

## CHAPTER 1

# THE POLITICAL ECONOMY OF BREXIT: AN INTRODUCTION

*David Bailey and Leslie Budd*

In his famous essay *The Eighteenth Brumaire of Louis Bonaparte*, published in 1852, Karl Marx noted that history repeats itself, “once as tragedy, and again as farce”. He was referring to Napoleon I and his nephew Napoleon III, with respect to the latter seizing power and implementing a dictatorship in France in 1851. For many the tragedy of Brexit in the UK was followed by the farce of the election of Donald Trump as the 45th president of the United States. The same aphorism could be applied to the Italian Referendum, in which the No vote prevailing led to the resignation of the prime minister, Matteo Renzi. How tragedy and farce will play out in the forthcoming elections in other European countries, especially France and Germany in 2017, is, at the time of writing, anybody’s guess, although the defeat of a far-right candidate in the Austrian presidential election may be a cause for some optimism. Some commentators have suggested that the rising nationalist populism in the US and Europe is a sign of the end of the liberal order. Yet this liberal order has brought us increasing inequality, austerity and growing poverty for those people and places early in the twenty-first century. They have been left behind within the great unravelling of the global economy since the global financial crisis that began in late 2007.

But these moments and intervals of shock and fracture are nothing new, especially in Europe. In his masterly study *The Shock of the New: Art and the Century of Change* the Australian art historian Robert Hughes wrote:

In 1913, the French writer Charles Péguy remarked that “the world has changed less since the time of Jesus Christ than it has in the last thirty years.” He was speaking of all the conditions of Western capitalist society its idea of itself, its sense of history, its beliefs, pieties, and modes of production – and its art.

... After 1914, machinery was turned on its inventors and their children. After forty years of continuous peace in Europe,

the worst war in history cancelled faith in good technology, the  
benevolent machine. The myth of the Future went into shock.  
And European art moved into years of irony, disgust, and protest.  
(Hughes 1991: 9, 56)

It is this context that the decision to leave the EU following the Referendum of June 2016 can be used to exemplify this “shock” to the polity and economy of the UK. A similar line of argument has been used to examine the reasons for the election of Donald Trump in the US and the possible election of far-right leaders and much larger electoral representation for their parties in France, Germany, Italy and the Netherlands: in 2017 the “new” in Europe is looking increasingly like some atavistic shock.

Brexit appears to be treated as a mono-causal event in which the process of leaving should be straightforward enough, given political will and authority. By the same token, the Leave vote result was merely a factor of xenophobia combining with the dissatisfaction of people and places left behind by the EU’s globalizing modernity. Yet the electoral geography was more complex as were the occupational, gender and age differences (Dorling 2016). From this analysis, it was apparent that large swathes of the population voted against something that has increased their economic welfare in the past or their current economic self-interest. So were these citizens unintelligent or stupid, falling into the insulting Clinton classification of “the deplorables”? Clearly not, but the EU may have been crystallized as the emblem of the status quo of out-of-touch political elites who imposed lower real wages and worse socio-economic welfare through austerity. In this light, Leave voters were protesting against the decline in the quality of their lives: a rational and certainly not deplorable response, but possibly hitting the wrong target.

This volume seeks to take a multi-dimensional and multi-scalar approach to the political economy of Brexit. Each of the chapters is set within a wider context to open discussions on a number of the issues in order to attempt to make sense of the complexity. The collection does not attempt to cover all the issues, as there are and will be too many of them, replete with layers of complexity. It is divided into two parts. The first concentrates on some key economic dimensions, while the second examines the territorial conundrums thrown up by the challenges of managing and stabilizing the processes of Brexit. Readers will note that there is no chapter on the impact on Wales. This was deliberate on the part of the editors since the impact of the Referendum for Scottish Independence and the contiguous land border between Northern Ireland and the Republic of Ireland make Scotland and Northern Ireland special cases. It is, however, important to recognize the

importance of all the devolved nations as the trajectory of Brexit proceeds, to which Wales is also likely to play an important role.

We now turn to the first part of the volume.

