer rights, less pay and no job security. (quoted in Farrell, 2016, np)

This development is most apparent in the bottom quintile of UK jobs. While the majority of good jobs as measured by pay that have been created over 2011–2015 are also good in terms of status—being full-time and permanent—the majority of jobs created in the bottom quintile are temporary, part-time and self-employed, as Figure 3 shows.



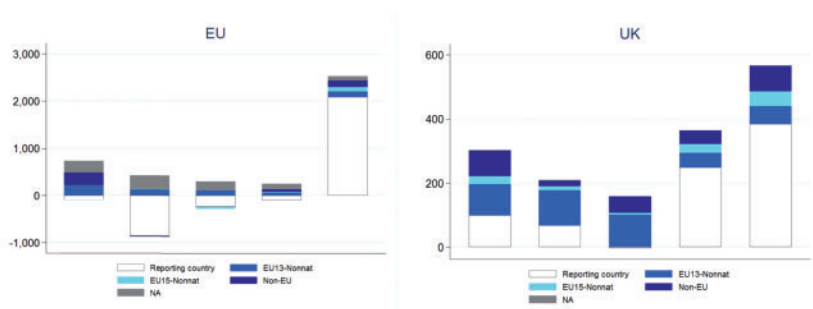
Source: Eurofound (2015)

3 I am grateful to Lorraine Johnson of IER for this material.

Among the employed, zero hours contracts have proliferated. Although measurement of it can be difficult, by the end of 2015, the ONS estimated that just over 800 000 workers were employed on zero hours contracts. These contracts offer no guaranteed working hours and, as a consequence, no income stability for workers, thereby undermining any possibility of a planned life around a solid wage floor. Moreover these jobs are not necessary temporary—well over half, 463 000, have been employed on these contracts for more than a year, some more than 5 years (ONS, 2016a).

In addition, who works in jobs in the bottom quintile is emerging as a problem in the UK. Immigration within the EU is significant: in 2015 around 26 million workers or 12% of workers were born in a country different to that in which they now live and work. It increased by two million over 2011–2015. Within the EU most flows come from the new, poorer EU Member States to the old, richer ones (Eurofound, 2016a). By 2015 just over 10% of the UK workforce was not born in the UK (ONS, 2015). These workers spread across the quintiles over 2011–2015 but the largest proportion was employed in the bottom quintile—accounting for just over 20% of workers here (Eurofound, 2016b).

Chart 4: Net employment change by job-wage quintile, decomposed by country of birth category for the EU and UK, 2011–15, (1000s)



NB the lowest quintile 1 is left, the highest quintile 5 is right

Source: Eurofound (2016b); Hurley (2016). The EU15= the old Members States to 2004, the EU13 = the new Member States from 2004.

As Figure 4 shows, across the EU and in the UK, native workers (those born in the reporting country) have benefited most from good jobs growth in the top quintile. But there are also differences. Across the EU generally, native workers have tended to shift from the lower quintile jobs; in contrast in the UK many native workers continue to work in these jobs. A bad jobs trap thus still exists in the UK (cf. Booth and Snower, 1996). Almost three-quarters of workers who were low paid in 2002 were still low paid in 2012 (Hurrell, 2013). Moreover jobs growth in UK intermediate jobs, those in the middle quintile and which include skilled work, is almost exclusively dominated by non-native workers. In pursuit of a knowledge-driven economy in the UK over the past 20 years, higher education has been boosted at the expense of the vocational education that underpins many of the intermediate jobs (Warhurst and Thompson, 2006; Anderson, 2009). With no springboard up into better jobs, UK natives are benefitting less from employment restructuring and are more likely than in the EU generally to be employed in the same quintile of bad jobs as non-native workers. Whether competition between these workers is direct or indirect, the poorest, least skilled

UK workers with little hope of advancement might feel that their cake, such as it is, is now having to be shared with new immigrants.

3. A change gonna come?

Brexit may have been accidental but it was an accident waiting to happen. Jobs have been created in the UK post-crisis but the quality of those jobs has been ignored by government. Too many bad jobs are being created and which, in themselves, are also getting worse. Moreover too many UK born workers are getting stuck in these jobs alongside migrant workers to the UK. Although the analysis presented here is crude and the data need closer examination, it is reasonable to suggest that this toxic mix of developments might explain the Brexit vote of the lowest skilled.

The morning after the night before, the reaction of many to the Brexit result was to seek to have the referendum rerun: over 4 million people signed a petition asking for a second referendum.⁴ Others wanted to have the referendum result side-lined, citing it to be merely advisory and wanting Parliament to assert its sovereignty and ignore it. These demands deny the voice and disaffection of the low skilled, drawn from their current experience of employment.

There are signs that government is now listening. Replacing Cameron and sacking Osborne, in her first speech as the new UK Prime Minister, Teresa May, recognized that 'If you're from an ordinary working class family, life is much harder than many people in Westminster realise'. Her government, she said, will 'be driven, not by the interests of the privileged few but by yours' (quoted in Perkins, 2016). Policies have yet to be developed that might translate into practice and evidence May's commitment to helping the disaffected who voted for Brexit. However words have affect; first, a yardstick has been created by which to measure the new UK Government's policies and their outcomes; second, space has opened up for ideas centred on making bad jobs better and the ways in which that might be done.

Acknowledgment

The author would like to thank John Hurley of Eurofound for his comments on and efforts in the development of this article.

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Brexit and the elites: the elite versus the people or the fracturing of the British business elites

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Any cursory search on the internet will rapidly reveal the common trope that the Brexit vote was 'a mutiny against the cosmopolitan elite' as Craig Calhoun, the Director of the LSE, wrote in the *Huffington Post* on the June 27. *Time* headlined its report on June 24th 'the

Brexit vote is a new milestone in the global war on elites'. The vision of a revolt of the masses against the elite has permeated much analysis of the Brexit result.

In contrast, many social scientists have been sceptical about the idea of a homogeneous elite that is capable of acting in a unified way on a consistent and coherent basis. Pareto in his classic discussion focused on the idea of circulation of elites and conflicts within elites between 'lions' who were men (sic) capable of decisive and forceful action and 'foxes' who were imaginative, innovative and unscrupulous (Parry, 2005). For elites to be successful, they had to combine the characteristics of both lions and foxes; if the elite lacked decisive leaders or more innovative leaders, or alternatively if the two segments drifted apart, the danger was that the elite would be unable to adapt to crises and challenges, leading to a period of chaos as these different parts of the elite sought to assert their control by building new alliances.

While the idea of Cameron and Osborne as 'lions' may seem far-fetched, as many commentators have pointed out, Cameron was decisive in committing to a referendum on EU membership. He may have been deluded to think that he could guarantee a positive outcome but there is no doubt that in making the decision, he took forceful action which he believed would succeed. On the other hand, the idea of Johnson, Gove etc. as foxes seems very apt; they were unscrupulous in their use of statistics and in their rejection of the use of 'experts', while steadfastly refusing to commit to any particular vision of the UK post-Brexit. The speed with which they shuffled or were shuffled off the stage in the immediate aftermath of their unexpected victory reflected a certain fox-like stealth, even if Johnson has now returned as Foreign Secretary.

These 'foxes', however, were part of the elite, not populist leaders emerging spontaneously from the crowd. Gove and Johnson were two Oxford educated Tories with long-term connections to the party, its media supporters and its leading figures such as Cameron reaching back for decades. Nigel Farage, self-styled 'man of the people' attended the prestigious independent school, Dulwich College, and followed his father into the City, trading commodities for 20 years.

However, to see the Brexit conflict in terms of a small coterie of people and their contrasting personal ambitions would be to mistake the symptoms for the cause. In the 1975 Referendum on maintaining membership in the European Economic Community (EEC), the only exiteers were a few renegade Tories hankering after Empire such as Enoch Powell in alliance with the Labour Left led by Tony Benn who wanted to build 'socialism in one country'. In 1975, business was solidly behind the EEC. The Confederation of British Industry (CBI) polled its 12 000 members and reportedly only eight wanted to leave. Many of the others funded the EEC campaign and actively proselytized the cause among their own workers. In contrast, business and elite support for staying in the EU was not unanimous in 2016. In May, 2016, 300 'business leaders' called for Brexit in a letter to the *Daily Telegraph*. The CBI representing large firms was strongly pro-Remain reflecting the preferences of most but not all its members. However, less than one third of FTSE 100 companies signed the notorious letter in favour of Remain, which Downing Street engineered at the beginning of the referendum campaign in February 2016 and many large companies including Barclays, RBS, Sainsburys and Tesco declared their neutrality. The British Chambers of Commerce (BCC) were officially 'neutral' though its director-general, John Longworth, spoke in favour of Brexit which led to him being forced to resign.

Even in the City of London, where the Bank of England spelt out the dangers of Brexit and many large banks supported Remain to defend business dependent on the 'EU passport', there were voices of opposition. The *Guardian* reported on November 6, 2015 that many Mayfair-based hedge funds were 'backing Brexit with both words and cash'. *The Wall Street Journal*, on June 19, 2016, reported that the hedge fund industry was split but that Brexit was favoured by many. Reasons were concerns over future EU regulation of hedge funds and their activities as well as a more short-term belief that the volatility arising in many markets consequent on UK exit from the EU would provide plenty of profit opportunities for speculators—which indeed it did. In the print media, support for Brexit was extensive reflecting the long-term resentment of the EU and its possible impact on ownership of the newspapers and TV stations by UK press barons such as Murdoch.

