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ORIGINAL ARTICLE

Money, territory, decarbonisation: the looming crisis of British politics

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Abstract
From the 2008 crash to the cost-of-living, the UK has seemingly spent the past two decades lurching from one crisis to the next. While the field of British politics has made strong contributions in analysing these developments, this article shows the benefits of a different perspective. To do so, we draw on the under-acknowledged but vital scholarly tradition of British political economy, which provides tools to understand the underlying forces and contradictions that drive British political and economic development over the long term—thereby producing a different conception of crisis to that implied in the frames of reference of the British politics literature. Developing this political economy approach, our thesis is that British politics faces *unique* challenges compared to other Western liberal democracies due to the *peculiarities* of its long-term political and economic development. We support this argument by focussing on three central challenges that all states face but that are especially acute for the UK: fiscal capacity, territorial integrity, and decarbonisation. Analysing how these challenges are likely to overlap and compound one another, we conclude the article by sketching out future scenarios for renewed legitimation crises of the British state.

Keywords British politics · Crisis · Political economy · Decarbonisation · Fiscal politics · Scottish nationalism

Introduction

British politics is in crisis. Presented with that statement, any observer of British politics could point to recent chronology (financial crisis, Brexit, covid, inflation) and key players (Brown's beyond-boom-and-bust, Truss' disaster capitalism)

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to sketch a narrative of crisis. Indeed, the idea that British politics has in the time since the founding of this journal in 2006 lurched from one calamity to the next has become the field's closest thing to a shared frame of reference. The field has adapted its longstanding strengths to make sense of these tumultuous events, whether that be in conducting and interpreting polling (e.g. Fieldhouse et al. 2020; Goodwin and Heath 2016; Henderson and Wyn-Jones 2021; Sobolewska and Ford 2020), analysing political party development and ideology (e.g. Bale 2023; Dommett 2020; Hayton 2024; Roe-Crines 2021; Pike 2024), explaining shifts in public policy and governance (e.g. Cairney 2022; Hindmoor 2024; Richardson 2018), or demystifying the constitution (e.g. Keating 2022; Matthews 2017; Ward 2021). The field of British politics has therefore made vital contributions to making sense of these events, both in the confines of the academy and beyond. Yet, as we will show, there is a different (and equally productive) way to think about the claim that "British politics is in crisis".

In his classic article on "theories of British politics", Andrew Gamble (1990) identified the dominant tendencies in British politics research: ideology, the constitution, public policy, and political behaviour. Thirty-five years later, this overview of the field is strikingly familiar. But Gamble also identified a fifth tendency: political economy, perhaps the most overlooked of the five in today's field, but the approach that animates this article. Although rarely acknowledged as such, British political economy is a loose and largely undisciplined field of scholarship that analyses British politics through the tools of political economy. Following this tradition, our starting point is the assumption that British politics is, first and foremost, structured by the "uneven development" of the "machinery of the world economy" (Nairn 1981, p. 335). This gives rise to imperatives to ensure continued profitability ("accumulation") and to maintain domestic social order ("legitimation"), both of which are the responsibility of the state, the key site of formal political competition (O'Connor 1973; Jessop 1990; Overbeek 1990; Lavery 2019a). The research strategies best equipped to analyse these dynamics tend to be those that historicise political and economic development, navigate effectively between the abstract and concrete, and situate crisis events as the result of slow-burning contradictions in state strategy.

Our thesis is that British politics faces *unique* challenges compared to other Western liberal democracies due to the *peculiarities* of its long-term political and economic development. These peculiarities have been a central theme of past research (Thompson 1965; Anderson 1964; Nairn 1981; Edgerton 2018). Political economy scholarship, for instance, has identified how distinctive features of the British model of capitalism, including the interconnection of commercial finance and its external imperial role within the global economy, have shaped its long-run development (Coates 2014). However, these peculiarities of British political and economic development have become less salient within British politics research (defined narrowly).

It was Gamble (2003) who, once again, identified these particularities in his analysis of how the UK's unique spatial development wedged it between Europe and America. In the context of an increasingly globalised economy in the 2000s, Gamble argued the UK faced a choice between siding with Atlantic neoliberalism or continental social democracy. Yet, as the apparent convergences of neoliberal globalisation and the End of History fade from view, a fragmenting world order characterised by heightened geoeconomic competition and green industrial strategies is emerging. In this new geopolitical game, the UK lacks the capacity to compete to a level commensurate with its historical status and self-perception as a leading economy and world power. Those self-perceptions generate unfavourable comparisons to the US (with its "exorbitant privilege", vast energy resources, and unparalleled trade and consumption power) and to the EU (with its supranational fiscal resources, geopolitical influence, and access to integrated supply chains). The UK was, of course, once an imperial power like the former and integrated into the latter. But it started losing its hegemonic privileges and empire over a century ago. More recently, it surrendered its "sweetheart deal" for access to and influence over the €17tn supranational economic bloc. In the absence of these strategic capacities, the UK's historical trajectory of internationalisation has rendered it uniquely exposed to global market forces. Whilst this post-imperial and post-Brexit path is self-evidently unique, in this shifting global economic context, further work is required to map the specificity of the looming crisis of British politics.[1]

To do so, we develop a research strategy by focussing on three central challenges facing all modern states and, in particular, liberal democracies, which animate the crisis of British politics. Two of these challenges are classic, and one is contemporary and future-oriented: (1) States need money (the money challenge); (2) States need territorial integrity (the break-up challenge); and (3) States (will likely) need to decarbonise (the green challenge). We argue that the UK faces unique dilemmas in each of these three areas that interact and compound one another.

