

**When Polanyi Met Farage:
Market Fundamentalism, Economic Nationalism, and Britain's Exit from the
European Union**

Jonathan Hopkin (LSE)

J.R.Hopkin@lse.ac.uk

1. Introduction

The UK referendum on European Union membership rolled a variety of different issues into one simple question: Should the UK remain in the European Union, or leave it? This paper argues that although the Leave campaign brought together radically different and largely incompatible ideas about Britain's role in the world outside the European Union, the underlying sentiment of the Brexit vote was economic protectionism. The European Union, since the drive to complete the Single Market began in the mid-1980s, has become, more than a political union, a market system (Jabko, 2006) in which the interests of capital predominate (Blyth, 2013; Streeck, 2016). Britain, as a liberal market economy which has consistently promoted this pro-market vision of the EU, has exposed its citizens more than most other member states to the upheavals this process of marketization has generated. The Brexit vote was strongest amongst the lower-skilled, lower income groups, and the poorest regions, which have gained the least from the Single Market.

The paper will therefore argue that this protectionist response can be best understood as part of what Karl Polanyi (1944) described as a 'double movement': the imposition of the market logic in ever more areas of social life, followed by a protective counter-movement to subordinate the market to political constraints. In this sense, Brexit is the lagged consequence of the process of liberalization and marketization the British economy has undergone since the 1980s, catalyzed by the effects of the financial crisis of the late 2000s, which was particularly severe for the UK (Pettifor, 2016). In other words, I argue that notwithstanding the many cultural and constitutional issues at play, Brexit is fundamentally an economic phenomenon, part of a broad revolt against market liberalization that has broken up an what appeared to be an unshakeable pro-market consensus in British politics.

As in other countries, the anti-system, anti-liberal sentiment that helped Brexit triumph has taken on a strongly nationalist character, which is most clearly on display in the UK Independence Party (UKIP), but also increasingly in the Conservative Party too. But nationalism is not the only possible expression of social anxiety at the upheavals wrought by inadequately regulated markets, and the Brexit vote was preceded by the dramatic changes in the Labour Party with the election of Jeremy Corbyn, who has articulated anti-market and anti-austerity sentiments on the left. Whilst Corbyn is a strong supporter of openness to migrants and refugees, his lukewarm endorsement of the Remain campaign showed that Euroskepticism was not confined to the nationalist right. This dual movement opposition to market liberalism can also be observed in most other European countries, and this article starts from the premiss that Brexit is not a uniquely British phenomenon, but rather one of many cases of anti-market backlash that can be observed across the advanced democracies.

The article proceeds as follows: the next, second, section outlines Polanyi's theory of the double movement, and the third shows how it can be applied to the development of the British economy since the 1980s. The fourth section shows how the Leave campaign drew on protectionist ideas, and the fifth

section presents evidence on voting patterns to show that these ideas were effective in mobilizing support for Brexit. The final section concludes.

2. Another Great Transformation? The EU from Single Market to Troika

It is well known that Britain's four decades of involvement in the European Community/Union were that of an 'awkward partner' (George, 1994), and the British public always lacked the instinctive support for, or at least acquiescence in, the European project that characterize most of the other EU15 states, particularly those in continental and Southern Europe. Britain's choice to depart the European Union is therefore unexpected but not entirely surprising; if any country was likely to leave the EU, most would agree it was the UK.

That said, Britain is far from the only country to have significant anti-European political movements and popular opposition to European integration. Indeed hostility to Europe, and in particular the euro, has been a common factor in the disparate array of populist and anti-system movements that have exploited the tensions arising out of the Global Financial Crisis and the Great Recession that followed it. On the populist right the Front National in France, Wilders PVV in the Netherlands, the Freedom Party in Austria, AfD in Germany, the Northern League in Italy, Law and Justice in Poland, and Fidesz in Hungary all express skepticism if not downright hostility to the EU. On the anti-system left Syriza in Greece, Podemos in Spain, the Five Star Movement in Italyⁱ, the Bloco de Esquerda in Portugal and Melençon's France Insoumise have all expressed, if not outright Euroskepticism, at the very least hostility to current European economic governance and the harsh treatment meted out by the EU institutions to debtor countries in the Eurozone. These trends are not limited to Europe, with the success of Donald Trump's presidential campaign reflecting a similar demand for protectionism in the United States.