What this points to is a partial fragmentation of the UK elite over the past 40 years, which goes beyond issues of personal ambition among a small number of politicians. Between 1975 and the first EEC referendum and the second 2016 referendum lies a profound change in British society and in its economic structure as it shifted unevenly but inexorably from a muddled form of corporatism to neo-liberalism (Crouch, 1977; Crouch, 2009; Crouch, 2011). A crucial part of this shift has been a change in the nature of the economic elite (Froud *et al.*, 2007; Savage and Williams, 2008; Morgan, 2015; Morgan, 2016) due to the expansion of the City of London as a financial centre, the impact of globalization, the defeat of organized labour and the deep penetration of the state by commercial forces (Crouch, 2016). These changes are reflected most profoundly in the growing inequality that has occurred over the same period as the very wealthy have become more and more distinctive in terms of their wealth and income while a larger part of the population has moved to more precarious employment with stagnating real incomes and declining state benefits (Piketty, 2014; Flaherty, 2015; Dorling, 2015; Atkinson, 2015).

This lack of cohesion is reinforced at the corporate level. In the USA, Mizruchi (2013) has described the 'fracturing of the corporate elite' in the following terms: 'From a group with a moderate pragmatic orientation, the corporate elites was now reduced to a collection of firms, powerful in their ability to gain specific benefits for themselves but no longer able or willing to address issues of concern to the larger business community or the larger society' (Mizruchi, 2013, p. 269). Mizruchi traces this back to the shareholder value revolution pushing managers to focus on shareholder returns, rendering the American corporate elite 'incapable of addressing the kinds of issues that it had routinely tackled in the postwar period' (Mizruchi, 2013, p. 226). While Washington DC is full of lobbyists, they are employed by corporates in very instrumental ways to protect and further their interests rather than to develop a political consensus on the big issues. Similar pressures on UK business have been powerful; the overwhelming requirement to focus on shareholder returns at the expense of any broader commitment to societal welfare is clear and fed the unwillingness to commit wholesale to the business case for Remain. The way in which long-established banks such as the Royal Bank of Scotland, Barclays, Lloyds etc. behaved in the period leading up to and since the financial crash shows a total disregard for anything other than short-term rewards for executives and shareholders. Recent disclosures on LIBOR, the PPI scandal, the use of tax havens and tax evasion, the manipulation of financial capital e.g. at British Homes Stores, the widespread use of zero hours contracts and avoiding minimum wage legislation e.g. as at Sports Direct reinforce the idea that a public interest concern has long been abandoned in many British companies.

It is in this context that the politics of Brexit can be understood. Cameron mistakenly believed there was still a sufficiently cohesive elite which would support him and which would help him persuade the public in the referendum. But in spite of the fact that that elite had benefited so much from the policies of the last 30 years, it lacked an interest in or a capacity for playing such a role. Instead the opportunity arose for the foxes in the elite to mobilize popular concerns about immigration, austerity and alienation from the political class and to focus them on Brexit as a solution without actually spelling out what that meant in practice. Under the heading of Brexit, ideological divisions within an elite that remained supportive of neo-liberalism but held to different interpretations (e.g. as described in (Ban, 2016)) of how that needed to be sustained and developed in the current UK context and in the light of the crisis of the Eurozone and the global economy had not only come to the surface but had also activated a broad mass of the population. The simple choice proposed in the referendum campaign enabled the Brexiteers, to their own surprise in many cases, to call forth and energize a large and increasingly volatile section of the electorate that had previously been alienated from politics often by reason of 30 years of growing inequality and powerlessness but were now determined to make their voices heard. What had been disagreement within the elite, within the 'Westminster bubble' was now out in society as a whole, creating a new and uncertain situation for the foreseeable future. The expectations of the triumphant Brexiteer electorate are not going to be easily reconciled with the interests of big business in retaining access to the European Single Market.

Elites can lose control of societies because their disagreements spill out into the wider society. These moments when the splits become visible are often the first sign of the weakening of an existing order because they awaken other social actors from taking for granted their subordination and instead encourage them to act on the political stage (Dunn, 1989; Skocpol, 2015). Elites may mistakenly believe they can control this as the traditional Conservatives did in Germany as they sought to use Hitler and rise of Nazism for their own purposes. But the resulting turmoil can lead in unpredictable directions, a situation that energizes left- and right-wing forces but leaves the previously dominant elites confused and struggling to regain their old legitimacy and dominance. In the current context, we can see that as a cause for hope—the possible end of neo-liberalism—or as a cause for despair—the potential rise of authoritarian populism.

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The New Politics of Cosmopolitans and Locals

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The EU Referendum result has dramatically foregrounded a series of shifts which have been underway for some time, and in the process created a new and contradictory landscape which will shape the organization of politics in the coming years. The class, educational, regional, micro-regional and generational pattern of voting (Cutts, 2016; Lord Ashcroft Polls, 2016) reveals an overarching distinction that can be framed in terms of that between what the sociologist Alvin Gouldner (1958) called 'cosmopolitans and locals'. Gouldner developed these concepts in the context of organizations, and they broadly denoted a distinction between those 'locals' whose primary identification and loyalty was with and to the organization they worked for, and those 'cosmopolitans' who were relatively disengaged from the organization with which they work and identified with external, professional reference groups.

Translated to the wider political context, cosmopolitans are educated and skilled, comfortable with different cultures, travel widely and have a global frame of reference. They most likely voted to remain in the EU. Locals are poorly educated, travel little, feel uncomfortable with difference and have a national or even regional frame of reference. They most likely voted to leave the EU. Unsurprisingly, immigration is a key differentiator here, in two connected ways. First, locals are more hostile to immigration because it disrupts national frames of reference and, second, they are less likely to have direct experience of immigrants. In contrast, cosmopolitans routinely interact with immigrants and are relaxed about immigration.

Like all political distinctions this one creates strange alliances and tensions, as indeed Gouldner's study showed, and yet for themselves and others these differences can be glossed over so as to plausibly and meaningfully yield 'us' and 'them' distinctions. Thus cosmopolitan remainders encompass big business, finance and the professions along with liberal and

left-leaning intellectuals and internationalists, including 'civic nationalists' in Scotland. In the eyes of local leavers these groups do indeed belong together (even if, as Morgan's contribution to this volume shows, from other perspectives they are fissured), and can all be subsumed into an amorphous notion of 'the elite', whether that elite be 'corporate' or 'liberal'. This also explains how it is possible for leavers to denounce the EU as both a socialist super state ('the EUSSR') and as a tool of global neo-liberalized capital.

The local leavers are also a diverse amalgam, running from the remnants of the industrial working class through to empire-lamenting nationalists and hard left opponents of global capital. They may also be collectively lumped together by remainers as backward-looking and xenophobic. What is particularly striking is that the leaders of this group tend to be ardent global free-marketeers, whose objection to the EU is that it is not global enough and overly attached to employment rights and environmental standards. In this way, the leavers are reminiscent of the Thatcherite coalition of the 1980s in contradictorily combining elements of nationalist traditionalism with economic globalization (see Krieger, 1986).

Indeed, it is ironic that it was the Thatcher regime which enacted and championed the European single market which brought with it increased immigration and deeper political integration. The Referendum result in some ways represents the long-term unwinding of the consequences of the contradictions within Thatcherism. No less does it represent the consequences of the New Labour administrations' embrace of globalization on the back of a core vote which was suspicious of or hostile to this but which, it was assumed, would remain loyal to Labour (see Heffernan, 2001). All of these contradictions and tensions, which have been building for years, have now been brought to a dramatic head by the Referendum.

Thus, crucially, the cosmopolitan-local distinction cuts right across traditional political parties, so that a swathe of 'pragmatic' Tories and the liberal-left and 'new labour' segments of the Labour party are cosmopolitan remainers, while nationalist and Eurosceptic Tories, UKIP and many parts of 'old Labour' are local leavers. As a microcosm of this, the distinction also cuts through the Green party which divides between seeing the EU as providing an international framework for tackling climate change or as undermining local and sustainable economies. Overall, the consequence of the Referendum has been to brutally expose the disjuncture between the shape of political institutions and parties on the one hand and of sociopolitical divisions among the electorate on the other.

What is therefore now in prospect is a truly remarkable and perhaps unprecedented situation. The Referendum was in a sense a defeat for what leavers call the elite or the establishment (ironic though this is considering the social background of its leaders). But it has not displaced that establishment. On the contrary it is the business leaders, university leaders, civil servants and—much derided in the campaign—experts who are now faced with enacting a policy which, by and large, they did not vote for and do not agree with or even think realistic. If the result was a revolution of the locals, it is a half-completed one which the vanquished cosmopolitans are charged with delivering.

This has had an immediate effect and one which will define the contours of political debate in the coming months and years. Although the vote was to 'leave the EU', neither the ballot paper nor the leave campaign specified what leaving actually meant. The leave campaigners themselves had very different views about this, the principle fault line being between those who want what is now being called 'Brexit-lite', meaning remaining within the single market, and those wanting 'hard Brexit' involving exiting the single market and creating a free trade agreement with the EU (or trading under WTO terms). These models

are often denoted in terms of the examples of Norway and Canada respectively (see Grey, 2015). Brexit-lite would almost certainly entail free movement of people, paying into the EU budget and abiding by most EU rules with little input. Hard Brexit would avoid these but have massive effects on, in particular, the UK service sector as well as on the viability of British science, the land border between Northern Ireland and the EU (in terms of the Republic of Ireland) and the likelihood of Scottish independence.