## ECONOMIC DIMENSIONS OF BREXIT

It was clear that during the Referendum campaign both sides displayed considerable ignorance about how modern economies and trade work.<sup>1</sup> The “fear versus fact” discourse meant that a measured analysis of the economic benefits and costs for all UK citizens got lost in this simple dialectic. The claims that there would be an immediate economic catastrophe or that the UK would move immediately into the global economic uplands was expressed by no reasonable economist. Fortunately all the contributors to this volume start from the point of measured expertise. Our first contributor, Edgar Morgenroth, applies his forensic analytical skills in analysing the trade implications of Brexit.

Morgenroth starts “Examining Consequences for Trade: Integration and Disintegration Effects” (Chapter 2) with the proposition that although there is a large literature on the integration effects of trade, there is very little on the disintegration effects. In the opening part of his chapter, Morgenroth uses Algeria and Greenland as examples of disintegration effects following the independence of the former in 1962 and the referendum vote to leave the EU by the latter in 1985. The evidence shows that trade intensity lessens following disintegration, and this is reinforced when the break-up of the former Soviet Union and Yugoslavia is observed. Of closer interest here is the observation that trade intensity lessened by a half following the break-up of Czechoslovakia in to the Czech Republic and Slovakia in 1993. Both became member states of the EU in 2004, with unimpeded tariffs since signing their respective Accession Agreements. A similar pattern emerges for Slovenia and the other former constituent territories of the former Yugoslavia.

In reviewing the evidence of the impact of trade intensity within the wider EU, Morgenroth suggests we should expect to find a positive correlation with

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1. As has been noted by a number of studies, the potential economic impact of Brexit on the UK economy in the medium term could vary significantly, depending on the form of Brexit (Emmerson *et al.* 2016). Joining the European Economic Area (like Norway) is seen by many as a way of minimizing the costs of Brexit. In terms of other options, a Swiss-style model (with sectoral agreements with the EU) or a Canadian-style trade agreement are seen as better than falling back on World Trade Organization rules (with potential tariff and non-tariff barriers). In short, the more difficult it is for UK-based firms to access the Single European Market then the greater the likely economic cost for the UK over the medium term.

greater integration as the Union expands. This is a reasonable assumption but globalization increases trade with non-EU members so there may be a countervailing tendency. As trade became more globalized, the core EU member states reached a peak in terms of the share of intra-EU trade and then experienced a gradual decline.

In providing a detailed analysis of the impacts of trade in regard to integration and disintegration of EU membership, Morgenroth uses a novel methodology in exploring the potential impact of Brexit in assuming that leaving the EU is symmetric to that of becoming a member. Although there is considerable heterogeneity within the different regions of the UK and within the whole of the EU, Morgenroth concludes that the net impact of Brexit on UK exports to the rest of the EU would be larger by a ratio of nearly eight to one compared to the opposite direction. Furthermore, international trade is closely linked to foreign direct investment (FDI) with the UK having the second largest stock of inward FDI from the EU, after the USA. If the estimates on trade are realized then there may be displacement of FDI from the UK to other parts of the EU.

Jan Toporowski explores the role of finance and the City of London in "Brexit and the Discreet Charm of *Haute Finance*" (Chapter 3). The title relates to the film directed by the Spanish surreal film-maker, Luis Buñuel, *The Discreet Charm of the Bourgeoisie*. One could be forgiven for thinking that the role of finance in the British economy in the past 40 years has been a surreal experience. This is especially the case in its heartland, the City of London, becoming a global offshore finance *entrepôt* that often does not touch but has distorted the real economy. Toporowski uses the work of Karl Polanyi, who identified the relationship between finance and politics in his analysis of the Concert of Europe, a loose coalition of European powers from 1815 until 1823. In seeking to stabilize peace, an anonymous factor began to prevail that dominated the last two-thirds of the nineteenth century and first third of the twentieth: *haute finance*. It functioned as the main link between the political and economic organization of the world during this period.

Toporowski uses a quote from Polanyi to summarize the rise of the Concert of Europe and then asks the reader to replace it with the European Union or the United Nations in respect of the role of global financial markets that are no longer mediated by government or inter-lending global financial governmental agencies. He provides evidence on UK industrial production, showing it to be flat since 1997 with a sharp drop since the global financial crisis of 2008. This decline has created a growing dependence on other sectors to provide employment in the UK. This has not, however reduced the demand for manufactured products and equipment by consumers and businesses. Consequently, there is a growing trade deficit in industrial products

reflecting the decline in industrial production while finance has flourished. The decline in industrial production that Toporowski provides evidence for shows the failure of the British government to use *haute finance* as a means of economic revival.