So there are strong grounds for interpreting the Brexit vote as just one, albeit very dramatic, example of a broader trend: the growing strength of economic nationalism (Clift and Woll, 2013) in a wide variety of European countries, which has been brewing for some time and which has accelerated with the economic failures of the last decade. British Euroskepticism rails against the transfer of powers from the national to the supranational level, but it also reflects the loss of political control over the economy more broadly, as governments forego the right to intervene to protect their societies from market forces. Brexit, alongside similar populist and protest movements in other EU member states, can be interpreted as a political response to the increasing marketization of British and European economic life.

This article draws on Polanyi's concept of the double movement to theorize these dynamics. Polanyi's epic work *The Great Transformation* described the emergence of modern capitalism in 19th and 20th century Europe as a process of 'commodification', through which the market logic of exchange permeated social life and traditional institutions inconsistent with this logic were swept away. This was particularly noticeable in the labour market, with the cash nexus determining people's ability to survive materially in a way which was unprecedented in human history, and the financial market, where the value of money was taken as overriding other social needs. Polanyi described this process as a 'disembedding' of the economy from social life.

Polanyi argued that the social and cultural havoc wreaked by this process inevitably generated a political response, as those affected demand protection from the hard edges of the market and a 're-embedding' of the economy in the social fabric. He described this dialectic as a double movement, a battle between the needs of production and social needs, with the spread of market forces contrasted by protective counter movements. The emergence of modern welfare states in the twentieth century in response to the economic crises of the interwar period is a reflection of this double movement: western democracies all to varying degrees adopted extensive 'decommodifying' social policies protecting incomes, health and shelter (Esping-Andersen 1990). However, the double movement could also take a more sinister form: the political reactions to the economic distress caused by market failure in the 1920s and 1930s varied from the socially progressive policies adopted by Social Democrats in Sweden or the United States, to the brutal militarism and nationalism of Italian Fascists and German Nazis (Gourevitch, 1986; Luebbert, 1993; Berman, 2006).

Can Polanyi's explanatory framework be applied to contemporary democracies (Fraser, 2013; Block and Somers, 2014)? The process of European integration since the mid-1980s has mostly been a process of market-building (Jabko, 2006). The Single European Act of 1986 began a drive to deepen the European market by removing non-tariff barriers to trade, undermining many of the subtle institutional impediments to market competition across national border in the then EEC. This process of market-making was quite explicitly intended to end economic protectionism, exposing companies and workers in European member states to Europe-wide market forces. ECJ judgements set about promoting free movement of people by opening national welfare systems to other European member state citizens, placing the more generous and 'decommodifying' welfare systems under strain (Liebfried and Pierson, 1995). The extension of European integration to the monetary and fiscal spheres, with European Monetary Union and the related constraints on public deficits and debt, further restricted the ability of member state governments to cushion citizens from the downsides of the market.

The parallels with Polanyi's account of the 1930s are particularly striking in the management of the sovereign debt crisis in the eurozone (Eichengreen, 2014). Hostility to the euro, and to the austere interpretation of EMU adopted after the financial crisis, are a feature of the discourse of most of the anti-system and populist parties that have prospered in recent years, and 'economic patriotism' has made a revival (Clift and Woll, 2013). Outside Germany, the main beneficiary of the euro, the single currency has acted in much the same way as the inter-war Gold Standard, with strict limits on monetary expansion mandating adjustments through 'internal devaluation' – lower nominal wages and spending (Blyth, 2013). Moreover, the European Commission has doubled down on austerity by enforcing strict fiscal discipline, and imposing draconian budget cuts in member states that resorted to financial bailouts.

Britain of course did not join EMU, and the devaluation of the pound after autumn 2008 and adoption of quantitative easing by the Bank of England in 2009-2012 (and again in 2016) provided an important monetary safety valve for the economy. Moreover, although Britain did adopt a deficit reduction plan which imposed harsh austerity, this was not mandated by the European Commission, but was a political choice made by the Conservative-Liberal

Democrat coalition government elected by UK voters in 2010. Britain's economic policy after the financial crisis was not entirely pro-cyclical, nor was it the result of European Union pressures. We need to look more deeply into the nature of the British political economy to understand how Brexit can be seen as a Polanyian counter-movement.

3. The Double Movement in the UK: Market Fundamentalism and its Consequences

It is ironic that Britain, under no less a Euroskeptic icon than Margaret Thatcher, was a driving force behind the completion of the European Single Market, legislated in 1986 thanks to the efforts of British Commissioner Lord Cockfield. But there is no obvious contradiction between Thatcher's liberalizing zeal in reforming the UK economy and her enthusiastic sponsorship of the Single European Act. Both were informed by free market thinking. The removal of non-tariff barriers to trade at the European level was consistent with Thatcherite deregulation of financial, product and labour markets in the UK, both being informed by the expectation that giving free rein to market forces and the unrestricted operation of the price mechanism would deliver substantial economic gains, as well as reinforcing a consumeristic vision of individual liberty (Gamble, 1985).