These two broad options are, like the EU decision itself, understandable as relatively cosmopolitan (Brexit-lite) or relatively local (hard Brexit), principally because of their different effects on immigration. Given that it is the cosmopolitans who must enact the Referendum result, there is therefore a strong impetus to Brexit-lite, and there will be intense lobbying from powerful voices, especially in finance, for this. In this context, the parliamentary politics become very complex. The three ministers primarily charged with negotiating Brexit were all part of the leave campaign but have, or appear to have, different views about what Brexit means. Meanwhile, a sizeable minority of Tory backbenchers are implacably hostile to Brexit-lite, although there is likely to be a cross-party parliamentary majority for it (given that there is a majority for remaining in the EU), reflecting again the disjuncture between the existing party system and the emergent political division.

The outcome of this is obviously unknowable at the present time, but the shape of the political argument is clear enough, as are some of the consequences. The Referendum, partly because the result was so close and partly because it voted against the EU but not for anything definite, has not in any way settled the issue. If the outcome is Brexit-lite then there will be vociferous cries of betrayal from leavers, and undoubtedly a surge in support for anti-EU politicians. However, a hard Brexit would prove no less problematic for them given that almost all informed opinion suggests the result would be highly economically damaging, implying unemployment and public spending cuts. In these circumstances, which will impact most upon local leavers, anti-immigrant and nationalist sentiment is also highly likely to intensify.

As for cosmopolitan remainers, Brexit-lite might be a (barely) tolerable outcome but hard Brexit would lead to bitter resentment and, precisely because of the global mobility of many remainers, the departure of businesses and individuals from the UK. Gouldner's work is again illuminating here, suggesting that cosmopolitans are less loyal to their organizations (or, here, countries) and that localism flourishes most in insecure and threatening circumstances (here, economic crisis). Thus, whichever Brexit model emerges, the underlying conflicts will persist.

Since the consequences of the Referendum will unfold over years, and probably decades, and will impact upon all policy areas, it is quite possible that in time the party structures will transform so as to reflect more closely the cosmopolitan-local distinction. This is made all the more likely if it is indeed the case that it forms the basis of a durable and meaningful sense of 'us' and 'them', as the heat of the campaign and its aftermath suggests may be so. There has already been some talk of a new 'centrist' remain party or national coalition, and there seems some likelihood that UKIP, or something like it, will build on the Referendum result to displace Labour in its de-industrialized former heartlands, just as SNP civic nationalism has already displaced Labour in Scotland. Meanwhile, the division within the Tory party over the EU, which has riven it for almost 30 years now, makes a split perfectly conceivable. Thus the old structure of two main parties representing, roughly, capital and labour that dominated the 20th century now seems precarious, if not doomed. Indeed, it has

been frayed at the edges for some time as voting patterns have fragmented. What the Referendum has done is to point, embryonically, to what the new structure might be; one that directly and explicitly represents the underlying politics of a nation passionately split in almost equal numbers between cosmopolitans and locals.

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What Brexit tells us about institutions and social action

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In his searing novel of the violence at the heart of the building of the American West, *Blood Meridian*, Cormack McCarthy depicts individuals who both relentlessly pursue their own enrichment, and yet regularly engage in actions that are both inexplicable and self-destructive. This raises the question as to the role of incompetence, misjudgment, opportunism and failure at formative times of institutional building and change.

A focus on the distribution, rather than the efficiency, aspects of institutions highlights their inherent fragility (Thelen, 2010, p. 54). Actors will constantly seek to test or renegotiate any compromise, and there is the omnipresent threat of alternative or reformed coalitions of interests presenting themselves (Hall and Gingerich, 2009; Thelen, 2010, p. 54). Meanwhile, historical institutionalism highlights the importance of power and politics within institutional arrangements, which provide opportunities and constraints on social action. Even in times of 'critical juncture', institutions and politics both evolve in ways that

follow a particular logic, following on the structural context (Thelen, 2010, p. 55). Both these approaches conceptualize attempts to change institutions as the product of logical processes, representing either rational calculations or contextually logical products of historical circumstances.

Most strands of comparative institutional analysis stress the duality of institutions and social action, with each influencing and remoulding the other, stretching back to the works of Georg Simmel (Lane and Wood, 2009; Jackson, 2010); it is also generally considered that social action constitutes a process that is at least partially reasoned and thought through. Historical settings frame actors' interests and actions: actors may both reinforce the rule book and seek to depart from it (Jackson, 2010). The literature on comparative institutional analysis has tended to focus on collective action by actors. However, it is recognized that more coordinated settings strengthen collective ties within and between actors (Lane and Wood, 2009). In liberal markets, where owner interests predominate, a greater range of opportunities are presented for entrepreneurial actions by individual players (cf. Dore, 2008).

Actors can be seen as 'creative political schemers', rather than 'acting out the parts the theorist has set for them' (Crouch, 2009, p. 87). However, the extent to which actors may be incompetent or bungling in their schemes, and the extent to which such incompetence and bungling may have far-reaching consequences for institutions is often underestimated. Endogenous approaches to understanding systemic change suggest that continuity is secured by 'skillful' actors who use their existential material and/or political advantages to prop up and secure their positions; challengers seek to contest this in a 'strategic dance', characterized by shifting tactics (Fligstein and McAdam, 2012, p. 84). It could be argued that disorderly or chaotic change may represent not only shortfalls in capabilities and judgments on the behalf of both agents of continuity and change. Exogenous conceptualizations of change focus on relatively unusual external shocks; such circumstances open up particular opportunities for 'skillful' actors to remake the system in their own interests (Fligstein and McAdam, 2012). Once they have secured their position, then the new order is rapidly bedded down. However, a failure to capitalize on this opportunity may make for an extended period of disorderly systemic flux. Beckert (2013) argues that in times of uncertainty, actors are particularly likely to imagine or have *fictional expectations* about what the future may be like. With fiction come narratives, which can become self-fulfilling; they serve the interest of the speaker without necessarily mapping out an advisable path or ensuring future stability and growth (Beckert, 2013). At the same time, the manner in which such narratives unfold may represent a sharp departure from past trajectories; the choices made by actors may be difficult to predict.

Above all, Brexit should be seen in such a light. While it would be difficult to completely deconstruct the actions of two key players, the former Prime Minister, David Cameron, and the leader of the Brexit campaign, Boris Johnson, widely repeated theories in the media suggest two dimensions. First, Cameron had embarked on the gamble of holding referendums as a means of solving or kicking into the long grass persistent challenges or dilemmas; this included electoral reform, the Scotland referendum and the Brexit one. Inevitably, as with a gambler who tosses the dice one too many times, bad news presented itself. Secondly, Johnson seems to have hoped to burnish his credentials with the Tory rank and file through leading his campaign to a narrow defeat, without having to face up to the challenges Brexit would bring. The outcome was one neither individual appears to have anticipated nor had

plans to manage. Not only will Brexit fundamentally change the impact of supra-national EU institutions on UK regulation and governance (with knock on effects on nested national and sub-national institutions (cf. Boyer and Hollingsworth, 1997), but it also places into renewed question the survival of the United Kingdom as a single political entity. The scheming of more minor actors in this tragedy is an equally dismal story, but there are many more subplots of miscalculation, wrong headedness, willful stupidity and petty treachery. Even less inspiring is that some of the investors who lavishly funded the Brexit campaign were the same who bet against the pound (Johnson *et al.*, 2016), in other words, actively working to bring about economic disruption to profit through it. Quite simply, British institutions will undergo fundamental change, and this change has not been brought about by the rational calculations of key actors, nor does it represent a successful example of premeditated opportunism.

While Brexit was marked by elite failure and bungling, it was an elite that expressly excluded the intellectual classes. This is not to suggest that, as with any other ideology, neo-liberalism does not have its fair share of profits. However, an increasingly forceful political narrative in Liberal Market Economies has been a disdain for intellectual thought, evidence-based compromise and qualification (Rigney, 1991; Massey, 2000; cf. Etzioni, 2006). As Priestland (2012) has pointed out, elites can be divided into three categories: the rich/owners of capital, militarists and intellectuals. Only when the last are taken seriously—which normally only follows after a period when other two elite segments are completely discredited—is there a basis for durable social compromises, and for political elites to be held properly to account. The failure of the intellectual elite to make themselves heard above the noise of the Brexit battle is part of a particularly worrisome trend. On one hand, it was an easy and cheap shot for political elites arguing for Brexit to state that we have had enough of intellectual elites in the form of experts [many of whom, as Grey (this issue) notes, probably now have to enact a policy they did not vote for or believe is realistic]. Academics are rarely successful in making their increasingly complex insights accessible to a mass audience, despite increasing exhortations to be impactful beyond academia. This arises in part because much academic energy is diverted to securing peer-reviewed publications, while even potential informed readers are increasingly prepared to read only short digests conveying unambiguous messages even if the research on which it is based does not support such an unequivocal conclusion. On the other hand, in hankering after simplistic solutions for complex problems by disregarding the insights of experts is a direction in which lies populism, the mob, and worse. As such, the wider public are vulnerable to misinformation and downright lies promulgated by other elites. The relative weakness of intellectuals in Liberal Markets would reflect the extent to which the other two elite categories are relatively powerful in such contexts. Intellectuals, through their (unbiased) scientific knowledge, are able to speak truth to power not least in the development of policy based on objective evidence, without which policy actions may well make situations worse. Truth was a particular casualty in the claims made by both protagonists and antagonists in the Brexit debate.