In his view *haute finance* displays discreet charm in that it turns over capital without turning over social structures that were a central consequence of the development of industrial capitalism. This leads him to suggest that the main result of the so-called Thatcher revolution was to hand over the City of London to American interests following “Big Bang” in 1986. Toporowski concludes on the paradox of the UK being a protectorate of US financial interests with low regulatory cost that are a result of the UK’s membership of the EU. Thus in promising UK citizens a new place in the world but outside the EU, these US interests may move to other locations within the EU. Doing this would compound the British political elites’ failed attempts to address economic decline.

The centrality of industrial decline and restructuring is starting to emerge as the key issue in analysing the impact on the UK economy. Much was made by the Leave campaigners that German car makers will still need to sell their vehicles to buyers in the UK. While this truism is accurate, it hides a lack of understanding of how the automotive sector operates in terms of modern trade. In Chapter 4, “What Does Brexit Mean for UK Automotive Industrial Policy?”, David Bailey and Lisa De Propris give an expert account that uncovers the complexity beneath this truism.

Bailey and De Propris begin their chapter by reviewing the star performance of the automotive sector within the UK economy in the last decade. They also point out the benefits for the sector from the UK’s membership of the EU in the form of the Single European Market (SEM) access, trade deals with the rest of the world, regulatory influence and access to R&D networks and a skilled labour pool. The key question they address is what Brexit will mean for the sector and its impact upon UK industrial policy.

The short term impacts of Brexit have so far centred on the depreciation of sterling against a number of currencies, especially the euro and the US dollar. This may boost exports of automotive assemblers through cheaper overseas prices but only 40 per cent of UK vehicles’ components are locally sourced. Since the depreciation of sterling in late June 2016, imported inflation has risen, increasing the price of foreign-sourced parts and energy costs: the latter priced in US dollars. The resultant lower margins vary across UK-based firms depending upon the scale and scope of local sourcing.

Bailey and De Propris then analyse the impact of Brexit on FDI from two perspectives. First, like many other international trading sectors, vehicle production is fragmented within regionally based global production networks.

Co-ordinating the underlying supply chains and conforming to regulations covering the complex of different components will be more costly after Brexit. Second, much of UK inward FDI is a function of access to the SEM benefiting from a larger market and lower trade costs of being part of a customs union. If the terms of trade are redrawn post-Brexit this may have a detrimental effect on FDI inflows, creating further uncertainty for an already vulnerable global economy in which real investment is at an historic low. Uncertainty undermines investment intentions of all firms, especially those at the heart of cross-border trade and FDI.

The key issue in all this as Bailey and De Propriis note is that modern trade is based upon the model of global value chains (GVCs). Within this model a large proportion of trade is intra-firm that incorporates inputs from multiple locations across the globe with each stage creating different levels of value added. Consequently, the critical question is what kind of trade relationship will the UK have post-Brexit? They review a number of alternative scenarios all of which are unsatisfactory for the UK automotive sector. In reviewing firm-specific and other impacts, they observe that upping sticks to another EU location would be costly in the short term due to the problems of double running costs, retooling and logistics.

The turning point occurs with the introduction of new models when factors such as relative UK/EU costs and profits, the volume of imported components and what are alternative production locations in the EU can all be considered by assemblers. Given the uncertainty of what the post-Brexit tariff environment will be then there is a potential risk to UK-based production. The much publicized but opaque deal between the UK government and Nissan over the production of two models remaining in the UK adds to this uncertainty as it is unclear whether such conditions will be extended to other producers, and whether the government will (or indeed can, under World Trade Organization rules) underwrite any costs of changing trade conditions. Other impacts equally apply to other UK sectors, including the loss of influence on regulation; a possible smaller pool of skilled labour due to the ending of free movement within the EU; more limited access to research funds for universities and industry; and the possible ending of European Investment Bank funding to promote low carbon technologies.