First, all states need money, but the approach they adopt to raise taxes from their subjects or borrow money from lenders produces risks of political conflict or market instability. *Even so*, the UK's challenge of raising money is unique: its external model of capitalist development and reliance on the City of London has embedded path dependent commitments to sound money in the British state, reinforcing fiscal crises as engrained features of British politics beyond the normal fluctuations of the global economy. Second, all states need territorial integrity, but many Western liberal democracies face significant secessionist movements that threaten to break up otherwise stable national states. *Even so*, the UK's challenge here is heightened due to the unique character of Scottish nationalism: shaped by Britain's origins as a union between England and Scotland, the archaic nature of the Westminster institutions have long combined with notions of North Sea energy prosperity in the Scottish imaginary, fuelling visions of petro-nationalism. Third, all states will likely need to decarbonise, but doing so necessarily entails leading an unprecedented social transformation that will impact every business and individual as well as creating

[1] In addition to empire and Brexit, a third unique source of developmental peculiarity can be found in territorial and constitutional questions. Persistent confusion in both scholarly and popular discourse over designation of the correct territorial and constitutional category—whether that be the UK, Britain, or any of its four constituent nations—make this problem particularly acute in the British case. Since both the discipline of British Politics and the tradition of British political economy have, rightly or wrongly, used 'British' as their unit of analysis, we use that term throughout when referring to relevant scholarship. Our analysis focuses on Britain, not Northern Ireland, hence our use of that term, though it is at times used interchangeably with the UK due to our focus on the UK government.

new political winners and losers. *Even so*, the UK's weak approach to the green transition and its limited capacity and tradition in (green) industrial strategy mean that it is unlikely to reap the social and geopolitical benefits pursued by ostensible competitors such as the US and EU.

These three challenges—money, territory, decarbonisation—structure the three main sections of this article. In the conclusion, we extend the argument further by examining how these different challenges overlap and compound one another in the form of slow-burning contradictions in British political and economic development. We focus in particular on how the capacity for the British state to generate legitimacy via sharing the proceeds of economic growth is likely to diminish as the prospect of "decarbonising the downturn" (Copley 2023) coupled with limited fiscal capacity presents renewed dilemmas. We are likely to see increased political contestation over the UK's green transition in general and the net zero target specifically. If so, then like other scholars (Alami et al. 2024), we foresee a dilemma emerging: leaders will come under pressure to either renege on net zero commitments or enforce them through increasingly authoritarian means, with either option having a significant impact on the UK's contested territorial composition. Here our notion of crisis is shown to be distinctive from that implied in the framing of recent British politics literature. Rather than a focus on a short-term conception of crisis as a series of disruptive episodes, our conception of crisis is as a "condition rather than an event" which can "persist over a long period of time" before some sort of shock can precipitate necessary change (Gamble 2014, p. 31). This approach offers a method not only to trace the seismic events that have reshaped British politics in recent years, but also to map the underlying forces driving these changes and to provide insight into their possible future directions.

The money challenge: British capitalism, sound money, and the politics of fiscal crisis

Since the 2008 global financial crisis, a central thread of British politics has revolved around the solvency of the UK government. In the leadup to the 2010 election, the Conservative Party anchored its electoral strategy on the notion that profligate borrowing and spending by the incumbent Labour Government had pushed the UK to the precipice of a sovereign debt crisis. It exploited this narrative to position itself as a competent manager of public finances, which was used to justify the turn toward austerity throughout the 2010s (Gamble 2015).

This self-reinforcing dilemma, in which constraints on government finances justify austere economic policy, was recently revived during the 2024 UK general election. In mirror image to George Osborne's 2010 electoral strategy, the Labour Party highlighted Conservative fiscal profligacy to position itself as the party of competent economic management. During the campaign, Keir Starmer regularly invoked Liz Truss's September 2022 mini-Budget, alleging that the Tories had "maxed out the national credit card", while Shadow Chancellor of the Exchequer, Rachel Reeves, insisted that "there's not a huge amount of money" for a future Labour Government. Nor, it seems, was this merely an electoral gambit. Following its recent election victory, the Labour Government released a Treasury audit of public finances, which it claimed demonstrated that Britain was "broke and broken". In her first speech to Parliament, Reeves revealed a £22 billion "black hole" brought on by Conservative overspending to justify cutting winter pension payments, forewarning of "tough choices" to follow in the October budget (HM Treasury 2024).

British politics literature has offered a variety of theories to explain the politics of fiscal constraints within the UK. Influential accounts have argued that it can be understood by the logic of "claiming credit and avoiding blame", in which politicians must balance voter backlash for retrenchment to popular social programs or tax rises (Hood and Himaz 2017, p. 5). Others focus on "valence politics" and how perceptions of governing competence, including sound management of public finances, shapes voting patterns in the UK (Whiteley et al. 2013). A separate literature points to the influence of neoclassical economic theory in economic policymaking (Blyth 2013; Dellepiane-Avellaneda 2015), or the role of broadcast media disseminating conservative economic narratives from the City to Whitehall (Wren-Lewis 2018).

Each of these theories offer a plausible account of the politics of fiscal constraints in the UK. However, by focusing on the electoral or ideological dynamics that shape fiscal policy, the field of British politics focuses largely on how narratives of fiscal crises are constructed and perceived rather than why they remain a recurrent feature of British politics. Grasping the persistent role of fiscal crises in British politics requires moving beyond this relatively narrow time horizon. By doing so, we demonstrate how distinct and longstanding features of Britain's political and economic development have made fiscal crises a persistent feature of British politics compared to other liberal capitalist democracies.

Before turning to the UK, it is worth briefly revisiting more general considerations on public finance in the modern state. Historical sociologists have long recognised that a state's ability to raise money is central to its exercise of power (Mann 1993). Historically, a state's fiscal and monetary capacity, determined by its ability to tax subjects, borrow from lenders, or monetise its debt, has been central to its survival, allowing it to wage war, compete in the global economy, and undertake activities integral to its sovereignty and legitimacy (Tilly 1990). Yet just as public finance is constitutive of state power, it also imposes constraints on state activity, especially within a capitalist economy. How a state raises taxes from its citizens and the conditions under which it borrows and repays its debts can often provoke significant political conflict, contributing to trade-offs within economic policy that are magnified in conditions of economic stagnation.

The basic challenge of how the state raises money and the broader dilemmas that this implies has taken a unique form within the British political economy. Britain's externally oriented model of capitalism and the central role of the City within it has reinforced path dependent commitments to sound money within the British state. As the UK's status as an imperial power has continually declined over the past century, these peculiar features of British development have meant that fiscal crises have been a persistent and recurrent feature of British politics.

Britain's historical insertion into the world economy as an imperial power contributed to a highly internationalised model of growth and development (Gamble 1990; Coates 2014). Dating to the seventeenth century, the development of British capitalism was predicated on the consolidation of a moneyed and landed ruling class (Anderson 1964). As the world's first modern fiscal state and home to an advanced sovereign debt market centred on the Bank of England, the British state had unique access to credit that endowed it with significant fiscal advantages (Daunton 2001). At the same time, its heavy reliance on financial markets also meant that the state's credibility was deeply entwined with the City of London (Carruthers 1999).