Bressand (1979) notes that elite incompetence is often associated with a wider sense of unease about life and change. It has been argued that the 2008—financial crisis was itself an example of elite failure; the latter had become hubristically detached from the complexities and contradictions of the financial ecosystem (Engelen *et al.*, 2012). In turn, the underlying roots of the crisis at least in part lay in the elite enclosure of increasing amounts of the commons, and rising social inequality (Savage and Williams, 2008). Lupia and Johnston (2001)

conclude that behind destructive referendum outcomes often lies elite manoeuvring and misjudgment, while Morgan (this issue) identifies elite fragmentation. In other words, elite failure helped sow the seeds of the Brexit crisis, which were reaped by means of elite bungling. More broadly speaking, the central theoretical lesson of the Brexit debacle is that systemic change is not always calculated nor best serving the interests of change agents or of the wider national well-being; institutional regimes may be endangered through elite incompetence, even if only by a small handful of individuals. Change under such conditions is likely to lead to particularly unpredictable outcomes.

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Brexit: the day of reckoning for the neo-functional paradigm of European Union

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For many observers, the outcome of the British referendum was a total surprise. It is not necessarily so for the researchers analysing the evolution of European integration and the transformations of contemporary societies during the last two decades.

1. How to turn an implicit victory into a complete disaster

The Brexit vote is *de facto* destroying two decades of British efforts to get the best of both worlds, i.e. access to the single large European Market without adopting either Schengen or the Euro. The last month of negotiations by David Cameron had extended this list of exemptions, for instance allowing transitory barriers to intra EU mobility and more controls by national parliaments over the European decisions. More fundamentally, the British government had become a central player in the EU by stopping any progress towards political integration. The UK frequently allied with Germany in the defence of competition against the pressures by Southern European Countries governments to build more solidarity in Europe. In retrospect, the Brexit referendum will likely appear as an incredible strategic mistake of UK, at odds with a century of clever *European diplomacy*.

Brexit reflects the growing divergence in perception between political, financial and economic elites and citizens at the grass root level. The globalization of manufacturing has meant the shrinking of the population of blue collar workers population, whereas the UK increasingly specialized in financial services. Consequently, the geographical polarization of income and wealth has increased and the political map of UK has significantly changed during the last two decades. Young people and the highly educated fraction of the population who live in large cities, especially in London, have voted in favour of Remain. In contrast, older people with low education, welfare dependents, and modest employees living in rural areas and Northern England have favoured Brexit (Lord Ashcroft Polls, 2016).

This is the long-term consequence of the *internationalization* of the British economy and not so much of its Europeanization. In Europe, successive British governments have been very clever in negotiating many opt-out clauses: the social charter, the Euro, reduced participation to the European budget or rejection of Schengen Treaty about internal mobility. Nevertheless,

the popular press has been attributing many if not all, the domestic problems to Brussels regulations and directives. This alliance between the media and nationalistic politicians such as UKIP built a discourse that blames the EU for transformations that have been caused by the internationalization of the British economy and its excessive reliance upon its financial sector. This erroneous diagnosis was again confirmed by public opinion when an unprecedented flow of refugees have entered the EU: the danger was coming from abroad and especially from the European Commission that tried to organize a coordinated sharing of refugees among Member States, according to rather technocratic criteria. This danger, both real and imaginary, probably played a major role in explaining the Brexit vote. Last but not least, the murder of a pro-Remain Member of Parliament makes clear the deep social division in British society.

2. A long-awaited crisis

In hindsight, such a transformation was not so difficult to predict. First of all, this polarization of public opinion between pro- and anti-Europe movements is not specific to UK. It is present in Central and Eastern Europe (Hungary, Poland, Czech Republic . . .), but also in the core of the founding nations of the EU (France, Netherlands . . .). During the process leading to the Euro, surveys had shown a clear opposition between the likely winners (large firms, professionals, young people with academic degrees) and the probable losers (small firms, low skilled workers, welfare dependent, retirees) (Boyer, 2000). In 2005, the Dutch and the French also rejected by referendum the project instituting the Euro, but nonetheless a slightly modified European Treaty was finally adopted by the Parliament. The Brexit vote is a simple update of this polarization of European societies: for the Remain group, multiculturalism and acceptance of immigration were assumed to be good for society, but detrimental for Brexiters (Lord Ashcroft Polls, 2016). During the 2000s, the high degree of international liquidity and easy access to the credit have been hiding the deflationary bias of the Lisbon Treaty and they had smoothed over these divisions to some extent. However, the Lehman Brothers collapse and its evolution into a Euro crisis, has meant that this European policy mix has manifested itself through widening inequalities and sharpened the division between losers and winners. Here comes the *British paradox*: the country is deeply integrated into the world economy, but the slimming down of welfare and industrial employment has not allowed a sharing of the benefits of globalization (The Economist, 2016). This pattern is also observed in continental Europe to various extents. The impact of globalization is even more violent in other continents: the restructuring of capital has implied the exclusion of various social groups (Sassen, 2014). In Europe, this process has been reflected in the vote for nationalist/xenophobe parties.

Consequently, the EU has been perceived as promoting a free market economy without the building a European safety net that could guaranty fair adjustments to the up and down of the world economy. This policy orientation dates back from the very beginning of the European integration. The project was indeed rather technocratic: lucid and informed experts should promote new rules of the economic game to prevent the repetition of war in Europe. Economic integration would imply spillovers to the rest of society concerning technical norms, social welfare and finally economic policy coordination. This was the hope clearly expressed by Jean Monnet (1988) and it has inspired many of the advances in *European integration*. Nevertheless, while removing trade barriers linked to tariffs was relatively easy, the strengthening of competition has made the extension of welfare at the domestic level or a coherent European welfare more and more difficult. Thus, the weaker countries

have perceived the EU as an obstacle to the defence of their well-being and new parties have been exploiting these social demands, not fulfilled by the implicit alliance between Christian and Social democrats in the management of European institutions.

Beyond extreme *social polarization* in England, Brexit also points out the fragility of the UK (e.g. the issue of Scotland independence) and may also have dramatic consequences for continental Europe. In the past, crises have been used as drivers for a deepening of economic integration and they strengthened the idea of 'an ever closer European integration', the motto of the EU. This is no longer the case with the launching of the Euro: some countries have joined (Greece for instance), and others have declined (Denmark, UK). Similarly, the members of Schengen agreement represent another grouping. This 'Europe à la carte' (flexible Europe) seemed to have won out. However, Brexit means that one country may decide to quit this club and some other governments might use this precedent to negotiate as many opting out clauses as nationalist movements demand and also may decide to leave the European Single Market completely.

3. A destructive and not transformative crisis

In the light of the *history and the theory of Europeanization*, this structural crisis of the EU will be very difficult to overcome, since so many contradictions and unbalances have been piling up without adequate institutional and political reforms. Here is a step by step view:

- Since launching the Euro, the European Treaties have implied a *dysfunctional economic policy* between Member States and the ECB, and between monetary and budgetary policies (Boyer, 2000). While the redeployment of financial portfolios across Europe has temporarily removed this incoherence (Boyer, 2013), 2016 has been the year of reckoning.
- The primacy of capital over labour, the hierarchical *domination of competition over solidarity* and technocratic 'expertise' over democratic deliberation have become evident with the Greek crisis. Clearly, past governments extended public deficits and hid them by special financial instruments, so that Greece clearly shares responsibility here. However, this was not a reason for denying the expression of citizens' will, replacing the government by the troika (European Central Bank, European Commission and IMF), and leaving the Greek government without scope for autonomous decision making (Boyer, 2015a). As European and international organizations defended the rights of creditors, a technocratic approach is replacing democracy (Streeck, 2014) in contradiction with the objectives and motto of the EU, i.e. the promotion of democracy.
- With the inflow of *political refugees* from middle-east and Africa, the legitimacy of European institutions is challenged by the public opinion of Central and Eastern European countries. In 2015, Brussels tried to impose quota for the integration of the refugees, but it was a failure: only few wanted to migrate to France since the vast majority preferred Germany, whereas Hungary, Poland and Czech Republic bluntly refused to welcome more migrants in spite of their limited number. This revealed a third divide in Europe between Eastern and Western Europe, on top of the conflict between Northern Europe creditors and Southern debtors, and the traditional opposition between finance-led and export-led capitalisms, i.e. continental Europe versus UK (Boyer, 2015b).

European policymakers must now to address these three challenges, which they were unable to overcome when they first emerged. The crisis is far more complex than all the

previous ones and the probability of a breaking-down of 60 years of patient European integration exists (Schmitter, 2012). This scenario becomes more likely given the lack of determination of national governments preoccupied by the defence of their own interests to the detriment of the common European public goods.