In their concluding part, Bailey and De Propriis cut to the chase with regard to the role of industrial policy. They review the evidence of successive governments as their attempts to create or undermine a coherent industrial strategy have littered the policy environment. The post-Referendum government led by Theresa May has made a welcome change of tone on industrial strategy; something that is likely to be crucial in the transition from EU membership. The degree to which this becomes successful will depend upon creating

a sustainable institutional base. As Bailey and De Propris argue, there is a strong case for “UK industrial strategy to be afforded an institutional status similar to both UK monetary and fiscal policies”. In doing so a strong signal would be sent to British industry and foreign investors facing the uncertainties of Brexit.

In “Future Regulation of the UK Workforce” (Chapter 5), Sukhwinder Salh, Margarita Nyfoudi and Alex de Ruyter explore an issue central to the negotiations and outcomes of Brexit, in particular the free movement of labour and the working time directive. The first part of the chapter examines the role of the EU in labour market regulation in the context of a more insecure employment environment. In particular the twin aspects of free movement of labour within the SEM and the European Working Time Directive (EWTD) are used to explore the implications of Brexit. These key issues are picked up in the subsequent section. In the first case, there is an opt-out for the 48-hour maximum working week of which two narratives are attached. Workers can sign an agreement with their employers so as to work above the limit to help make ends meet and give employers more flexibility. The second suggests that the opt-out can lead to exploitation, oppression and an insecure working environment. The issue of holiday and sick leave is one area where pressure on the EWTD has been increased. The directive has been more frequently challenged in the European Court of Justice (ECJ), whose rulings have sometimes added to confusion, as the chapter’s authors note. The turbulence that has resulted from inconsistent ECJ rulings led to a review of the EWTD by the previous UK government. A consistent application of the directive is welcome but in the current febrile environment of Brexit and the current government’s wish to revoke the authority of the ECJ in the UK, the process and potential outcomes are uncertain.

The free movement of labour is the most contentious and difficult issue as the Brexit negotiating strategy of the current UK government emerges. As the authors observe, maintaining access to the SEM will set up a conflict between the UK and the other EU member states, for whom free movement is a redline. They set out three possible scenarios as the UK leaves the EU, all of which invoke conditions within the current and future visa system. They analyse the system and conditions in a clear and precise manner in the context of the sectoral distribution of the proportion of European Economic Area (EEA) employees in each. The thorny issue of the status of existing EU nationals who work in the UK (and UK nationals in other EU states), which is currently being debated, is assessed using a number of scenarios. Some sectors of the economy will clearly receive more government support in the negotiations over Brexit, in order to gain the benefits of a fuller compromise. At the time of writing, however, the outcomes are too uncertain to call. As

Salh *et al.* note, the UK workforce is facing a highly uncertain future in terms of the impact on its socio-economic welfare arising from the indeterminate nature of Brexit. The authors focus on the sectoral effects, but there is also a strong territorial dimension; this is the subject of Part II of the book.

## TERRITORIAL DIMENSIONS OF BREXIT

In this part of the book we draw upon an analysis of the cases of Greece, Scotland, Northern Ireland, EU cohesion policy and the EU as a whole. These cases exemplify what we argue are the territorial conundrums of the process and institutional basis of Brexit whose political economy is multi-dimensional and multi-scalar.

We start with Chapter 6, “The *Exit* Connection: Europe’s New Polanyian Moment” by Dimitris Sotiropoulos and John Milios, who draw on the influence of the work of Karl Polanyi to construct their critical narrative. As in Chapter 3, Polanyi’s intellectual influence is important in analysing the challenges that moments like Brexit produce. Polanyi’s personal life led him from the threat of Nazi persecution from his home in Vienna to the UK where in 1944 he published his best-known work *The Great Transformation* (Polanyi 1944). Polanyi attacks market liberalism for what he calls its “stark Utopia”. Conservatives had long deployed the “utopianism” epithet to discredit movements of the left, but Polanyi was determined to turn the tables by showing that the vision of a global self-regulating market system was the real utopian fantasy. Polanyi’s central argument is that a self-regulating economic system is a completely imaginary construction; as such, it is completely impossible to achieve or maintain. Thus, he provides an important starting point for uncovering the socio-economic and political realities beneath the veil of Brexit as currently constructed.

The authors provide an analysis of the comparison of the threat of Grexit arising from the crisis in the Eurozone and Brexit, and examine the difference and partial similarities with Brexit. They bring a keen outsider’s eye in their commentary on the consequences of Brexit, in particular the manner in which the logic of both Grexit and Brexit rests upon a pro-capital labour devaluation strategy. Their opening comments spell out in detail the consequences of a shift back to a 1930s-style *laissez-faire* (but now irreversible) global economic trajectory.