As a global hub of commercial and financial services, the City was central to the British model of development, particularly throughout the latter half of the nineteenth century. At the epicentre of Britain's model of 'gentlemanly capitalism,' it served as an entrepôt of international exchange within the British empire, encouraging a logic of global commercial and financial expansion and systemic domestic underinvestment (Cain and Hopkins 2016). Invisible earnings from the City's export of capital enabled Britain to finance foreign imports, while sterling served as a conduit of global trade and credit flows within the gold standard international monetary system (Schwartz 2009, p. 163). The City also formed a crucial nexus linking financial markets to the British state. Investor confidence that sterling was convertible to gold at a fixed rate was predicated on domestic commitments to balanced budgets, low taxation, and price stability (Cain and Hopkins 2016; Ingham 1984). This paradigm of 'sound money' was institutionalised in the British state under the influence of Gladstonian public finance (Daunton 2001). It centralised budgetary decision-making within the executive and the increasingly powerful Treasury, embedding commitments to balanced budgets as a de facto constitutional convention (Cain and Hopkins 2016, p. 154). Throughout the latter half of the nineteenth century, key agencies of the British state and fractions of capital within the Treasury, the Bank of England, and the City converged on an externally oriented model of commercial development and economic orthodoxy (Ingham 1984).

These unique features of Britain's model of capitalist development meant that there was a constellation of interests and actors linking its global economic roles to domestic public finance, which reinforced path dependent commitments to sound money. This was reinforced most notably by the Treasury and its dominant role in the British state (Macpherson 2022). At crucial points throughout its history, British economic policy continually centred on the need to demonstrate competent management of public finances in response to fiscal constraints or economic crises (Peden 2000). As the UK's status as a global hegemonic power waned throughout the twentieth century, so too did the fiscal and monetary advantages it had accrued. As a result, the politics of fiscal crisis only became more acute in the British political economy.

One of the most transformative episodes of fiscal crisis in British politics occurred in 1976. Following the breakdown of the Bretton Woods fixed exchange rate system and the rise of 'stagflation' throughout the 1970s, the UK experienced a growing balance of payments deficit, generating declining investor confidence and exchange rate volatility. A turning point was reached in September of 1976 when growing pressures on the UK balance of payments generated a run on sterling, leading the Labour Callaghan Government to turn to the IMF for a loan along with budgetary cuts and austere fiscal and monetary policies. Though the loan was a provisional measure to support investor confidence rather than a 'bailout' of the British state, the image of Chancellor of the Exchequer, Dennis Healey, going 'cap in hand' to the IMF and the Labour Government 'running out of money' was cemented within British politics. It symbolised broader dysfunctions of postwar capitalism and the inability of Keynesian economic management to address the overlapping crises of the decade (Rogers 2009).

The aftermath of 1976 contributed to a lasting shift in public finance from Keynesian demand management toward the 'new realities' of budgetary restraint and price stability (Sloman 2021). These changes were first implemented under the Thatcher administration, which fused financial liberalisation and privatisation with sound money macroeconomics (Gamble 1988). Yet this renewed prioritisation on sound money did not remain confined to one party. Instead, it became the arbiter of economic competence across both major political parties, reinforced by the increasingly powerful role of the Treasury. This included the newly modernised Labour Party, which embraced the mantle of sound money after successive electoral defeats throughout the 1980s (Hay 1999; Wamsley 2023). These changes were reflected in the macroeconomic policies of the New Labour Government in the late 1990s, which implemented strict fiscal consolidation targets and granted operational independence to the Bank of England to secure its anti-inflationary credentials (Burnham 2001).

These shifts in public finance occurred alongside broader structural changes in the British political economy. De-industrialisation accelerated by the economic crises of the 1970s and early 1980s saw the UK shift toward an increasingly internationalised and service-based economy (Edgerton 2018). At the centre of this shift was the restructuring of the City, which was transformed into a hub of multinational capital and globalised financial services (Norfield 2016). Policies of sound money once again featured centrally in UK economic policy. Yet the rigid constraints placed on public finance waned throughout the 2000s as the British political economy embraced a model of finance-led accumulation (Lavery 2019a). Against the backdrop of a more favourable global economic environment, a low interest rate-low inflation equilibrium emerged under New Labour, generating growth and tax revenue centred on the City (Hay 2013). For a time, this virtuous circle of finance-led growth seemed to resolve the intractable fiscal crises of previous decades.

The 2008 global financial crisis marked a dramatic break with this trajectory. As banks were bailed out with significant public funds, public finances shouldered the burden of the crisis. By 2010, the UK government budget deficit stood at 10 percent of GDP and government debt as a percentage of GDP climbed to 75 percent. In this context, the fiscal crisis-sound money dilemma returned with a vengeance. Sensationalised threats of government insolvency and analogies of maxed out credit cards pervaded UK political discourse (Konzelmann 2014; Stanley 2014).

Yet these efforts to shift blame for the crisis were ultimately a political response to a deep-seated crisis of British capitalism. In the aftermath of 2008, the British political economy entered a period of economic stagnation without parallel in the modern era. Stagnant productivity growth, falling real incomes, and flatlining investment produced anaemic growth levels in Britain compared to other Western liberal democracies (Tooze 2022; Clift and McDaniel 2022). As Britain's model of finance-led growth collapsed in 2008, so too did major sources of government revenue. Declining post-crisis economic activity in the City, for instance, saw tax revenue from financial services fall by 40 percent from 2008 to 2010 (Thompson 2013, pp. 483–484). While the UK government's capacity to finance its debt was never truly in question after 2008, these structural economic weaknesses created fertile ground for the politics of fiscal crisis to re-emerge. Amidst economic stagnation, political conflict grew increasingly zero sum, and public deficits became easy targets to channel political discontent (Stanley 2022, pp. 46, 134). Throughout the 2010s, this cycle of austerity and economic stagnation reinforced the politics of fiscal crisis as an engrained feature of British politics.