This acceleration of European economic integration through market liberalization took place in the midst of a radical shift in the British economy away from government interventionism, corporatism and welfare provision, towards a much more market friendly regulatory framework. As a result, the UK, much more than other European member states, was subject to a double dose of 'market fundamentalism' (Block and Somers, 2014): the Conservative government's programme of privatization and enthusiasm for contracting out public services was compounded by European level state aid and competition rules. Labour market deregulation favouring temporary and agency work and easing dismissal rules, and the various pieces of legislation curbing trade union rights, created a more competitive labour market in which workers' bargaining power became increasingly individualized; the opening up of the single market for labour, through the various measures facilitating freedom of movement, further exposed British workers to competitive pressures. Timid efforts, driven by the Delors Commission, to contrast this liberalizing zeal with European-level standards of social protection were successfully resisted by Britain's Conservative government, which secured opt-outs from the Social Chapter.

The UK then was at the forefront of the turn to the market in European economic policy. British workers were subject to increasing 'commodification', in that their rights to collective bargaining and the degree of protection from social risks they enjoyed were significantly reduced, to a much greater extent than in other Western European countries. However it is somewhat paradoxical that the 'counter-movement' provoked by these developments should take the form of Euroskepticism, since most of the impetus for commodifying reforms came from within, and most of the relevant reforms pre-date the completion of the European single market in 1992. Indeed, the effects of Thatcherite reforms on the income distribution in Britain – a reasonable metric for the extent to which

the British labour force became more commodified over time – were almost immediate. The Gini coefficient for disposable income inequality rose from 0.25 in 1979 to 0.34 in 1991; measures of absolute and relative poverty and wage inequality all saw dramatic increases (Gosling and Lemieux, 2004; Hopkin and Viarengo, 2012). In the course of the 1980s, Britain became a much more unequal society, and this had relatively little to do with changes at the European level.

The puzzle that occupies us here is why, if we are to argue that Brexit can be seen as part of a double movement, was the political response to Thatcherism not contained to British politics? The answer is that initially it was: the poll tax riots of 1990 contributed to Thatcher being forced out and replaced by the more pragmatic John Major, who adopted a more welfarist approach, allowing public spending to rise and ease the pressures on the income distribution. Major was succeeded by a Labour government that won three consecutive elections on the back of a political strategy based on rebuilding public services and protecting the welfare state, albeit within a market-friendly framework. The political pendulum in Britain swung noticeably away from Thatcher's market purism after 1990. But the New Labour episode failed to build a sufficiently resilient protective cushion to shield British society from the disastrous financial collapse of the late 2000s.

Labour's strategy was a hybrid of a highly liberalized market economy with increased redistributive efforts through taxation and public spending. Although the Blair government developed an ambitious anti-poverty strategy, social transfers for working age households were tied to strict conditionality, and little was done to enhance labour protections or boost the protective role of trade unions. Progress was made on child poverty and fiscal policy was clearly progressive (Joyce and Sibieta, 2013), but the weakly regulated labour market with very decentralized wage bargaining and high levels of flexible (ie temporary or part-time contracts) working, especially for low-skilled workers, meant that market trends were pushing strongly in the other direction. As a result, overall levels of disposable income inequality did not substantially decline under Labour (Hopkin and Viarengo, 2012).

Part of the reason for this was the spectacular growth of the financial sector, which had begun in the mid-1980s with the Thatcher government's Big Bang reforms, but which if anything accelerated under Labour. The boom in financial services delivered disproportionate gains to high income groups (Hopkin and Alexander Shaw, 2016), whilst facilitating a credit and housing boom which encouraged high levels of personal debt and priced many out of home ownership. Even while the economy continued to grow through to the beginning of the financial crisis in 2007, wage growth for most workers slowed down in the early 2000s (Machin, 2015). As well as benefiting higher income groups disproportionately, economic growth in Britain was very concentrated in spatial terms, with London and the South-East enjoying high growth rates, with little progress elsewhere (Dorling, 2006). Levels of productivity in much of post-industrial Britain are similar to the poorest countries in the European Union (Bessis, 2016).