The authors next explore a central paradox between a post-Brexit UK and a globalizing EU. The paradox centres on the issue of immigration and xenophobia. They examine how anti-immigration was central to the Leave campaign but this is just an extension of the imagined Thatcherite Albion of



old. Yet they point out that the rise of far-right anti-immigrant sentiment in all of Europe is not a threat to neoliberalism. The current dominant model of capitalist development is one in which, as Terry Eagleton points out, the commodification of culture and its material benefits recognize no difference in origin, race, sexuality and so on (Eagleton 2016). In this instance Sotiropoulos and Milios are providing a version of Toporowski's analysis of the revival of *haute finance*. The Polanyian EU moment in which authoritarian governments result from working political unrest as market society fails to function may be upon us. This possibility is the challenge for the Left in the UK as it tries to negotiate the strategic dilemma of where to position itself in regard to Brexit. Sotiropoulos and Milios assess this acute challenge particularly for the current Labour Party leadership. Like the Remain and Leave campaigns, this dilemma challenges the strategic direction of this opposition party whose target should be to improve the working lives of ordinary voters. But for the authors the Party appears unclear about how this should be achieved. Clearly the lessons from outside the UK are useful, for example from Greece, but the authors recognize the context and conjuncture of how different histories are played out.

We return to the UK more directly with Jim Gallagher's "A Scottish Perspective: Charting a Path through the Rubble" (Chapter 7). His opening section provocatively (but rightly) states "what the vote means and what it doesn't mean". He argues that there is a striking resemblance between the nationalist vote in the Scottish Referendum and the Leave vote in the UK-wide EU membership referendum, with the former containing a subtler version of the latter's slogan of "take back control". In this section the author reviews the reason for the success of the Leave vote that creates a conundrum for what the UK should do. As Gallagher notes, the UK government is mandated to pursue Brexit but not through the lens of Nigel Farage's *vie en rose* or Michael Gove's post-truth declaiming.

What the UK government should do is the concern of the next section of Gallagher's chapter, in which he establishes two key questions. First, what is the economic effect of possibly not accessing the UK's biggest market? Second, what will be the overlooked impact on the territorial integrity of the UK and the implications of an exit? He then turns to the argument for remaining part of the EEA that given all the Brexit noise is less fanciful than imagined as the reality of difficult negotiations is more widely understood. The possibility of EEA membership may be the ultimate compromise if the integrity of the UK is not to be undermined. This, as Gallagher observes, may be the minimum condition for the special case of Northern Ireland and the common travel area with the Republic of Ireland (ROI) (see also Leslie Budd's Chapter 8 in this volume). The possibility of an independent Scotland within

the EEA thus makes Scotland a special case in the Brexit negotiations: “the tail wagging the dog” perhaps but a potential imperative, if Tom Nairn’s vision of *The Break-Up of Britain* is not to be realized (Nairn 1977).

The options for Scotland are then explored in the following sections on what the Scottish government should do, Scotland’s interest and options. For Gallagher, Scotland has the advantage of being in two unions: the UK and the EU. Many of the challenges facing the Scottish economy were extensively discussed in the Independence Referendum campaign, and Gallagher points to how losing membership of the SEM in particular would worsen conditions for the economy. In respect of the constitutional options facing a post-Brexit Scotland, possibilities are uncomfortably wide given the general uncertainty and its constitutional special case. But if one constructs a balance sheet it is clear that Brexit is more damaging for Scotland, like Northern Ireland. Any future negotiations over an independent Scotland from a post-Brexit UK opens up a much more complex scenario than that imagined during the Independence Referendum. One imaginative solution that Gallagher offers is to allow the devolved nations to negotiate international treaties with the EU in relation to devolved matters.

The heart of the matter for the devolved nations *and* the regions of the UK is the possibility of a confederated UK. Given the genie of English devolution can no longer be put back in the bottle, this may gain in popularity as the devolved territories may become more powerful. A UK of the nations and regions underwritten by the principle of subsidiarity and by a system of fiscal federalism may be a long way off. Yet the territorial fracturing of the UK is a distinct possibility if the Brexit outcomes lead to a lost decade.