In the 2024 election, the UK government's solvency once again returned to the centre of British politics. Historic levels of public debt associated with the COVID-19 pandemic, successive interest rate increases in response to inflation, and persistently low growth raised the stakes of fiscal politics. Unlike the aftermath of 2008, which saw the cost of government borrowing consistently track downward, debt interest payments increased to postwar highs of 4.4 percent of GDP in 2022–2023. While these structural economic weaknesses magnified the dilemmas and trade-offs of public finance, they were compounded by a *political* consensus that has recently taken shape. Conservative lessons drawn from the spectre of fiscal crisis showcased in dramatic form during Liz Truss's brief premiership only reinforced the imperative of sound money to Britain's political class. Throughout the 2024 election campaign, both major parties converged on the same debt target and avoided any substantial tax and spending pledges. While the Labour Party was able to form a government, positioning itself as the party of stability and sound money, its current approach to public finance is beset by tension. By ruling out major tax increases in the face of escalating demands for public services, it has hinged its mandate of national renewal on achieving the fastest growth rate amongst G7 countries, a lofty objective that is increasingly at odds with its fixation on demonstrating short-term economic competence.

As the UK confronts escalating pressures of economic transformation and decarbonisation necessitating greater state intervention, these institutional legacies of sound money are likely to remain a lasting impediment marking it out from other Western liberal democracies. Unable to match the fiscal capacity of the US and EU, the UK remains highly exposed to the trenchant politics of fiscal crisis. Viewed from the lens of political economy, fiscal politics in the UK has approached a familiar impasse. Protracted economic stagnation, tight monetary conditions, and self-defeating commitments to sound money have returned the politics of fiscal constraints to the fore. Once more, the longstanding challenge of how the British state raises money is a central feature of the unfolding current crisis of British politics.

The break-up challenge: visions of petro-nationalism in an independent Scotland

Michael Kenny's new book *Fractured Union* begins with the following assertion: that whether the UK will break up or not "has turned into one of *the* existential questions for British politics in the wake of the country's departure from the EU"

(Kenny 2024: (1). This observation is likely to resonate with even the most disinterested observer of UK politics. Since the formation of this journal in 2006, territorial and constitutional questions have become central to the field, thanks in part to two contentious referendums: the first on Scottish Independence in 2014, and the second on EU membership in 2016. There is now a sizeable literature that draws on survey methods to trace how different UK nationalism(s)—Scottish, Welsh, English, British—have propelled recent territorial upheaval across the UK, not least through the divergent results of the 2016 vote (Sobolewska and Ford 2020; Henderson and Wyn-Jones 2021; Henderson et al. 2021). This focus on territorial differentiation has been extended to perceived institutional imbalances between English devolution and other devolved administrations (e.g. Warner et al. 2024).

The emphasis on public attitudes and polling data, however, tends to limit the temporal and geographical horizons of these studies. While Fieldhouse et al. (2020, Ch. 6) are at pains to emphasise the centrality of the 2008 global financial crisis as a key 'shock' precipitating voters' detachment from traditional party allegiances, much of this work remains rooted within the context of recent electoral events. In foregrounding the deeper origins and longer-term prospects of territorial disintegration, a political economy approach highlights how regional inequality and uneven development have historically constituted one of the most powerful sources of secessionist sentiment in the UK. In this sense, Kenny's opening salvo is interesting in that it evokes Tom Nairn—the pre-eminent theorist of UK nationalism(s) —and his characterisation of emerging peripheral nationalism in the 1970s. Nairn grounded his theorisation in this logic of uneven development, highlighting the material forces which shaped the distinct cultural-political forms taken by nationalisms in Wales, Scotland, Northern Ireland and England.

In the current moment, applying this perspective to Northern Ireland (NI), for example, might suggest that despite the protracted dispute surrounding the NI Protocol after Brexit, pragmatic considerations around growing prosperity in the Republic of Ireland versus stubborn stagnation in the UK will significantly influence support for Irish reunification. Similarly, it might be argued recent emphasis on the disruptive force of English nationalism as manifest through Brexit and the growth of Reform UK is indicative of deprivation across England *as well as* issues of identity. For the purposes of this paper, however, we focus on the case of Scottish nationalism. This decision is motivated by both the centrality of Anglo-Scots history to the union, but also Nairn's ambivalence regarding relations between Scotland and Europe. Despite his earlier criticism of the European institutions, Nairn ultimately came to advocate 'independence in Europe', a perspective which played a vital role in the post-Brexit rejuvenation of Scottish nationalism. In this sense, the 'Scottish question' and Nairn's wider theoretical outlook speak to the broader dilemmas of the UK's positioning in the global economy between Europe and America identified at the outset.

Nairn initially posed the question of why there had been no substantial nationalist movement in Scotland until the 1970s—an especially curious outlier compared to the nationalisms that famously spread across Europe in the mid-nineteenth century. Nairn viewed Scottish nationalism not merely as a product of patriotic sentiment but as a product of uneven world-economic development. This theorisation of the peculiar form of "neo-nationalism" that took root in Scotland prioritised Scotland's historical capitalist development in the context of its union with England.

Questions of territorial integrity have long preoccupied scholars of state formation and sovereignty. Clear demarcation of the boundaries within which a centralised authority exercises its jurisdiction is fundamental to: first, the implementation and policing of a binding framework within those boundaries, cohering the population into a defined unit; and, second, how military and security forces seek to protect and preserve those boundaries from external threats to their integrity (Mann 1993, pp. 54–63). The centuries of conflict between England and Scotland which preceded the formation of Great Britain through the Act of Union in 1707 informed the transactional and unique character of the union. Emerging in the peculiar period between absolute monarchy and national democracy, the rationale for formation of "the union" was that it was in the respective national interests of both sides (Nairn 1981, p. 129). The British state was marked by its early industrialisation, which provided initial first-mover advantages, but left it with an archaic class structure (exemplified by the House of Lords and constitutional monarchy) and a tendency to externalise economic weaknesses through empire. But it provided many spoils for Scotland. The concept of Scottish "unionist-nationalism" captures the pragmatic and opportunist approach underpinning the union: retaining Scottish nationhood (e.g. separate church, legal system), but embracing the union so long as that was the best for Scotland (or at least its elites) (McCrone 2012, pp. 72–73).