Even before the financial crisis, almost three decades of market liberal policies in the UK had generated very uneven patterns of income growth, a heavy reliance on credit-fuelled consumer spending to generate demand, a consequently volatile business cycle, and a large share of the workforce with few

qualifications, on low wages with low job security and a high dependence on the benefits system. The livelihoods of UK citizens were subject to the vagaries of market forces driven by an unstable financial system. The liberal labour market regime and limited income support through the welfare state meant a growing 'privatization of risk': most people in the UK citizens had to deal with economic insecurity through their own private, individual strategies, rather than enjoying a more collective insurance against threats such as unemployment, poor pension provision, and inadequate housing. A society of individuals increasingly alone in dealing with economic difficulties was ill-prepared for a major downturn.

In 2008, the wheels came off this growth model (Hay, 2013) and the UK economy suffered its sharpest contraction since the Great Depression. Although unemployment did not rise as much as many had expected, the effect on wages was catastrophic: between 2008 and 2014 median real wages fell by around 8-10 per cent (Machin, 2015), a worse performance than any OECD country other than Hungary, Czech Republic and Greece (OECD, 2014). Housing prices, which had soared in the pre-crisis area, particularly in the South-East, fell back, exposing mortgage-holders to the threat of negative equity or even repossession. Consumers who had built up unsecured debt in the era of cheap loans found banks far less willing to extend credit. The immediate response of the Bank of England was to slash interest rates to ease the pressure on borrowers, which in turn shifted the burden onto savers, particularly the retired, whose returns were badly hit. In short, a growth model built on plentiful credit in which households were encouraged to make leveraged bets on real estate and make private provision for retirement, exposed large numbers of people to serious hardship, with limited state help available.

Moreover, the 2010 election ushered in a period of fiscal retrenchment which came down heavily on the sectors of society hardest hit by the financial crisis. The austerity programme of the Cameron government made some significant cuts to social transfers, albeit protecting pensions, and substantially reduced grants to local authorities. Public investment was also reined in, at least until 2013. This had the effect of weakening the mechanism through which the return of growth to London and the South-East could feed through public spending to the rest of the UK. On the other hand, the financial system responsible for the crisis, was bailed out by swift government action and spared fundamental reform once the emergency was over, with 'arms length' regulation maintained (Froud et al, 2010). The banks rescued by the Brown government were placed in the hands of City insiders, who continued to receive generous compensation despite continued losses. In this context appeals for a fundamental change in how the British economy works could prove effective.

4. Taking Back Control: Brexit as Economic Nationalism

The evidence presented above shows that market liberal policies have led to the commodification of the UK workforce and threatened the social fabric. This is a necessary but not sufficient condition for the emergence of a protective counter-movement. It still remains to be demonstrated that Brexit constitutes part of such a movement. This is complicated by the catch-all and often deliberately ambiguous, and at times wilfully misleading, nature of the Leave campaigns,

which brought together different strands of Euroskeptic thinking. However there are clear indications in the referendum campaign that economic protectionism was a key part of the Leave message.

There is a part of the pro-Brexit camp that can be seen as unsympathetic to any kind of protectionist counter-movement. Some globalist neoliberals campaigned for Leave, on the grounds that European Union membership hindered the free play of markets by imposing unnecessary regulations or because of the imposition of common tariff barriers that restricted trade between EU member states and the rest of the world (Hannan, 2012). Some such figures, in particular those associated with parts of the financial sector, were motivated by hostility to European banking regulation developed since the global financial crisis, which was perceived as undermining free marketsⁱⁱ. Others drew on a – fairly mystifying – belief that ‘genuine’ free trade could only be achieved by leaving the EU and ridding the UK of any tariff barriers to external trade (Minford, 2016). Complaints about EU standards and rules and their consequences for consumer items such as lightbulbs, kettles, and bananas were a staple of anti-EU propaganda that drew on the idea of regulatory overreach.

However, much of the rhetoric deployed by the various Leave campaigners are infused with protectionist or market-curbing aspirations. The most obvious of these is hostility to the freedom of movement of people across EU borders. Fears of uncontrolled immigration were a powerful part of Leave propaganda, often evoking security concerns, such as in the infamous ‘Breaking Point’ poster unveiled by Nigel Farage. But concerns about migration were also fundamentally tied up in the nature of the British labour market in the context of single market in which non-UK workers could easily move to Britain in search of work, potentially subjecting UK nationals to higher risks of unemployment and downward pressure on wages. Although studies have tended to show only small or negligible effects of EU migration on UK wages and employment (Dustmann, Fabbri and Preston 2008, Nickell and Saleheen 2015, Portes 2016), it seems likely that for many Leave voters, uncontrolled migration was a threat to their living standards, and the Leave campaign sought to emphasise this at every opportunity. The proposal to restrict access to the UK labour market to UK nationals, by constraining free movement from the EU, can be interpreted as a proposal to curb the operation of the price mechanism of the UK labour market by restricting supply, a clearly protectionist move.