In a sense, Brexit is a follow-up of Grexit, when citizens' referendum rejected a drastic structural adjustment plan that strengthened a previously unsuccessful austerity plan, source of a deep depression and rising poverty. It was nevertheless imposed by the power of creditors from other Member States. An open conflict thus emerged between democratic principles, at the heart of the EU, and the defence of the Euro and 'sound' macroeconomic policies. The Brexiters' vote asserted the primacy of citizens on the strategic choices of a country.

4. A dark radical uncertainty

If one accepts the previous diagnosis, no determinist prediction is possible: everything is up to the strategic interactions between British and European key actors. The interdependencies and issues at stake are so numerous that they challenge the conventional methods of standard economic theory (formal modelling, rational expectations, market equilibrium and search for an optimum Brexit programme).

This uncertainty makes it problematic to set economic strategy in line with Brexit. The past political alliance in the UK was closely associating financialized capitalism with the consequences of deindustrialization, regional imbalances and growing inequalities. A reply to the Brexiters' demands could be two-fold.

- Either the withdrawal from the EU would be associated with a new direction for internationalization, but the related benefits would be used to control capital-based incomes (a regulation of CEOs' remunerations) and develop public services and welfare in the direction of the least privileged via more progressivity in personal income taxation. The first statements by the new Prime Minister points to that direction.
- Or an isolationist ideology prevails and tries to reconstruct a productive system that would fulfill the needs of the majority of the population and develop low-medium skill jobs. Is such domestic consumption led growth regime possible given the large trade balance deficit and the lost expertise in the manufacturing sector?

In both scenarios, the impact of China should be taken into account: will the new jobs created compensate the inflow of low price imports from China? The jury is still out and many other scenarios are possible. Could England become a tax heaven at the margins of the EU? Would the secession of Scotland imply a disintegration of UK?

The challenge addressed to British government is severe: is Brexit a rejection of European integration or/and is it the consequence of an intense internationalization, especially in finance and business services, not associated with a wider redistribution of these benefits to the left behind population? Can UK build an alternative to the EU by negotiating a multiplicity of free trade agreements or will a costly isolationism imply a new secular decline of UK?

The main concern for the other 27 members of EU is different: is the EU a mere economic project promoting economic efficiency via more competition or does it aim at the creation of a supranational entity organizing social solidarity within and among Member States? Clearly the neo-functional paradigm, dear to the founding fathers, has failed: larger economic

interdependence has not mechanically fostered more cooperation and has not led to the emergence of an explicit federal State. The Euro has shown the fallacy of a common currency without the backing of an European State. Quite on the contrary, harsh bargaining at the intergovernmental level has replaced the construction of new and crucial European commons.

The interaction of the economic, social and political processes operating in UK and Continental Europe respectively makes outcomes unpredictable. Many surprises ahead! On one side, an ironic revenge of Remainers may arise depending on whether all social groups loose if a hard Brexit prevails. On the other side, a new Euro crisis could create a drastic dilemma: collapse or new course of European integration?

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Workers no longer welcome? Europeanization of solidarity in the wake of Brexit

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The Brexit campaign played on rising discontent with the 'migration question', which lumps together intra-EU mobility with immigration from outside Europe. Formally, it only

concerned the free movement of workers in the EU, even though the ‘internationalisation’ of the British economy goes much further than its ‘Europeanisation’ (Boyer, this volume). However, national resentment has a pedigree here as well.

After the French ‘No’ to the Treaty establishing a Constitution for Europe in May 2005, the British vote in June 2016 was the second popular referendum in an EU Member State, in which the ‘Polish plumber’ played a major role (Arnold, 2005; Spigelman, 2013). In the course of the EU’s Eastern enlargement, this figure has become an archetype for cheap labour migration from the new Member States. The change of time, place and context matters. In the French campaign, massive labour migration from the East was only a spectre that did not materialize in the end. Meanwhile, policy studies in the UK sought to demonstrate that the inflow of migrant workers from other Member States came at a cost to the domestic welfare system (Booth *et al.*, 2014; Keen and Turner, 2016; Sumption and Altorjai, 2016). Leaving the question of economically non-active EU citizens aside, analysis focused on the case of low-paid workers from other Member States, who have a significant share in the domestic labour market (Warhurst, this volume). As Union citizens, these workers are entitled to in-work social benefits (in the form of refundable tax credits) in the same way as British nationals.

Obviously, the aim of these policy studies was not to assess the overall macroeconomic effects of labour migration on the UK, but to refute the claim by scholars that migrant workers tend to pay more into a national welfare system than they take out. Not surprisingly, the arguments and findings highlighted in the reports gained broad coverage in the Brexit campaign (e.g. Prynne, 2014; Doyle, 2014). If PM Cameron’s aim was to mobilize domestic voters to extract concessions from the EU regarding the status of mobile Union citizens in the UK, the electorate’s response was overshooting: getting rid of them. A recent initiative to ‘blacklist’ foreign workers demonstrates that PM May’s government is generally prepared to heed this wish (Ruddick and Mason, 2016; Syal, 2016).

Before the Brexit referendum, the European Council responded to the UK’s renegotiation agenda by making concessions that cut into the core of the free movement of persons, such as a ‘safeguard mechanism’ restricting newcomers’ access to non-contributory in-work benefits for up to 4 years (European Council Conclusions, 19 February 2016, EUCO 1/16; Peers, 2016). After the British ‘Leave’ vote, the legislative template for truncating the social rights of migrant workers is not off the table. Instead, the stakes have only risen for other Member States, whose constituencies are aroused with similar anti-migration sentiments. One can assume that some Heads of States and Governments not only acquiesced but eventually sympathized with the UK’s requests. A closing of ranks could already be observed several years ago in matters of ‘benefits tourism’ when Germany, Austria and the Netherlands joined the UK to lobby for a stricter interpretation of secondary EU law specifying the conditions of free movement (Letter by the Ministers of the Interior Mikl-Leitner, Friedrich, Teeven and May to the President of the European Council for Justice and Home Affairs Shatter, April 2013). It is thus likely that the reform proposals attached to the Brexit threat will be revived in future negotiations.

At the same time, the Court of Justice of the EU (CJEU) seems to have prepared the ground for a reassessment of the social rights of workers along the lines of economically non-active Union citizens, who have to fulfil certain requirements before they qualify for non-contributory social benefits (O’Leary, 2008; Currie, 2009; Dougan, 2013). Even though legal reasoning may, in principle, ward off politics, the migration debate has left its mark here as well. The unusually terse prose of recent case law suggests that CJEU judges, who

represent different national contexts and serve for limited renewable terms, do carefully weigh the 'potential implications of judicial choices at a time when eurosceptical political parties are on rise across the continent, not only in the UK' (Thym, 2015, p. 253). Hence, a paradigm shift seems pending, which only gained urgency in the wake of Brexit. What all this demonstrates is the contested nature of the transformation of solidarity that European citizenship law implies (Barnard, 2005; de Witte, 2015). In practice, the price of European solidarity seems to be that national social rights are being curbed as well.

From a socio-economic perspective, Brexit can be understood as a point of culmination in the 'recommodification' of Union citizenship, which previously underwent a process of 'decommodification'. Classically speaking, commodification means the subjection of labour and wage-setting to market forces, whereas decommodification means the reduction of the market dependence of workers—and also non-workers—by way of social rights. In the following, this terminology is adapted to the 'Europeanisation' of social rights underpinning the free movement of persons (cf. Caporaso and Tarrow, 2009; Höpner and Schäfer, 2010).

In the first decades of the integration process, following the ECSC Treaty (1951) and the EEC Treaty (1957), the focus was on the free movement of workers, who were to be granted equal treatment with the nationals of the respective host Member States. While this meant that migrant workers would generally benefit from 'the same social and tax advantages as national workers' (Regulation No 1612/68, Art 7(2)), a core matter was the coordination of national social security schemes regarding common social risks affecting the earning capacity of workers, such as old age, sickness, unemployment and invalidity (Regulation No 1408/71, Art 4(1)). Hence, one of the aims of the Europeanization of social rights was to close possible 'insurance gaps' resulting from labour mobility. Being tied to worker status, as defined by EU law, and, in the case of contributory benefits, to employment history, the first generation of European social rights could be considered 'commodified' (Hartmann, 2015, p. 131). This changed in the second phase, leading up to and following the Maastricht Treaty (1992), which brought the social rights of economically non-active EU citizens to the fore. Instead of contributory in-work benefits, the emphasis now turned to non-contributory out-of-work benefits. While the privileged status of workers was still left untouched, European social rights became more 'decommodified' or 'redistributive in nature' (Hartmann, 2015, p. 131).

The third phase reflects, or at least resonates with, a change of policies on the national level. In many Member States, non-contributory benefits have become linked with activation policies furthering the 'recommodification' of social rights (cf. Streeck, 2000; Hager, 2009). Recent developments on the European level seem to point to the same direction, laying emphasis on the 'limitations and conditions' of the right to free movement for economically non-active EU citizens (Art 21(1) TFEU; cf. Shuibhne, 2015). This includes reassessment of the requirements for the lawfulness of their residence, namely whether they 'have sufficient resources for themselves and their family members not to become a burden on the social assistance system of the host Member State' (Directive 2004/38/EC, Art 7(1); Case C-308/14 *Com v UK*, EU:C:2016:436) and when does that burden become 'unreasonable' (Directive 2004/38/EC, Recitals 10 and 16 of the Preamble, Art 14(1); Case C-140/12 *Brey*, EU:C:2013:565). In the first 3 months of residence, Member States do not have to provide any social assistance (Directive 2004/38/EC, Art 24(2)). Hence, whereas access to in-work benefits is immediate, access to out-of-work benefits is usually delayed.