Yet a series of shifts in the global economy, and Britain's position within it, conspired to deplete the appeal of unionist-nationalism from the 1970s. Nairn identified three key factors behind this change. First, Britain's relative decline from a major imperial and manufacturing power dampened the rewards from union, with Britain's new finance-led growth model concentrating benefits in the South. Second, the Thatcher government's reforms were especially felt in Scotland, thereby popularising the idea of a democratic deficit in the union and leading to the wipe out of Tories north of the border at the 1997 election. Third, the discovery of North Sea Oil provided the material basis for a vision of a natural resource windfall to power Scottish independence. With the prospect of realisable economic gains into the future, an anti-Thatcherite social democratic programme in the Scottish national interest emerged as an alternative to the backwardness of Britain (Nairn 1981, p. 185). In Nairn's terms, decline and oil brought the promise of "over-development" with self-determination—an unusual prospect for nationalist movements, but one that Scotland shared most notably with Catalonia. Combined with Britain's moribund political system and a fertile socio-cultural context, these factors catalysed latent nationalist sentiment into a serious political force. In other words, the particular form of resource-led Scottish nationalism dominant from the 1970s through to the 2014 referendum was forged by both political-developmental and ethnic factors.

The historical backdrop to this analysis was the consolidation of decolonisation, and the debates provoked by the identity crisis within what was now a 'post-imperial' UK state (Gamble 2003). Nairn emphasised how, amidst the creeping economic malaise of the late 1960s and 1970s, European institutions were increasingly perceived as an alternative 'imaginary external solution' to the empire by elements of the British state (Nairn 1981, p. 53). This external (re)orientation was accompanied internally by by-election victories for the SNP and Plaid Cymru, which led the Wilson government to introduce the Kilbrandon Commission and the prospect of devolution to dampen the growth of nationalist forces. Two elections in 1974 proved it to have failed, with the SNP gaining 30% of the Scottish vote—11 MPs—and Plaid winning 3 seats in the October election, whilst the broader system struggled to produce majority governments. The slogan 'It's Scotland's Oil!' was central to the SNP's success, providing both a material and symbolic foundation for the nationalist cause (Nairn 1981, p. 191).

Two knife-edge failures in 1979—the Scottish referendum on the devolution proposals, and the vote of no confidence in the Callaghan government (lost following withdrawal of SNP support)—ushered in Thatcher's Conservatives. With devolution receding into the background, the British state exploited the revenues from North Sea oil to further internationalise British capital markets and exacerbate uneven development (Nairn 1981, pp. 392–393). North Sea oil and gas not only facilitated tax reductions and the financialisation of British capitalism, it was also pivotal to the consolidation of de-industrialisation and the defeat of organised labour. It facilitated the conversion of British power stations away from coal during the 1984–1985 miners' strikes (Garavini 2024, p. 47). And the revenues that were initially raised—around £65bn during the 1980s—were used to finance the increasing need for welfare payments as unemployment rates rose (Christophers 2020, p. 125).

Although the political salience of nationalism receded in the intervening period, the intensification of uneven development alongside the lack of a government mandate in Scotland under Thatcher contributed to growing pressures for self-government into the 1990s, culminating in the constitutional reforms of the New Labour era (Nairn 2000; Gamble 2003). Despite what seemed a more programmatic commitment to devolution under the Blair government, it emerged that the primary motivation behind these reforms was—in Shadow Scottish Secretary George Robertson's terms—an effort to 'kill nationalism stone dead'. With the oil bounty diminishing, the post-2008 crisis period provided an opportunity to recast the prospect of Scottish overdevelopment in the context of austerity, with prominent independence campaigners highlighting the magnitude of the gap between Scotland's potential and the reality of life for much of its population (Stanley 2022, p. 119). The marginal loss in the 2014 referendum boosted the SNP to their historic peak in the 2015 general election (56/59 seats), and the party successfully capitalised on divergent results in 2016 to build a new electoral bloc around moderate 'Middle Scotlanders' who viewed themselves as the antithesis of the pro-Brexit Conservative government (Lavery 2019b). With Euroscepticism becoming the central manifestation of an English proto-nationalism, Brexit helped underpin the renewal of Scottish nationalism just as Nairn had both theorised and advocated for (Nairn 2000, pp. 16, 17).

In light of the 2024 general election result, however, a short-term notion of crisis might suggest the prospects for Scottish nationalism are bleak. A succession of scandals surrounding the Sturgeon leadership—including corruption allegations, intra-party conflicts over "culture war" issues, and tactical mistakes—meant the party entered the 2024 election with their third leader in just over a year. Without the calm charisma of Sturgeon's leadership and the organic activist base which had powered the 2014 referendum campaign—long-since marginalised—the SNP returned just 9

MPs from their 2019 haul of 48. It is tempting to conclude that complacency and a series of electoral missteps have removed British break-up from the agenda for the foreseeable future.

The political economy perspective we have developed here complicates this conclusion. For one, examining long-term structural forces suggest that the 2024 result provides further evidence of a 'decoupling' of independence—which continues to poll strongly—from SNP support (Cook 2024). A relatively mundane excerpt from the SNP's campaign is illustrative in this respect. Speaking to the BBC from his constituency in Aberdeen, Westminster Leader Stephen Flynn—one of the 9 MPs to retain their seat—argued that a clear dividing line between the SNP and its competitors involved implementation of a 'just transition'. Arguing that the phase-out of jobs in the fossil fuel industry should be delayed to protect workers, Flynn attacked Labour's plans to increase the windfall tax on North Sea oil and gas companies which he claimed threatened 100,000 Scottish jobs and would be ploughed back into nuclear projects in England 'of no benefit to people in Scotland'.

Though Flynn's numbers were disputed, the centrality of the North Sea to these debates again illustrates the intertwining of petro-nationalist visions of Scottish self-determination and patterns of uneven development across the UK (Maxwell 2022). Whereas the relationship between North Sea oil and the emergence of Scottish nationalism in the 1970s was based on promises of 'overdevelopment', structural factors informing current prospects of UK break-up include real post-2008 decline in incomes and productivity. The UK Exchequer is estimated to have bypassed ~ £250bn of receipts from North Sea oil sales between 2002 and 2015 when compared to the equivalent Norwegian fiscal regime (Garavini 2024, p. 52). Privatised governance of oil production is part of a broader trajectory of British capitalism which has tilted the balance of power so far in favour of capital—often now foreign-owned—both in terms of tax receipts and employment prospects, that the constraints on government action have continued to increase significantly (Christophers 2020, pp. 111–131). Though aspects of this private-sector dependency bled into the political economy of nationalism in the latter stages of Sturgeon's leadership (Maxwell 2024), opposition to entrenchment of a "rentier" model which disproportionately benefits London and the South-East, alongside the archaic political structures which undergird the devolution settlement, continues to fuel support for Scottish nationalism. Conditions remain, therefore, for a renewal of the nationalist project able to clearly differentiate itself not only in terms of the outdated institutions of Westminster, but to utilise the powers of Holyrood to redress inequalities generated by this economic model wherever possible.