Of course opposition to freedom of movement was not based solely on economic concerns, but also contained a strong cultural component, especially amongst older voters who are less threatened by the labour market consequences of migration. In areas of previously very low migration, such as rural areas in the East of England, the big increases in the Eastern European population appear to have motivated high shares for Leave (see Goodwin and Milazzo, this special issue). This is also consistent with Polanyi’s double movement thesis, with the broader social upheavals to ‘habitation’ (place and community) a major source of the distress wrought by labour commodification. Again, demands for restrictions on migration constitute demands for regulation of the labour market to restrict supply and protect not only wages but communities from the perceived threat of outsiders.

A further plank of discontent was the strain placed on public services by sudden rapid increases in the population in some areas where migration

increased quickly. Pressure on housing, education and health services purportedly resulting from immigration was frequently invoked in Leave propaganda. This pressure stemmed at least in part from the austerity measures inherent in the government's deficit reduction programme, and until the referendum campaign Cameron had avoided challenging claims that migration, rather than government cuts, was to blame. Indeed, immediately after winning the 2015 election, the Prime Minister dedicated a speech to EU immigration, arguing that 'under the free movement rules, national welfare systems can provide an unintended additional incentive for large migratory movements...Changes to welfare to cut EU migration will be an absolute requirement in the renegotiation'ⁱⁱⁱ. Yet, the evidence, once again, did not support any negative fiscal effect of intra-EU migration, quite the contrary; not only did migration to the UK from other EU countries make a positive fiscal contribution, migration from the countries 2004 enlargement was particularly positive, whilst non-EU migration was fiscally a net negative (Dustmann and Frattini 2014).

By accepting the fiscal case for cutting migration, Cameron opened the door for Leave campaigners to exploit popular anger at austerity to mobilize support for Brexit, by tying the failures of the government's deficit reduction plan to EU membership. In spite of the fact that governments since 2010 had been aided by immigration in their attempts to repair the damage to Britain's public finance resulting from the financial crisis, the Conservatives had adopted the contradictory stance of committing themselves to a reduction in net migration. As a result, pro-Remain voices in the government were hindered in their ability to defend intra-EU labour flows as beneficial for the economy, whilst Leave campaigners, and in particular the right-wing press, consistently attacked immigration as a source of economic strain. Migrants were blamed for shortages of school places^{iv}, which in part could be adduced to the Cameron government's decision to scrap the Migrant Impact Fund established by the previous Labour government. Similarly, pressure on the NHS was blamed on the scale of migration^v, and most notoriously, several leading Leave figures, including leading Conservatives Gove, Duncan Smith and Johnson, associated themselves with the misleading claim that EU membership cost Britain £350 million, money that they argued could be spent plugging gaps in the NHS budget.

We can see that the Brexit campaign was able to mobilize grievances surrounding the visible failures of liberalization of the labour market and the fiscal consequences of the inadequately regulated financial system to EU membership. Although there was no real evidence that EU membership was to blame in any direct way for these failures, the weakness of the Labour opposition meant that there was no strong progressive argument for addressing austerity and insecurity through social democracy, rather than economic nationalism. The Labour party had spent two decades freeing itself of a reputation for economic interventionism, and had embraced free markets, economic openness and enthusiastic participation in the European project in the period before the financial crisis, leaving it with little credibility to suggest an alternative economic model. Similarly the Liberal Democrats, the most openly pro-European party, were held back by their involvement in the coalition government that had opted for austerity under Cameron. The key beneficiaries of this situation were UKIP and the Euroskeptic right of the Conservative Party, who could present themselves as offering an alternative to austerity, insecurity and cultural threat.

This is not to claim that the referendum campaign revolved solely around economic issues. The Leave campaigns also emphasised ideas of national sovereignty and democracy, and the problems they associated with the UK having to apply EU rules, and accept the supremacy of EU law and the rulings of the European Court of Justice. The slogan 'Take Back Control' invoked the promise of the UK regaining the ability to take decisions and pass laws on matters of concern without interference from supranational institutions. The Vote Leave website argued: 'Because EU law is supreme over UK law we cannot scrap any (EU) rules...This loss of control is deeply damaging and undemocratic. Elections should be about the public choosing who makes the laws. Instead, all our politicians have to do what the EU says - not what we say'^{vi}.