However, the legal refinements concern not only the group of economically non-actives. Recent, yet already established case law of the CJEU also shows signs of a reorientation

regarding the social rights of workers. In assessing the ‘link of integration’, which substantiates eligibility for social benefits in a host Member State, the line between workers (as well as jobseekers) and economically non-actives seems increasingly blurred, allowing the judgement of both groups by the same conditions (Cases C-212/05 *Hartmann* EU:C:2007:437, C-213/05 *Geven*, EU:C:2007:438; and C-287/05 *Hendrix*, EU:C:2007:494; C-138/02 *Collins*, EU:C:2004:172; C-22/08 and C-23/08 *Vatsouras*, EU:C:2009:344; C-359/13, *Martens*, EU:C:2015:118; C-220/12 *Thiele Meneses* EU:C:2013:683; C-20/12 *Giersch*, EU:C:2013:411; C-542/09 *Com v NL*, EU:C:2012:346; C-158/07 *Förster*, EU:C:2008:630). Compared to the beginnings of European citizenship law, therefore, attention has shifted from contributory in-work benefits, which are status-based, to non-contributory in-work benefits, which are usually means-tested.

Against this backdrop, Brexit only made obvious that the new emphasis on the conditions of free movement has also reached the core group of workers. In the negotiations, the EU leaders demonstrated their willingness to rewrite secondary law so that the UK could exclude new arrivals from in-work benefits for a period of up to 4 years. It is quite likely that other Member States will aim for a similar ‘safeguard measure’. While such initiatives have to be agreed at the European level, national legislatures may already exploit the leeway granted by the CJEU to limit EU citizens’ access to domestic welfare benefits. Along these lines, a recent draft law by the German government stipulates that jobseekers from other Member States would no longer gain access to social assistance after 6 months of residence, as the Federal Social Court had decided, but only after 5 years (CJEU Case C-67/14 *Alimanovic* EU:C:2015:597; *Bundessozialgericht*, decision of 3 December 2015, B 4 AS 44/15 R; Connolly, 2016).

The likely implications of Brexit can be summed up as follows: whereas the ‘employability’ of migrant workers is enough for them to enter the labour market of a host Member State, it may no longer suffice to join the national solidarity community. To not encourage ‘welfare migration’, labour migration is ultimately discouraged as well. From an economic point of view, one could refer to this as throwing out the baby with the bathwater. From a more sociological point of view, it demonstrates that the Europeanization of solidarity (here understood in its organized, legal form) is full of conflicts. What has been described as a transformation from national to European solidarity along the ‘division of labour’ in the internal market (Münch, 2008; Frerichs, forthcoming), eventually challenges the ‘common sense’ of domestic voters: that the limitations applied to migrant workers would have to apply to national workers as well. Brexit, as shorthand for ‘reserving British workfare for the Brits’ (cf. Booth *et al.*, 2014; Chalmers and Booth, 2014), is obviously a backlash against the EU law principle of non-discrimination. At the same time, the turn from welfare to workfare, which was spearheaded by the UK, only confirms the transition ‘from status to contract’, which guides the recommodification of social rights both on the national and the European level.

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Brexit: the conflict of globalization and democracy

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The historic and unexpected victory of leavers in the Brexit vote was a result of an unlikely coalition of two ideologies, profoundly opposed to one another but reaching common ground on the single issue: namely the claim that Brussels is the root of everything wrong with their country. On one side were the nationalists who wanted back their island’s splendid isolation and saw the EU as foisting on them rules, norms and people they considered unBritish. On the other side stood globalist libertarians who bemoaned Brussels interference with free markets. The first deeply resented globalization which was represented in their eyes by Brussels. The second objected to the obstacles thrown by Brussels in the path of that very globalization.

The marriage of these strange bedfellows is unlikely to survive the next step: deciding how to go from here. The very same force that brought unity and subsequently victory in the referendum is likely to deliver discord and defeat when the post-EU life of the UK must be crafted. Whether Britain will actually leave the EU in the end is less than clear. Even if it does, it may not make much of a difference as the UK may end up with the same set of conditions vis-a-vis the EU as it has now.

The significance of Brexit, however, is more profound than the fate of Britain, and reveals a deeper historical dilemma that is being played out all over Europe. The dilemma emerges from the tension between globalization and democracy. Democracy in its current form as it developed in the framework of the nation state, is first and foremost about voters deciding who will get to run the nation state. The nation state, as it emerged in the 19th century, was the natural institutional framework for politics, just as it was for culture and the economy.

As the fall of the Berlin Wall ushered in the post-cold war era, and globalization began to gain momentum, nation states found themselves in a particular quandary. They began to encounter forces they could not control but which had profound effects on their citizens. Those citizens had a particularly frustrating experience: they voted for their national leaders

who, once elected, were often powerless in the face of global processes such as the transnational movement of capital, people, ideas, arms, diseases and environmental damage. Above the level of the nation state institutions have been sparse and ineffectual. The institutional framework that comprises the nation state is unable to deal with these supranational processes as politicians solely accountable to their own national electorates use their state's institutions without any consideration to electorates in other nations.

Global processes, currently unfolding in an under- or unregulated manner, need global institutions. Global institutions need democratic legitimacy, yet the historical forms of democracy on offer are national, not global.

The solution seems clear: supranational processes need supranational democratic institutions. The EU has been an attempt to construct just that. While the EU is not a global institution it is so far the best attempt to answer this challenge. It is richly ironic that it is the medicine that is being blamed for the disease.

There is a clear pattern emerging from the mismatch between democracy and globalization. Countries hold elections. Political elites gain the levers of the nation state. Nation states buffeted by global forces do not have the power to deliver on political promises and expectations. Democracy does not seem to work, electorates become both disillusioned and radicalized and soon see regaining national sovereignty as the only remedy.

Populist nationalism is on the rise, seriously threatening the European project aiming at integrating nation states. While in most European countries populist nationalism is still an insurgent, anti-establishment project putting governments under increasing pressure to adopt some of its agenda, in Hungary and Poland populist nationalists were already voted into power.

Hungary's twice elected government that has been an aggressive critic of European integration held its own plebiscite in October asking people whether to accept mandatory quotas to resettle migrants in Hungary. As critics pointed out, there is no EU plan to force Hungary to resettle migrants. The EU plan, now largely defunct, would have called for Hungary to grant asylum for about 1300 refugees, a small number in a country of 10 million. By conflating migrants and refugees and asylum with resettlement, the Orbán government was seeking popular support for its anti-EU stance. The referendum failed to mobilize enough people to be counted as valid, but rather than accepting defeat, the government decided to raise the stakes and change its constitution to include protections for Hungary's 'constitutional identity', which includes the right to refuse foreign settlers but also opens a larger legal claim to resist other steps towards European integration.

Hungary, as one of the largest net recipients of EU funds, is not contemplating Huxit just now, but like Brexit proponents, it wants to have its cake and eat it too. Both the Hungarian government and British leavers want all the benefits of globalization while keeping their full national sovereignty. The only difference is that Hungary envisions achieving this within the EU and Britain as a non-member with all the privileges of membership. With Brexit, Hungary lost an important political ally in its resistance to European integration and now it is hoping to gain new ones through upcoming elections in other powerful countries. Prime Minister Viktor Orbán with his aggressive stance hopes to set off an avalanche of similar referenda and legal action in other countries, orchestrating a popular revolt against European integration.

Democracy may be the undoing of Europe but not because, as we hear it so often in the wake of the Brexit decision, people are irrational, uneducated or gullible. No polity will survive that requires a fully rational, highly knowledgeable and farsighted majority. Democracy is

about organizing human imperfection for the best results. Democracy may end the most sensible attempt so far to reign in globalization not because people are imperfect but because our notions of democracy are too much tied to this 19th century invention: the nation state.

If we, like the founders of the EU, want to avoid a balkanized Europe of hostile nation states, we have to continue to think about ways of making global institutions more accountable but we also must rethink the nation state to understand what we can learn from its resilience, what powers it should give up to super-national institutions and what powers it should devolve to regional and local ones.

There are two pillars on which the current appeal of nation states rest: one is security, the other is culture. For most people, nation states are the main source of safety. It is the nation state that pools risks of sickness, old age, crime and loss of jobs. Healthcare, pension, law and order and unemployment insurance are all currently in national jurisdictions. Many of those functions, partially or fully can and should be delivered by European institutions if the EU is to survive.

