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The Political Economy of Brexit and the Future of British Capitalism

Second symposium

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As we write this introduction in May 2018, more than a year on from the invocation of Article 50 of the Treaty on European Union, and half way to the deadline of 2019, much remains unclear about the process of the withdrawal of the United Kingdom (UK) from the European Union (EU) - the so-called Brexit. This is a fluid stage of a complex set of negotiations, during a period of political and economic transformation, at a point when the very meaning of Britain is under debate. Yet, Brexit also reveals new insights into the political economy of Britain and the future of British capitalism. Britain has a distinctive ‘business model’, organised around a dominant financial sector, a flexible labour market, service-sector led growth and openness to international capital flows (see Lavery, Quaglia, and Dannreuther (2018) **PREVIOUS ISSUE: PUBLISHER TO ADD /UPDATE DETAILS AT PROOF>**).

In the previous sister symposium (**<PREVIOUS ISSUE: PUBLISHER TO ADD /UPDATE DETAILS AT PROOF>**), we focused on the impact of Brexit for the international orientation of British capitalism. Papers on finance (James and Quaglia, **<PREVIOUS ISSUE: PUBLISHER TO ADD /UPDATE DETAILS AT PROOF>**), the balance of payments (Perraton and Spreafico **<PREVIOUS ISSUE: PUBLISHER TO ADD /UPDATE DETAILS AT PROOF>**) and the labour market (Lindstrom **<PREVIOUS ISSUE: PUBLISHER TO**

ADD /UPDATE DETAILS AT PROOF>) highlighted the specific challenges facing the British political system in addressing the complexities of leaving the EU. In this symposium, we examine the domestic political economy concerns related to Brexit, which present equally interesting challenges as well as new insights. Specifically, authors discuss the increasing politicisation of long settled British growth models (Rosamond, <THIS ISSUE: PUBLISHER TO ADD /UPDATE DETAILS AT PROOF>) and how emotion informs technical decisions on trade (Siles Brugge <THIS ISSUE: PUBLISHER TO ADD /UPDATE DETAILS AT PROOF>). The papers in this symposium contribute to a better understanding of how British capitalism operates and highlight new avenues of political economy research. The two symposia draw on papers from two workshops in a series called ‘Britain and Europe: The Political Economy of Brexit’ funded by the White Rose Consortium. The papers were substantially revised, reviewed and updated in 2017 and 2018.

Overview of the second symposium: Brexit and the reproduction of British capitalism

The UK political system has demonstrated remarkable resilience during the course of the Brexit process. The election called by Theresa May in June 2017, and the surprise gains for the Labour party, demonstrated that governments with apparently unassailable polling leads could still be put under pressure by the electorate. Despite a clear lack of coherence in positions within the main political parties, let alone the cabinet, the Government was able to create an administration coherent enough to allow Brexit negotiations with the EU to begin and continue (Bulmer and Quaglia 2018). Whether this has been or will become a successful strategy is moot. While the plummeting of sterling indicated a lack of market confidence in the Referendum result, and a series of housing, health, defence, and local authority funding crises have underlined the challenges facing the UK even before leaving the EU, the core

executive involved in Brexit negotiations retain strong popular support for their position. High levels of employment, a consensus to honour the outcome of the Referendum and an ability to match the Commission negotiators' demands with abstract intentions rather than policy details, has allowed May and Davies to retain control. Somehow, the British state has reproduced itself, despite Brexit. Yet, significant tensions and changes have begun to emerge during, and partly as a consequence of, the Brexit process (see Gamble 2018).

The papers included in this symposium illustrate how political economy can capture complex shifts in power during periods of structural change. The first paper by Ben Rosamond (<THIS ISSUE: PUBLISHER TO ADD /UPDATE DETAILS AT PROOF>) presents Brexit as the re-politicisation of the debate over the British growth model. These debates have been dormant since the 1980s but, as the future has been caught in the 'ideological swirl' of debating Brexit, a number of key issues have come to the fore. Since the settled consensus of privatised Keynesianism came unstuck in the financial crash of 2008, political parties have vied to present credible growth strategies. Old political cleavages have persisted in both society, between liberal finance and popular voters, and political parties, where discord in the Conservative party has confirmed long standing divisions over European policy. Whereas these tensions may have been tempered in the past by Europe's stable influence on economic growth, social policy and democratic participation, Brexit has laid them bare once again. The conflict between markets and democracy needs resolution once more.