The sovereignty argument is not necessarily a protectionist one, and indeed many prominent Leave campaigners linked Brexit to greater economic openness, although usually in terms of trade in goods, rather than the kinds of service industries that would imply more open borders. In this sense, the demand for national sovereignty can be seen more broadly as a demand for the reconstitution of a democratic political sphere capable of 'taking back control' of a series of policy decisions that have been 'outsourced' to supranational institutions or national-level technocratic agencies, and removed from everyday political debate (Mair, 2013). The workings of the EU have been subject to a long-running debate about its 'democratic deficit' (for example Majone, 1998; Moravcsik, 2002; Follesdal and Hix, 2006),

Most of the relevant areas subject to this trend relate to the economy, both macroeconomic tools such as fiscal and monetary policy, and microeconomic issues of market regulation. In a global economy increasingly internationalized and governed by rules set at the supranational level, it appears that economic policy escapes any form of accountable political authority whatsoever (Blyth, 2003). The EU is of course perhaps the clearest example of this, setting rules with which the UK and other member states are forced to comply, rules mostly informed by a pro-market vision which restricts the ability of democratically elected sovereign governments to intervene with market dynamics. This trend towards the 'regulatory state' (Majone, 1994) was targeted by the Leave campaign, not only in its opposition to the supremacy of EU law, but also in invoking hostility to unelected 'experts', such as Treasury and Bank of England officials who argued that Brexit would have nefarious consequences for the British economy^{vii}.

Whilst this demand for national sovereignty was not necessarily protectionist, it was a necessary condition for economic protectionism to be achieved, and the Leave campaign's emphasis on immigration and the inability to control it inside the EU illustrates a clear link between national policy autonomy, democracy, and protection from the market. The EU's firm application of the principle of free movement of people has been the most glaring example and the one most visible to British voters, but similar arguments could be presented for the other three freedoms too. British goods and services are deprived of protection from the competitive Europe-wide market due to state aid rules and regulatory convergence, which has not only led to many companies failing, it has driven a race to the bottom in social provision and labour market regulation in an attempt to maintain competitiveness. Similarly, freedom of movement of capital has exposed Britain to financial volatility and fuelled part of the housing

boom which has destabilized the household economy of British families.

This exposure of British society to market forces has been driven predominantly by decisions taken by successive British governments, and European integration has been reconciled with high levels of social protection elsewhere in the EU. However the feeling of 'loss of control' that was expertly exploited by the Leave campaign can be seen as the consequence of a quarter-century long process of liberalization driven by both British politicians and the forces of economic internationalization and European political cooperation. The demand to 'take back control' is in part a demand for protection from a globalized market economy, and a plea to re-embed the market in the national social fabric.

5. Support for Brexit: A Vote Against the Market?

Having shown how the main messages of the Leave campaign were consistent with protectionist thinking, it still remains to be demonstrated that Brexit won support on this basis. This is a more difficult task, since the 52 per cent who voted Leave came from varied social situations and did so for a variety of reasons. This section will assess the electoral and political characteristics of the Brexit vote with a view to showing how they reflect unease at the incursion of market dynamics into social life.

The most straightforward reason for seeing Brexit as articulating an anti-market counter-movement is its appeal to lower income, less educated voters in poorer areas of the UK. This is the 'left behind' thesis (Ford and Goodwin 2014), which holds that support for UKIP in recent elections is driven largely by older, less educated, working class men who are generally losers from economic change and feel threatened or irritated by cultural changes brought by immigration and the rise of liberal cultural values. The available evidence on the 2016 referendum voters suggests these same characteristics were also predictors of the Leave vote.

First, outside Scotland and Northern Ireland, Remain polled comfortable majorities only in London and prosperous smaller cities such as Oxford, Cambridge, Bristol, Brighton, usually with higher incomes and much higher shares of university graduates than the UK average (Goodwin and Heath, 2016). In contrast, very high shares of Leave votes were found predominantly in poorer areas of England and Wales, although these areas had different characteristics, with both declining industrial areas and some small towns in very rural areas showing high Leave shares. Colantone and Stanig (2016) find that Leave voting was higher in areas most exposed to heightened global economic competition: industrial areas of the UK suffered particularly heavily from the emergence of Chinese manufacturing industry, whose lower costs made many British companies uncompetitive. Becker, Fetzer and Novy (2016) also confirm that areas historically dominated by manufacturing industries and which had high levels of unemployment and low incomes voted strongly for Leave.