The green challenge: the pitfalls of Britain's weak transition

At the 2021 Labour Party conference in Brighton, shadow chancellor Rachel Reeves announced a monumental policy pledge: a Green New Deal-style £28bn-per-year "green prosperity plan". Despite becoming a central symbol of Keir Starmer's political project, in the months leading up to the 2024 election centrist figures in Starmer's leadership team felt that the £28bn figure would become an "albatross" that would be sorely regretted come campaign time. Invoking ostensibly inescapable fiscal constraints associated with a post-Truss economy, the pledge was ultimately watered-down until it was ditched entirely, replaced by a £4.7bn-per-year proposal. Changes in the political climate, including the need to project economic competence in an environment of higher interest rates post-covid (and post-Truss), provide clear electoral explanations for the U-turn. Yet when set within the wider context of the politics of decarbonisation in the UK, a more complex picture emerges.

The u-turn also speaks to a larger dilemma facing the British state: how will the UK decarbonise without the kind of state intervention promised by Starmer and Reeves? More specifically, how will the UK overcome one of the central dilemmas of decarbonisation: leading (or even enforcing) an unprecedented transformation in the domestic economy and day-to-day life of their population, while maintaining support? We argue that two features of the UK's emerging decarbonisation politics—its weak green industrial policy and an emerging backlash—speak to Britain's peculiar political and economic development.

Until recently, the politics of climate breakdown was typically posed in global existential terms, often framed as a hypothetical collective action problem that was yet to start restructuring state strategies (Paterson 2020). Meanwhile, a sizable British politics literature on climate policy built up with a particular focus on how climate goals are integrated (or not) into policy (e.g. Carter 2015; Carter and Pearson 2022; Lockwood 2021; Kuzemko 2022). UK leaders routinely pat themselves on the back for their "world-leading" legally enshrined net zero target and other landmark legislation (Burns 2023). Over the last decade, however, the green transition has started to take shape as a new field of political conflict, both domestically and geopolitically, taking the related politics beyond both hypotheticals and the relative confines of climate policy. Domestically, a key dilemma is how states can maintain legitimate order while facilitating an unprecedented transformation that will inevitably disrupt the lives of all citizens, with some theorising that the rise of "the environmental state" means the fusing of climate imperatives with the states' traditional fiscal and territorial obligations (Craig 2020, p. 31). Geopolitically, a key dilemma is how states can maintain control over the resources and processes needed for the green transition while remaining committed to an open and liberal global economy (Allan et al. 2021).

By producing and controlling resources necessary for the transition, states can generate jobs and wealth for their population, thereby offsetting the disruption and strengthening their position in the hierarchies of global order (Copley 2023; Alami and Dixon 2023). For Western liberal democracies, this is the promise of green industrial policies: contribute to the global reduction of carbon emissions; find new forms of economic growth in an era of stagnation; and enhance state power over the networked independencies of the global economy (Allan et al. 2021, Braun and Gabor 2023). The prospect of killing three (or more) birds with one almighty stone is undeniably attractive.

However, meeting this challenge requires both money and political will. And following the 2008 global financial crisis, Western liberal democratic states are hardly flush with either. A dominant approach is emerging, then, that is compatible with this: "de-risking". As a workaround to state planning of investment and divestment to decarbonise, de-risking mobilises private investment to fund green programmes. The prominence and character of private investment is what gives "de-risking" its name: states pursue policy aims through private investment, but to incentivise that investment the state takes on considerable costs (such as subsidies) and risks (such as power purchase agreements), with most rewards (i.e. profits) flowing back to the private investors (Gabor 2022). The key de-risking move is to produce "investibility" in public projects, most notably infrastructure (Gabor 2023).

Gabor and Braun (2023) distinguish between "weak" and "robust" de-risking strategies. Robust de-risking intervenes directly to reshape production, such as the US subsidising and providing loans to a Taiwanese multinational corporation to set up $40bn chip-making megafabs in Arizona. "Weak" de-risking, meanwhile, makes infrastructure investments attractive to private finance, such as the UK using the highly technical "contract-for-difference" auction system to incentivise a Danish multinational corporation to build offshore wind farms in the North Sea. Although they are not mutually exclusive, the UK's approach to decarbonisation can be characterised as "weak de-risking". Bidenomics-style direct intervention to reorganise production towards state-defined (green) goals—i.e. robust derisking—is not a notable feature of UK industrial policy (with the bizarre story of Britishvolt reinforcing this assessment, see Jackson 2024, pp. 239–240).

This lack of relative fiscal firepower distinguishes the UK from the US and the EU, its apparent liberal democratic points of comparison. Although the medium term future of the US path to net zero is shrouded in uncertainty given (at the time of writing) Trump's impending second presidency, the rise of green industrial policies nevertheless reflect a shift in the political structures of the global economy. The EU has also responded to these shifts. Whereas the EU has a long (and understandable) history of discouraging the selection of "national champions", various factors—including the need to end its dependence on Russian energy and the shift towards geoeconomic competition—have meant the development of a new approach to state aid to help achieve both export competitiveness and net zero targets. Key programmes include the REPowerEU Plan (€210bn) and the Green Deal Industrial Plan (€250bn) as well as parts of the covid-era NextGenerationEU (€806bn). The UK lacks both the fiscal and state capacity to play this new game. Instead, it is likely to continue its existing approach of underinvestment and relying on market actors with state intervention increasing but in a way that represents "doing *less* with *more*" (Berry 2022).