Gallagher concludes by drawing one lesson from the shambles. That is, given the great uncertainty over the timing and outcome of Brexit and what an independent Scotland within or without the EU would look like is there not an opportunity of overcoming the false division between nationalism and unionism?

The question of territorial integrity is at the heart of the potential impact of Brexit on Northern Ireland: a key issue that Leslie Budd takes up in “Stalling or Breaking? Northern Ireland’s Economy in the Balance” (Chapter 8). Budd argues that although Northern Ireland punches above its weight politically, it tends to punch below its weight economically. The latter is due to a legacy of conflict, enduring poverty, and the ongoing impact of the global financial crisis exacerbated by the imposition of austerity by the UK government. Yet the economy has enormous potential reinforced by its relationship with the Republic of Ireland that has been one of the most dynamic economies in the EU. However, at the time of the vote to leave the EU, the Northern Ireland economy started to stall as the uncertainty over the outcomes of Brexit took

hold. Budd begins by reviewing the performance of the economy to date and how the possibilities of devolved corporation tax (CT) from April 2018 has been undermined. That is, the harmonization of the CT rate with the ROI of 12.5 per cent is touted as stimulating FDI in Northern Ireland. Reducing access to the UK's largest market and its member states, especially the ROI, however, undermines this prospect. Budd advances evidence to show that Northern Ireland will be hit hardest by Brexit unless there are significant compensatory fiscal transfers from the UK government. He then examines the different post-Brexit trade options (including a reformed EU) using the theory of clubs. The argument here is that the different forms of Brexit are club goods (the existing EU, EEA, World Trade Organization, Comprehensive Economic and Trade Agreement) in that they bestow benefits for members at lower cost that excludes outsiders. There comes a point at which the number of members reaches congestion point and the costs of membership rise. From this perspective it is likely that the alternative models on offer will reach the congestion point sooner than existing EU membership.

The other key issue is the border question that opens us a debate about how the common travel area between the two parts of Ireland, established in 1933, will operate post-Brexit. The alternatives of how a hard or soft border misses a fundamental point. There exists a high degree of cross-border co-operation and activities, research and development, trade flows, and joint FDI initiatives. Brexit imposes an economic border in what is a de facto all-Ireland single market that benefits from access to the larger SEM. Thus, as Budd argues, Northern Ireland represents a special case, whose negotiation will be long and very difficult. A Brexit that damages Northern Ireland and the ROI, as in Scotland, opens up the distinct possibility of the territorial disintegration of the UK. Given that Northern Ireland voted to stay in the EU, the possibility of a referendum on reunification of Ireland may not seem so preposterous, as the consequences of leaving EU bear down on Northern Ireland.

The collection now expands its territorial purview in John Bachtler's "Brexit and Regional Development in the UK: What Future for Regional Policy after structural funds?" (Chapter 9). He begins with an overview of the spatial distribution of voting in the Referendum in the context of the regions who will lose funding under the EU's cohesion policy. However, as he points out, the benefit of cohesion policy is a not just funding but provides a stable form of multi-level strategic partnership through its multi-annual programmes. The first section of the chapter provides detailed information and analysis of territorial inequality and the regional distribution of votes between Leave and Remain. The key question of "what have structural funds done for us?" is addressed. Although funding has declined following the expansion of the EU, the UK significantly benefited from this funding stream in regard to its

poorer regions and localities. The high point was from the late 1990s until the early 2000s, but as the new millennium wore on EU funding became more prescriptive. The evaluation of the impact of structural funds is variable, partly due to the small size compared to the UK economy but also in terms of unravelling the complex territorial interactions of programmes and local polices. Bachtler provides an expert and insightful analysis of all these issues and in doing so provides a public service to the non-specialist reader.

The key question is what happens to regional policy after structural funds? The post-Referendum government has announced its commitment to a new industrial strategy in which place-based initiatives will be central. But, as Bachtler points out, the proposed government's five-year funding for place-based development is around half that granted by the former regional development agencies (RDAs) in the last programme period. Without a new institutional structure, regional policy and industrial strategy is likely to have limited impact, especially in comparison to our other European neighbours. In conclusion, Bachtler states that Brexit is both a threat but also an opportunity in reforming policy and governance so as to rebalance the most unequal developed economy: a task that may go towards "working for everyone in the UK" post-Brexit.