The obvious difficulty of federalizing these programmes is not that people want to have these protections wrapped in their national flag but that the large inequalities across countries would at least in the short run, either call for enormous additional funds necessary to raise the level in poorer states to the level of the richest ones, or for some levelling, to bring the richest states down a few notches to a common middle ground. This therefore cannot be accomplished overnight, yet some of these security systems are easier to federalize than others. For instance, a generous and uniform unemployment insurance system, still tied to local wages but paid by uniform rules and from a central EU fund, would not just improve the lives of millions in countries like Greece and Hungary, but it would stabilize the European economy by quickly injecting funds in depressed economic regions. Offering people a common European pension system would not just buffer countries most adversely hit by aging demographics, but would increase labour mobility. A common European healthcare system would benefit the EU as a whole in similar ways. Pension and healthcare would face the same challenges of levelling, but it could begin as a two tiered system, where employers and workers could opt into an EU pension and health insurance system that exist alongside the national ones. These could first be available for internal migrants—people who move from one EU country to another for work—and those employed by multinational companies. Two-tier voluntary insurance schemes are always vulnerable to skimming; richer people moving to the upper tier sharing resources only among themselves and leaving the poor with less available in the second tier. This calls for some redistribution between the EU and the national systems with the long-term aim of making the EU option the dominant one.

Fighting crime should be both federalized and localized. Terrorists must be battled by an all-European police and the same goes for corporate malfeasance. But traffic fines and burglaries should be handled locally.

There is one successful example of the nation state ceding substantial control of a central security function. It took the devastation of World War II, the subsequent Cold War and American dominance to create NATO, still, no one would have anticipated 70 years ago that powerful nations like France and Germany would have their armies under joint command.

Nation states are also strong cultural organisms. In fact, their ability to build a national culture, and a common cultural identity is key to their success and resilience. Without a shared European identity, European integration is bound to fail. European identity would not replace national identities. Just as people can identify with their locality and their

country at the same time, identifying as European would add another layer to how people think of themselves.

One of the key instruments of nurturing national identities has been each nation's own education system. The French, the Spanish, the Germans and the Poles all learn in school what it means to be members of their imagined community. They study their national language, history, and learn about their great poets, artists and scientists. For the EU to build its own cultural identity, it will have to construct European educational institutions. This has started already in tertiary education, but needs to extend to the level of elementary and middle schools as well. Every region should have a few European public schools with a nationally inflected but fundamentally European curriculum, where parents can opt to send their children from an early age. The EU also should expand its own media. Newspapers, journals, radio and TV programmes or stations produced in various languages for national audiences but with EU financing and oversight should have a much stronger presence. The EU is already engaging in supporting various cultural and scientific projects. This, however, reaches only a small educated elite. The EU needs to broaden its cultural reach.

At the same time, anyone who wants to save the EU must think creatively about how to make democracy fit a federal Europe. The first step is to decouple EU political institutions from national party politics. As opposed to national parties and governments being represented in EU political bodies, people should be voting directly for European parties and representatives. In elections EU citizens should cast a ballot for both a European party and an individual representing their region, running on a European agenda, as opposed to as delegates of their national parties receiving votes on the basis of popularity of their party's domestic policies. Furthermore, there must also be space for participatory democracy at the European level. Recent technology makes this a realistic possibility.

With Brexit, the EU has arrived at a critical juncture. If it tries to appease the populist nationalists without addressing the fundamental contradiction of globalization and democracy it risks a gradual disintegration of the EU. The alternative is to develop new institutions at the European level that take over gradually the provision of security, foster European culture and identity and build a new autonomous European polity. This may require a step back, creating first an inner circle of core countries, more similar to each other in terms of wealth, values and political intentions.

Brexit: UK as an exception or the banal avant garde of the disintegration of the EU?

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Four months after the drama of the Brexit vote, a deep fog is, once again, isolating the continent from the UK. Britain is in Europe, but is leaving the EU. If 'Brexit means Brexit' the

decisive but vague mantra of new prime Minister Teresa May, nobody seems to have a clue about what happens next. Brexit leaders had no plans. A gambling, shortsighted and elitist Prime Minister has lightly risked the existence of the UK twice: he was lucky on the Scottish referendum, but not on Europe. Brexit is deeply rooted in the contradictions of contemporary western political economies within a globalized economy (Baker *et al.*, 2002; Bermeo and Bartels, 2014; Beramendi *et al.*, 2015), inequalities and finance (Crouch, 2016) and their dangerous political expression.

1. The Brexit vote brings evidence of profound inequalities and cleavages

The two camps were neck to neck in opinion polls for 2 years. Despite all the hype about Brexit, the electorate remains seeming steady with the result since more than 90% expressing no regret about the vote and would do the same (<http://whatukthinks.org/eu/brexit-post-referendum-hopes-and-expectations>). The stormy political events post referendum did not change the opinion despite a broad range of political events: Cameron's resignation, the hostile leadership campaign in the Labour Party, the resignation of Nigel Farage from UKIP (his successor only lasted 18 days), the damaging and at time ridiculous campaign for the leadership of the Conservative party from the two Brexit leaders Boris Johnson and Michael Gove, the lack of plan B from the British civil service, the mobilization of the youth, and the 4 million signature against Brexit, or the decline of the British Pound (minus 14% since the referendum against the dollar).

The profound divisions underlined by the Brexit debate are unlikely to disappear (Hay, 2016). The Brexit vote was first about sovereignty and immigration together with the hostility and failure of the EU. The vote reflected clear dividing line in terms of education, income, age. Goodin and Heath (2016) after referendum report's title says it all 'Brexit vote explained: poverty, low skills and lack of opportunities ... educational inequality that was the strongest driver. Other things being equal, support for leave was 30 percentage points higher among those with GCSE qualifications or below than it was for people with a degree'.⁵ The focus on immigration and sovereignty was ferociously echoed in the media. It opened the floor for racist comments and behaviours. During the campaign and after the vote, the police reported a rise of violence, attacks, insults, against ethnic minorities and foreigners, epitomized by the assassination of the labour MP Jo Cox, a prominent advocate of the rights of those minorities. On the 27th of August, a Polish worker was killed in Harlow during the attack of a group of Polish men. Those racist attacks have remained at high ebb ever since: the Home Office has recorded an increase of 41% in the number of 'racially or religiously aggravated crimes' in England and Wales after the referendum (2016).

As in other European countries, growing inequalities and poverty have been associated with the crisis of financial capitalism. According to Eurostat, about 123 million people are now at risk of living in poverty in Europe. Since 2009, the number of people living in what Eurostat frames as 'severe material deprivation' (i.e. percentage of people lacking at least 4 of a list of 9 basic items or activities such as a warm home) has risen from 7.5 to 50 million

5 For a precise analysis see the results published by the British Election Studies team, <http://www.britishelectionstudy.com/bes-resources/brexit-britain-british-election-study-insights-from-the-post-eu-referendum-wave-of-the-bes-internet-panel/#.WAIMyFuDelg>

people. Together with southern Europe and Ireland, the UK had the strongest growth of poor people at around 8% of the population in 2014, which is far less than Greece or Bulgaria but two points higher than Germany or France. The UK has one of the highest levels of income inequality with the EU: according to the OECD, the Gini coefficient 0.358 in 2013, the highest of the EU (except Estonia) compared to less than 0.3 for Germany, France, or Denmark (0.256). Over the past decade, the UK, wage inequality has remarkably grown more than anywhere else (Fernández-Macías and Vacas Soriano, 2015). And despite the relatively low level of unemployment, real wages have fallen more than anywhere except Greece. According to the OECD employment Outlook, real wages (i.e. income from work adjusted for inflation) increased across 29 OECD countries by 6.8% from 2007 to 2015 (14% in Germany, 11% in France). In contrast, they fell by 10.4% in the UK. Meanwhile, prior to the crisis the top 1% gained 15.4% of national wealth compared to only 9% in France or 13% in Germany (France stratégie 2016 based upon the World Wealth and income data base). In other words, a large part of the population has good reason to feel alienated from economic and political elites. As is now well known, the massive gains of the top 1% are closely associated with the financial sector and the City of London. A referendum is always a great opportunity to express opposition to the existing political and social order.

A second point to emphasize is the legacy of Mrs Thatcher. Britain transformed itself by using the strong state to impose market mechanisms, competition and promote what Crouch (2011) called a financial private Keynesianism. This policy approach has led to profound territorial and income inequalities. As New Labour left office in 2009, the UK General government spending was 49.6% of GDP (OECD figures), which is close to the European average. The coalition government and then conservative led by David Cameron has chosen the austerity road and tax cuts to increase the debt and cut public expenditure down to 43.6% of GDP in 2014 and are aiming at 35%. With the exception of Ireland, no other European country has cut expenditure so quickly and with a strong impact on disadvantaged groups. Massive cuts have been implemented in various social services and local services (about half the budget of Liverpool for instance).

2. The EU, the elites and immigration: Britain as a 'banal' EU country

Brexit results have amplified common trends in Europe and may reveal the UK to be an avant garde of what may happen next in Europe.

The campaign was UK centred. The rise of anti-European, anti-metropolitan liberal elites and anti-immigration feelings that have become common in other European countries received little attention before the vote. But the rise of far right racist anti-immigrant parties is a major trend of European politics. In France, Germany, Poland, Italy, Spain, the Netherlands, Slovakia, Hungary or Nordic countries, classic pro-European centre right and centre left parties are being challenged by extreme right parties (National Front in France, True Fins (now the Finns Party), Alternative Für Deutschland, Austria FDP, The party for Freedom in the Netherlands) populist parties (Five star in Italy, Orban populist right wing FIDESZ in Hungary). Election after election, those parties are gaining ground at the local, regional, EU and national level by attacking immigration, the EU and singing the praise of sovereign nations. A referendum on the EU is the perfect occasion to express those views. Britain's UKIP and radicalized sections of the Conservative party are in tune with the rest of

Europe. If a similar referendum had taken place the same day in the 27 countries of the EU, how many would have given a clear mandate to remain in the EU? Most countries are divided on the European issue in relation to migration.