The UK's weak derisking approach to decarbonisation reflects a longer history of weak industrial policy. Remnants of a stronger industrial policy tradition—typified by the National Economic Development Council—were dismantled by the Thatcher governments in the 1980s as part of a wider deindustrialising thrust (Pemberton 2016; Silverwood and Woodward 2018). As the pound appreciated and financial markets were liberalised, the City was catapulted to a leading global hub of financial services, accelerating the decline of domestic manufacturing and precipitating a shift toward a finance-led economy in the UK (Lavery 2019a, pp. 21–28; Copley 2022). From that point forward, industrial policy centred on attracting foreign investment and market liberalisation as consistent with the neoliberal taboo against state intervention. In the years that followed the 2008 crash Tory leaders spoke of "rebalancing", "march of the makers", and the "Northern Powerhouse" but with little indication of real transformation. Despite some indications of change under the May and Johnson government, anything beyond weak derisking has been rare, with the reliance on guiding investment through subsidies and technical instruments weakening the capacity of the state to meet its goals (Berry 2022, pp. 254–257; Craig 2020). This approach extends to decarbonisation: the proliferation of highly technical market instruments—including complex combinations of consumption taxes and levies—alongside legally enshrined targets insulated from political scrutiny and contestation (Innes 2023, Ch. 8). Together these components add-up to a weak derisking transition.

The UK's weak derisking approach has, however, produced some limited success in terms of transitioning to renewable energy. The most noteworthy success is offshore wind farms, where the UK was briefly a world leader (until it was unsurprisingly overtaken by China in 2021). Both the Hornsea (I & II) and Dogger Bank facilities, encompassing multiple sites which are either already online or currently in development, comprise the largest offshore wind facilities in the world, with the capacity to power millions of homes. About 30 per cent of British electricity now comes from wind. The infrastructural transformation was partly the result of state intervention. In developing and employing a subsidy-like instrument ("contract-for-difference") to de-risk investment, UK offshore wind farms initially attracted foreign investment from firms such as Ørsted, a Danish multinational that is majority-owned by the Danish state. Yet the drawbacks of this de-risking approach have become increasingly clear, with recent offshore wind auctions failing to generate as much interest, existing profits flowing overseas, and limited state capacity becoming institutionalised. Here, we explore two other limitations: the backlash against the transition and its geopolitical implications.

On the backlash, an organised "anti-net zero populism" is emerging on the right, including the Conservative Party (Atkins 2022; Paterson et al. 2024; Carter and Pearson 2024). Long split on the issue of climate policy (Carter 2014), the party now hosts a faction dedicated to moving against these targets, most notably the Net Zero Scrutiny Group. Meanwhile, Reform UK, led by Nigel Farage, have committed to scrapping the UK's net zero target. The political opportunity is clear enough. Unlike Johnson-era and early Starmer calls for national renewal and new jobs through green industrialisation, the technocracy of net zero targets represents a "strategic target for attack" (Paterson et al. 2024, p. 4). This emerging backlash and weak derisking approach will likely reinforce one another: without producing obvious benefits to voters (such as jobs or economic growth) the transition to net zero will likely become more difficult to sell, thereby weakening the strategy further.

The comparisons with Brexit are inevitable. Not only are many of the key players the same—Tufton Street, Farage, Steve Baker, et al.—but the politics are similar: a technocratic, legally enshrined, and seemingly uncontestable top-down imperative that produces winners and losers, which populist leaders can connect in logics of equivalence to popular grievances of the type that typically defy simple solutions. For Brexit, immigration; for net zero, cost-of-living. It is little surprise that this emerging coalition is coalescing in part around the prospect of a referendum on net zero, from which renewed fossil-fuel freedoms can be used to cheaply heat homes and achieve energy security. The potential for net zero specifically and climate politics in general to become a partisan dividing line will be key to extending and deepening this backlash.

On the geopolitical implications, it is difficult to see how the UK benefits from its weak de-risking decarbonisation strategy. The observation that climate politics and geopolitics are increasingly entwined is now commonplace. For example, the recent turn in the West to green industrial policy to gain primacy in green technology, intellectual property, and associated supply chains needs to be understood as a response to China—whose huge investments in these areas over the past two decades have placed it in a leading position. Allan et al. (2021, p. 8) argue that “the greatest prize in international politics—global power primacy—goes to the state best positioned to exploit an emerging energy system.” To compete with China means developing a kind of “muscular statism” that was otherwise taboo pre-2008, but is now creating a multiplier effect where these dynamics are self-reinforcing through competitive emulation, e.g. the US responding to Made in China 2025 (Alami and Dixon 2023, p. 93). That the UK is becoming somewhat of an outsider and outlier to these dynamics makes Starmer’s £28bn u-turn even more noteworthy.

All this leaves the UK, with its weak de-risking approach, as somewhat vulnerable. While the UK’s turn to wind power has been a limited success, the lack of any domestically owned manufacturing capacity means the UK is reliant on foreign firms (and states) to maintain the substantial wind farm stock off Britain’s coasts. With wind turbines requiring routine replacement every ~ 20 years, UK-based monopile manufacturing has only very recently taken off as part of the Conservatives freeport initiative, ensuring the contribution of foreign firms recruiting and training engineers will be minimal. Meanwhile, the prospect of cheap Chinese-manufactured electric vehicles will be tempting but complicated by the UK’s contradictory shift away from its “golden era” of China relations. Pressured to follow the US in its hawkish approach to China and ostensibly committed to defending principles of liberal internationalism, Sinoscepticism is an emerging force within British politics and especially the Conservative party (Stanley 2024). With China claiming primacy in the technology and supply chains required for decarbonisation, a likely avenue for anti-net zero populists is to refract net zero populism through a national security lens: to decarbonise is to empower the authoritarian other in the emerging new cold war. Yet while the EU and US have both promised significant tariffs on Chinese EVs, the UK’s reluctance to follow suit is indicative of its weakness in navigating the decarbonisation challenge.

Conclusion: the looming crisis of British politics

This article has set out the thesis that UK politics faces unique challenges when compared to other Western liberal democracies due to the peculiarities of its long-term political and economic development. We unpacked this argument by analysing three challenges over money, territory, and decarbonisation. These trajectories are often considered independent from one another. Yet rather than discrete challenges to be studied separately, our analysis suggests that they comprise part of a complex and interrelated whole. While each challenge expresses structural contradictions that have uniquely impinged British economic and political development, we conclude by illuminating how they might overlap and compound one another.