In terms of the geography of the vote, it is striking that of the three areas with strong support for Remain - London, Scotland and Northern Ireland - are all territories with devolved administrations and favourable public spending arrangements (Phillips, 2014), leading to an attenuated impact of austerity measures. The Remain vote in Scotland and Northern Ireland was clearly also

linked to cultural and constitutional concerns, but the economic impact of higher public spending is consistent with the 'double movement' hypothesis. In areas of harsher constraints on public spending on social protection, the Leave vote was stronger (Harrop 2016). These were also the areas which had suffered most from the structural changes to the economy since the UK embarked on sweeping liberalizing reforms in the 1980s. The Labour party long dominated these industrial heartlands, yet 13 years of a pro-European Labour government under Blair and Brown did not arrest their decline, although Labour's expansion of public spending mitigated its effects. The EU referendum gave voters a chance to protest against their situation without having to support the Conservatives, who were responsible for making matters worse with cuts to public spending after 2010. Becker, Fetzner and Novy (2016) estimate that 'modest reductions' in these cuts could have reduced support for Leave enough to change the result.

At the individual level too, Leave voting displays patterns consistent with the double movement hypothesis. Leave voting decreased with income, and also with educational qualifications, both of which are indicators of individual exposure to economic risks (Clarke, Goodwin and Whiteley, 2017). As Goodwin and Heath (2016) summarized, vulnerability to poverty, unemployment, low skills, and perceptions that one's financial situation had deteriorated over the recent period were all strong predictors of the Leave vote. Interestingly, their research also showed that in areas where large numbers of voters displayed those characteristics Leave voting was higher on average across occupational groups. However, although this sociotropic effect is important, a large share of the variation in Brexit voting can be attributed to individual-level characteristics. For example, there is no strong evidence of a 'London effect': the high Remain vote in London can be explained mostly in terms of the demographic peculiarities of the capital, which has much larger than average numbers of wealthy, young and highly educated citizens (Darvas, 2016).

Less consistent with the hypothesis is the evidence that age was also a strong predictor of the Leave vote. Tangled up with the other key variables of education, which tends to decline with age cohort in the UK, and also to some extent income (pensioners having lower income than prime working age citizens), age appears to have an independent effect which suggests a degree of cultural backlash against increasing immigration, internationalization of the economy and society, and rapid shifts in cultural norms (authoritarian views on issue such as family life and the death penalty are strong predictors of the Leave vote [Kaufmann, 2016, Inglehart and Norris 2016]). The younger cohort voted decisively to Remain, despite facing much greater economic insecurity, at least in the short term, than the older population. The strong Leave vote amongst pensioners, whose incomes have risen more quickly than the working age population since the financial crisis, suggests that a majority for Brexit needed to draw on cultural as well as economic motivations, although it is possible that the vote had a sociotropic dimension too.

Support for Brexit went way beyond the 'left behind', drawing many wealthier voters in well-heeled non-metropolitan areas of England. As well as declining cities such as Grimsby and Stoke, support for Leave was also high in economically comfortable areas of rural England. Leave was a coalition of voters from both right and left (both Labour and Conservative electorates were deeply split by the Brexit issue), not all of whom were economically struggling. As the

NatGen report into the vote described, ‘the Leave victory was not about demographics alone... matters of identity were equally, if not more strongly associated with the Leave vote – particularly feelings of national identity and sense of change in Britain over time’ (Swales, 2016). Clearly immigration was a touchstone issue, and high levels of concern about immigration since the mid-2000s clearly fuelled the pressure for a referendum, and contributed to the Leave’s success. NatGen’s data showed that immigration was the second most important issue for voters after the economy (Swales, 2016: 13), and Clarke et al’s (2016) analysis suggested attitudes towards immigration were important predictors of the Leave vote. Moreover, although Leave-voting areas on average had low shares of migrants in the population than Remain-voting areas, the rate of increase of immigration was a strong predictor of Leave vote (Goodwin and Milazzo, this special issue). However Becker, Fetzer and Novy (2016) present estimates that suggest that immigration made less of a difference to support for Leave than the effects of government austerity.

The importance of immigration has been frequently invoked as an alternative explanation for the Brexit vote, in which cultural conservatism and issues of national identity play a greater role than economic distress. Economics and identity are often presented as opposing hypotheses in the debate on the rise of populism (Norris and Inglehart, 2016; Curtice, 2016), but it is also clear that both are significant forces in explaining the Brexit vote. Hobolt (2016) shows that whilst economic risks were an important motivation for the Remain vote, Leave voters justified their choice in terms of immigration and sovereignty. It may be misleading to suggest that these two kinds of explanation, based on culture and identity as opposed to economic interests, are incompatible, or even analytically distinct. The socio-demographic characteristics of Leave voters are clearly related to their social attitudes – a preference for cultural homogeneity and traditional values correlate with low levels of education and therefore exposure to the sharp end of labour market competition with migrants, although the real measurable effects of this competition appear small.