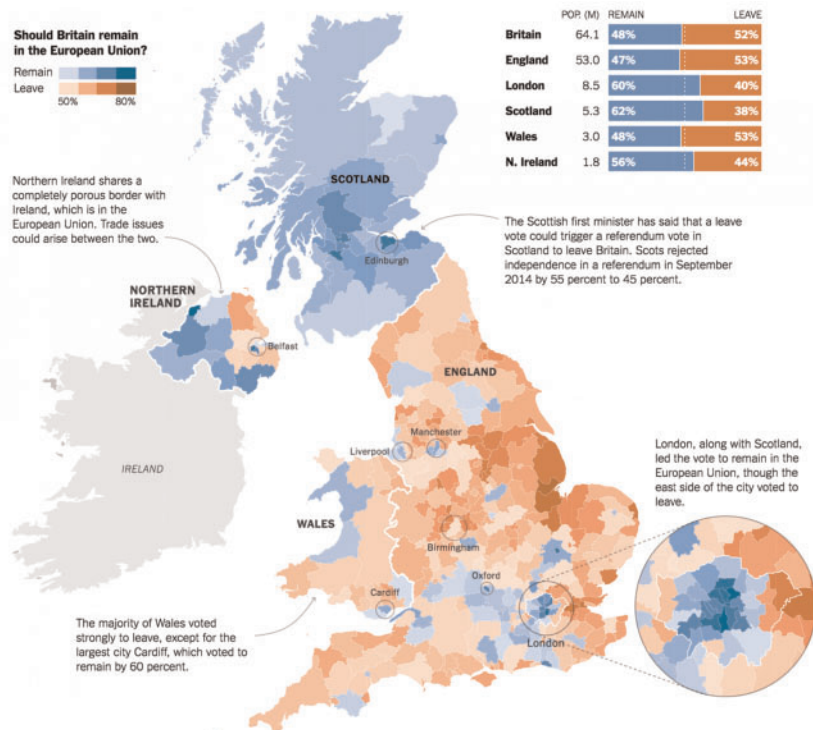
Comparative social scientists have written at length about this increasing divide between those benefitting from Europe, with higher level of education, younger, urban, with liberal values, against those loosing from globalization trends, from the 2008 crisis, from the lack of protection offered by the EU, resenting immigration and the refugee crisis (older, more rural, lower level of education). N. Fligstein's Euroclash, or H. P. Kriesi's projects on democracy and globalization (2008) or the rise of European populism (2015) have analysed those ongoing dynamics. The rise of populism in Europe is a long-term process. Peter Mair (2006) has emphasized the erosion of the representative function of European party systems. Europe has also proved a major driver of liberalization and competition without protections for entire regions and social groups, and a long-term democratic deficit (Höpner, 2015). The economic crisis has accelerated the rise of populism, an element of the crisis of democratic capitalism (Streeck, 2011).

From that point of view, the UK is one European country among others with similar divisions, inequality and mobilization against the elites, the immigrants, and Europe. As in many other European countries, the level of education proved the main predictor of the vote: more educated citizens are inclined to have liberal values, to be at ease with immigration and to support the EU. That also echoes the Tea Party in the USA or the extreme right in Australia.

The UK debate was particularly dominated by the immigration question, which was ultimately even more central the refugee crisis. Since the early 2000, net migration to the UK has been around 200 000 and 350 000 per year (around 300 000 last year). The arrival of migrants from Eastern Europe (between 800 000 and 900 000 Polish citizens live in the UK) has made London in particular a formidable multicultural metropolis, but antagonized many British. The EU has taken the blame for what has been framed as 'a broken immigration system'.

Finally, the Brexit vote has powerfully confirmed the territorial dimension of the transformation of European societies. In most centralized European countries, a gap is growing between those living in the more urbanized, larger metropolis (sometimes regional urban systems in Lombardia or the Netherlands), often the capital and the rest of the country. From Prague to Lisbon or Stockholm, London and Paris, the gap reflects the concentration of the skilled population, the level of inequality, the productivity (as the economy and wealth generation is becoming more urban), the connections to the rest of the world and transnational mobility, the diversity of the population, housing prices, the concentration of elite schools, university, research centres (Crouch and Le Galés, 2012). In the UK, London epitomized those transformations in terms of cultural diversity, labour market, house prices, productivity. London has become a wealth generating centre attracting billionaires from all over the world and massive investment. It is also home to the City is located and the insane bonuses that have been generously distributed to traders and managers. Meanwhile, other regions are in economic and social decline, following the Mezzogiorno road in Italy, large areas Eastern Germany, the north west of France, the northern part of northern countries, the periphery of the Czech Republic or North East England. As territorial inequalities increase, national policy remains oriented towards the new 'national champions' crucial for

economic development, e.g. main metropolis. The UK exemplifies this trend. Consequently, people feel abandoned by the state, the EU and the urban elites.



Source: New York Times, How Britain Voted in the E.U. Referendum

Ironically, only some nations without a state like Scotland have also become staunch EU supporters (but also Catalonia in Spain). Under the leadership of the Scottish Nationalist Party, Scotland is reaffirming its difference from Britain. Scotland voted to remain (62%), and within Scotland, in the capital Edinburgh, 74.4% voted in favour of Remain. In England, the Remain vote won in London by a strong majority of over 60% (except in the poorest peripheries of Greater London East and West), Remain prevailed in Liverpool, Manchester, Newcastle, Leeds, Bristol, Cardiff, and smaller more affluent ones like Exeter, Norwich or Leicester, but not the industrial core of the Midlands like Birmingham. In the home counties, in the north and in the Midlands, the core of England and Wales rejected Europe. This cleavage appears to be more and more territorialized. Middle classes are increasingly urban liberal middle classes. Tellingly, the post Brexit debate has been framed in terms of a revolt against metropolitan elites in London. Continuous gentrification of urban areas has been reflected in sky rocketing property prices, oblivious to wider economic crisis. Property ownership and housing prices have contributed to the creation of these massive inequalities. Class divisions now combine work, property and space.

The day after Brexit, most UK political leaders were speechless, including leading conservative Brexiters. However, both the first ministers of Scotland and Northern Ireland and the

Mayor of London are now exerting serious pressure on the UK government to stay in the EU. To avoid a constitutional crisis, they envisage special workers permits for EU workers and access the Single market for London, Scotland and Northern Ireland. Scotland is already preparing a second independent referendum if a hard Brexit included Scotland. The Irish question is not over either and the remaking of a new frontier between Northern Ireland and Ireland would carry many economic and political risks. Gibraltar is also agitated, but that is less of an issue . . . except for the Spanish.

3. Conclusion

In many ways, Britain is an obvious exception in Europe: an island that was not invaded, where Henri the VIIIth rejected Catholicism, where no revolution took place since Cromwell (1640–1660), where peasants were eradicated at an early stage, where industrialization was massive during the 19th century, and the empire dominated the world in the 19th century. More recently, Mrs Thatcher initiated a profound restructuring of state and society (Gamble, 1993). The UK was a late comer and outlier in the EU. Yes Britain is different. But as Timothy Garton Ash (2016) put it ‘being an island makes a difference, but geography is not destiny’. Enough has been said on the peculiarity of the British approach to the EU. Let us just emphasize the lack of understanding of anything remotely associated with the EU in the vast majority of the population (thanks in particular to Murdoch’s popular press) despite holidays in Europe, the openness of the labour market or retirement homes on the Costa Brava. In contrast to the majority of Europeans (first of all the educated ones), the English have not combined their national identity with a local/regional or European one. They do not learn the languages either. According to Eurostat Foreign language learning statistics (http://ec.europa.eu/eurostat/statisticsexplained/index.php/Foreign_language_learning_statistics), with the exception of Greece, the UK as the lowest share of secondary education students learning two or more languages, below 10% and decreasing since 2009. More than on the Continent, part of the population does not consider itself as European at all. The comparative research of Duchesne *et al.* (2013) on attitudes towards Europe was crystal clear: English citizen did not know anything about the EU and were basically more hostile than their Belgian or French counterparts. From Mrs Thatcher to David Cameron, EU bashing has been a normal sport in political debates, probably in more systematic ways than anywhere else and with massive support from the media. The economic crisis, the refugee crisis, pressures on the Euro and immigration, combine to stress the shortcomings of the EU. Why bother with an EU that is economically failing and sending its immigrants to the UK?

Brexit is also one kind of expression of democracy (Streeck, 2012). Many people deeply resented the EU. Despite all the warnings, the optimism of the elites was shocking both at the time of Cameron’s speech about the referendum and until the very last moment. At the end of the day, it was thought that reasonable and rational British men and women would follow their economic interest. The fear of the Brexit chaos put forward at length by the Remain campaign was supposed to suffice even if for years, the same politicians had blamed Europe for everything. They had made a caricature of the EU system. Meanwhile, good reasons existed for some section of the population to vote for Brexit. If the EU and the elites do not protect citizens from the crisis and economic difficulties, why bother? The Brexit vote most importantly underlines income and territorial inequalities, a growing cleavage between globalization winners and losers and a profound Brexistential crisis about the future of the UK.

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