Each of these dilemmas has contributed to the creation of a particularly acute and unique set of constraints affecting the capacity of the British state to live up to public expectations. They therefore hold the potential to converge and reinforce the intensifying legitimacy crisis of UK politics. To assess how the British state might address such a crisis, it is worth recalling more general considerations of legitimation strategies within capitalist states. A legitimation strategy can be understood as the ways in which competing social forces within the state seek to secure the consent to govern. How states secure legitimacy can range from direct symbolic rewards or forms of compensation (e.g., transfer of resources) to more indirect conditions (e.g., growth) that bolster their political support amongst a given constituency or sector of the population.

Economic growth is a central pillar of legitimation, creating a virtuous circle of rising wealth, tax revenue, and living standards that eases both the fiscal and political constraints facing capitalist states. Just as growth alleviates these trade-offs and bolsters the legitimacy of capitalist states, economic stagnation or crises of accumulation often catalyse crises of legitimacy. In the past, states have adopted a variety of techniques and strategies to displace, postpone, or defer such crises (Streeck 2014). Indeed, the trajectory of loose monetary policy pursued by central banks in the decade following the 2008 crisis can be understood as one such strategy to defer the legitimacy crisis of the state amidst prolonged economic stagnation (Green and Lavery 2018). However, recent political economy scholarship has questioned whether economic growth can be decoupled from carbon emissions, particularly in liberal democratic states (Copley 2023; Christophers 2024). As Copley has recently noted, in this context of "decarbonising the downturn," all states therefore face the unenviable task of seeking to preserve and renew legitimacy with the central pillar of capitalist legitimation—economic growth—in serious doubt. The pressures stemming from decarbonisation thus permeate across the British political economy, raising the prospect of potential legitimation crises distinct to the politics of decarbonisation itself, but also connected to possible future trajectories centred around money and territory.

In the context of money, the UK's unique political and economic development severely constrains the state's fiscal capacity, posing significant barriers for marshalling the resources needed to finance decarbonisation. As competition intensifies among advanced capitalist states to lead green industrialisation, the UK's entrenched commitment to sound money and dependency on 'weak derisking' measures that favour global markets and private actors creates significant structural challenges. Whatever spoils emerge to distribute from this transition, the UK is unlikely to reap rewards that are commensurable with its historical status and self-perception as a leading economy and world power. The UK's self-reinforcing cycle of economic stagnation and fiscal retrenchment provides a particularly vulnerable starting point from which its path to decarbonisation has begun in earnest. Comparatively low levels of public investment and longer-term wage stagnation has produced serious declines in living standards, diminishing the already precarious political foundations needed to facilitate structural shifts in the UK political economy.

In terms of territory, macro-level competitive pressures of decarbonisation are infusing into relations between the central government and the politics of Scottish nationalism. Early signs indicate that Starmer's Labour Government is seeking to nullify aspects of Scottish nationalism, such as its pledge to headquarter the flagship GB Energy initiative in Scotland. However, whilst North Sea oil and gas reserves have partially shielded the UK from recent energy supply shocks, the private and/or foreign-state ownership of its energy supply significantly impinge upon the UK government's capacity to implement this agenda. The nationalist movement remains well-placed to capitalise on central government failures if the promise of future prosperity can be rearticulated into the nationalist narrative. The politics of the "just transition" —the basis for Flynn's claims discussed above—are critical. Humza Yousaf ended the Bute House Agreement with the Green Party, precipitating his own resignation, due to intra-party concerns of SNP 'radicalism'. While much has been made of equalities issues, elements of the Scottish Greens' Agenda including cuts to North Sea oil drilling, created tension within the coalition. Meanwhile, other nationalist actors such as Alba have made protection of North Sea oil and gas jobs a centrepiece of their programme, increasing the divide in the independence movement and pushing the SNP, for now, in the opposite direction. In this sense, the way in which Scottish nationalist politics seeks to navigate its position in relation to decarbonisation presents very different possible futures. Renewal of the petro-nationalist vision Nairn identified might take a more socially conservative form, with SNP politicians such as Kate Forbes and the Alba Party aligning behind protection of fossil-fuel gains from the North Sea.

Finally, in terms of decarbonisation itself, without the legitimation produced by either increased state spending to lift living standards or robust green industrial strategy, then it is likely that the UK's green transition in general and the net zero target will become subject to intense political contestation given the necessary transformation needed. The justifications are already spelt out in the existing backlash: "The UK is only responsible for one percent of global emissions, so why enforce poverty on our population so as to win a race with no direct reward?"; "the net zero target was enforced by a globalist cabal of woke elites, so why not have a referendum to let the people decide directly?"; "yes, climate change is probably real and the green transition is going to happen eventually, but why not take a breather and take time to do it properly and with less harm?"; "The real problem is not capitalism but over-population, so why not restrict immigration to reduce our emissions?". We can therefore foresee a dilemma emerging: leaders will come under pressure to either renege on net zero commitments or force through those commitments through increasingly anti-democratic and/or authoritarian means (Alami et al. 2024).

On the former, it is not difficult to imagine an anti-net zero coalition emerging, much in the same way that a Eurosceptic coalition emerged in support of Britain's exit from the European Union (see above). With the Labour government seemingly committed to the weak derisking transition for the time being, there is ample strategic space for right-wing forces to mobilise against net zero. There is already some polling evidence that indicates that net zero is becoming a polarised issue. 81

percent of Reform voters opposed the ban on petrol and diesel cars by 2035 compared to 27 per cent of Labour voters, while average public opposition for the policy rose from 32 per cent in October 2023 to 44 per cent in July 2024 (Climate Barometer 2024a). And on the net zero target specifically, 26 percent of Reform voters indicate support versus 84 per cent of Labour voters (Climate Barometer 2024b). Facing a perilous combination of limited fiscal capacity and stagnant living standards, it is not difficult to envision net zero becoming further scapegoated.

As a final point, let us offer a brief reflection on the field of British politics. It is noteworthy that in this journal's opening salvo its editors called out the field for "an insufficient integration between theoretical and empirical, as well as historical and contemporary analyses, and an inadequate conceptualisation of continuity and change" (Kerr and Kettell 2006). Whether the field of British politics has sufficiently responded to this provocation is not for us to say, but more rather than less of this prescription can only benefit the collective endeavour of analysing British politics. And that is what this article—and the British political economy tradition more generally—has set out to do.

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