The rise in support for first the radical right in the form of UKIP (and indeed the British National Party before that) and then for Brexit coincide in time with the increasing exposure of British society to economic internationalization, and the decreasing social protection provided by the UK welfare state. This support dramatically increased with the financial crisis, and was concentrated in the areas hardest hit by the Great Recession, and most exposed to government cuts. In sum, the Brexit vote displays the characteristics of a protest against the social and economic damage of a long process of marketization of the British economy.

6. Conclusions

This article has presented the vote for Brexit as an expression of an anti-market ‘counter-movement’, drawing on Karl Polanyi’s account of the double movement of market liberalization and anti-market political movements in the nineteenth and first half of the twentieth centuries. I have argued that the wave of pro-market policy since the 1980s, both at the UK level and supranationally through the EU, has generated a political reaction, catalyzed by the 2008 global financial

crisis and resulting austerity. Interpretation of the key messages of the Leave campaign and the characteristics of the most likely Brexit voters confirms that the project of leaving the EU was in large part a protectionist one, and that exposure to the hard edges of the market reforms of the past decades was a strong predictor of openness to this project.

The vote for Brexit is not an isolated event, but part of a wave of populist, anti-elite revolts: a new 'anti-system' politics Western democracies are experiencing, shaking the existing consensus around economic integration, free markets and liberal values. This wave takes a variety of forms, but has in common a robust, even violent, rejection of the mainstream political elites and their values, and a demand for governments to act on the sources of social and economic distress and inequality. This article views Brexit as a part of this new anti-system politics, a reaction to the increasing impotence of established political elites to address the upheavals wrought by global market capitalism. This reaction has become particularly acute since the financial crisis of the late 2000s, which affected Britain disproportionately, and the failure of austerity policies to revive growth, crystallizing the ineffectiveness of existing policies to deal with economic stagnation.

This policy failure is compounded by a perceived refusal of politicians to engage with the broader public, and a lack of real choice between the mainstream political parties. What is especially striking about the referendum and its aftermath is that the UK appears to be a country viscerally divided on fundamental issues of economic organization, international relations and even the very survival of the UK state itself. Yet politics since the early 1990s had revolved around a broad consensus of the main political parties on all these issues, a consensus which is now falling apart in the face of the evidence of intense political polarization in the population. Brexit expresses one side of this divide, but the spectacular growth of Scottish nationalism and the radicalization of the Labour party also express deep-seated discontent at how Britain is currently governed. The liberal, pro-market consensus of the 1990s and 2000s is now a minority position, besieged by the demands of social forces of both left and right for protection from uncontrolled markets. This is a scenario that would not have surprised Karl Polanyi.

Notes

ⁱ The Five Star Movement is not easily categorized on the left-right scale, blending a mix of anti-elitist and populist themes including environmentalism, suspicion of immigration, hostility to the euro and the financial sector, and anti-tax protests.

ⁱⁱ 'Investment management bankrolls Brexit', *Financial Times*, May 15, 2016.

<https://www.ft.com/content/32da30cc-18eb-11e6-bb7d-ee563a5a1cc1>

ⁱⁱⁱ David Cameron, 'PM speech on immigration', 21 May 2015.

<https://www.gov.uk/government/speeches/pm-speech-on-immigration>

^{iv} See for example, Priti Patel, 'Uncontrolled migration is putting unsustainable pressures on our public services', April 18, 2016.

http://www.voteleavetakecontrol.org/_priti_patel_the_shortage_of_primary_school_places_is_yet_another_example_of_how_uncontrolled_migration_is_putting_unsustainable_pressures_on_our_public_services.html

^v 'Statement by Michael Gove, Boris Johnson and Gisela Stuart on NHS funding', June 03, 2016.

http://www.voteleavetakecontrol.org/statement_by_michael_gove_boris_johnson_and_gisela_stuart_on_nhs_funding.html

^{vi} Voteleavetakecontrol.org 'Briefing: Taking Back Control from Brussels'

http://www.voteleavetakecontrol.org/briefing_control.html

^{vii} 'Britain has had enough of experts, says Gove', *Financial Times* June 3, 2016.

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