In the second paper, Gabriel Siles-Brügge (<THIS ISSUE: PUBLISHER TO ADD /UPDATE DETAILS AT PROOF>) challenges the association between Brexit and post truth politics by revealing the emotional underpinnings of competing expertise in trade strategies. The distance between emotion and cognition, often suppressed in trade debates dominated by

econometricians and lawyers, offers a space to explore how affect influences even the most rigorous of policy debates. This space offers an opportunity for policy leadership by new actors like the Legatum Institute whose focus on protecting free market competition has offered an alternative to the Treasury's state-of-the-art Gravity models. A view of trade based on shared principles, rather than technical justifications, has had a powerful effect by advocating trade as based on mutual recognition, rather than modelled outcomes. Expert knowledge, it appears, depends on its emotional appeal.

What we can learn from Brexit

A strong constructivist thread runs through the papers in this symposium: the British business model sits transient atop breaking compromises and expert knowledge needs emotion to be realised. In part, this derives from the institutionalist methods shared in the papers to capture the temporal and contingent complexities of Brexit (Thompson 2017). The exercise of power is translated into action through various devices, such as the transmission of ideas, the emotional connection ideologies can offer and the anger of being set apart from the mainstream. None of them are material in their explanations of Brexit, but each recognises that the material matters in sometimes surprising ways – gravity models privilege distance, and history runs deep in the Conservative party. While history informs each of the contributions, in none does it determine the relations that inform the positions and provisions of Brexit.

The political spectacle of Brexit was therefore central (Hozic & True 2017). Siles-Brügge's piece confirms this by demonstrating how technocratic debates at the heart of government, are based on clearly different political assumptions concerning trade. Rosamond's

examination of economic models confirms that splits in the Conservative party continue to expose deep existential divisions that have persisted within the Conservative party for many years. In each case, Brexit gives extra weight to the expression of opposition in the Referendum campaign, the need for a new economic model or the stakes involved in trade negotiations. Yet, for each, Brexit is also the culmination of entrenched practices in political parties, and elite trade debates. The extent to which these pasts are informative of the future is in each case unclear. Is the new uncertainty therefore the consequence of a low growth EU, or the weakening of democratic and social agendas, as Rosamond suggests? Or has the mystique of rational administration finally been shattered in the emotive strategies of the Brexit trade negotiations? In short, if Brexit signals the end of the UK in the EU, what kind of change does it imply for the British state?

Each author locates their analysis in different dimensions of power. Whether the tight circle of intense trade negotiations, the conventions and beliefs of the Conservative party, or the dispersed weakened support for an exclusive state finally given voice in the Referendum. These locations reveal different perspectives, but all present the UK as a state at a cross road. Brexit poses major challenges and opportunities to the British variety of capitalism. Several economic sectors - such as finance, labour market, trade - benefitted from UK's membership of the EU, as highlighted by several papers in the two Brexit symposia. Following its departure from the EU, the UK enters uncharted waters, but this might also open up new opportunities for a re-orientation of the British business model.

Prospects post Brexit

With all the usual caveats, we can infer some of the implications of BREXIT for Britain and the EU. The shared constructivism of these pieces implies institutions help us to study conflict (Hay 2016). What, in other words, does it mean to be British and/or European after Brexit? The Referendum debate raised this issue, not least in the various parties' focus on immigration. It also raised the issue of how far individual voters react to the lead of the political authorities that lead them. These debates have taken on an immediacy for those living in Britain hailing from other EU member states, those living in other member states hailing from Britain, and those within Britain hailing from states that came to be British. Such identity issues have created enormous tensions for the formal political, legal and economic institutions that have governed British politics for many decades (Chalmers 2017). Political identities based on modern signifiers (e.g. nation, ethnicity, gender, sexuality, place) have been problematized during the course of the Brexit debate, so could be reframed. Certainly, it raises important challenges for students of comparative politics and international relations (Farrell & Newman 2017)

If Brexit did not necessarily invoke a 'post truth' politics, it has at least encouraged us to think about our assumptions of rationality in political decision making and of the meaning of evidence in evidence based policy, especially in political economy. While the institutionalist agenda was highly productive in EU and UK political studies, the knowledges that were bounded by rules and myths was more often benchmarked against modern standards (eg rigour, repetition, predictability). But debates over Brexit have demonstrated how parochial evidence can be, and how arbitrarily rigour can be applied. Brexit therefore raises questions over what knowledge is possible and the political limits of such claims?

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