Brexit is not just a UK process (even if the ROI is included in the negotiation over the complex position of Northern Ireland); it also affects the other member states of the EU profoundly, as Tim Oliver analyses in "What Does Brexit Mean for the European Union?" (Chapter 10). He explores five topics encompassing thirteen Brexit negotiations and debates unfolding in the UK, the rest of Europe and elsewhere. At the end of the chapter Oliver asks if Brexit is a crisis for the EU, European integration and the UK. The five narratives of Brexit that Oliver examines highlight the complexity underlying the dialectic at the heart of the Referendum, but may also be seen as a public expression of the English questioning their place in a seemingly inchoate world.

He then moves onto the EU–UK negotiations in which he amusingly but seriously likens the mantra of "Brexit means Brexit" to a parent's call to a recalcitrant child that "bedtime means bedtime". This metaphor may appear appropriate to the EU negotiators faced with an apparent political and economic immaturity in their UK counterparts. As Jim Gallagher and John Bachtler note in this collection, the territorial integrity of the UK is often overlooked. At the same time, as Oliver notes, diplomacy, security and defence in a post-Brexit universe tends to be downplayed; an irony not missed by a number of strategically important states with global reach. The nub of Brexit is clearly the danger it presents to the rest of the EU in how it will evolve in the range of strategic challenges it faces within and without. In concluding, Oliver asks the question that cuts to the chase of the matter: is Brexit

a European Crisis? As in the exposition of other chapters in this connection it challenges the assumption of territorial integrity in two large and still globally important unions. At best Brexit challenges both unions to create new optimal solutions to the current challenges they face. It could be argued that the UK union is a more established and therefore robust one. But the EU was forged in the bitter aftermath of a world conflict that may have more resilience compared to an imagined Arcadian Imperium that many Brexiteers promote. But as Oliver states, politics is the daily management of crisis: the problem is that many UK policy-makers do not consider Brexit to be an EU crisis.

This collection does not dwell on why the British people voted as they did. This has been covered extensively elsewhere, most notably the work of Matt Goodwin (2016). Suffice it to say that the debate to define the Brexit narrative has seen the issue of immigration – rightly or wrongly – take pole position. The British government has therefore set itself the task of restricting continued free movement as part of any deal with the EU, a decision that makes a “hard Brexit” – an exit from the EU’s single market – more likely (Wolf 2016).

Whether that future is one where the United Kingdom remains united is a matter that was once again brought to the fore by the EU membership referendum. The Referendum showed that the UK is made of five parts: Scotland, Wales, Northern Ireland, England, and London. Scotland, Northern Ireland and London backed Remain while Wales and England backed Leave. Most debate and analysis has focused on the implications for Scotland, in large part because of the 2014 independence Referendum. Scottish nationalists had, in large part, campaigned for the UK and Scotland to remain in the EU. Independence in the EU has been a key plank of the independence campaign since the 1980s. That the Welsh voted for Leave, and that the Scots are not committed Europhiles, serves as a reminder that Euroscepticism is not confined to the English alone, even if Brexit makes Scottish independence more difficult to implement.

The situation in Northern Ireland often falls off the agenda in Great Britain, with continuing fragility of the peace process and government. Overhanging this is the question of UK–Ireland relations. Ireland’s membership of the EU allowed it to emerge from behind Britain, which played a part in making it an equal partner to the UK. Brexit for Ireland poses more questions than for any other EU member state. With the Irish government making clear that it will not be caught in the slipstream of British decisions, despite the potentially significant economic costs for it, Brexit has confronted Ireland with the need to assert its independence, as well as reinforce its position in the EU. The ROI is clearly the fulcrum of how the impact of Brexit in the whole of the EU is negotiated and managed. We in the UK should not underestimate how the history of the EU was forged in conflict but also in compromise.

In finishing, we turn to the great German sociologist, Max Weber, and his twin concept of rationality: formal and substantive. Given the constitution of the UK, the binary choice of the Referendum was hardly in the realm of determinate legal, juridical and constitutional rules and regulations that comprise the former. Given the close result and the territorial distribution of votes based upon a manifold of reasons that cross-cut class, age, gender and ethnicity, the latter type of rationality is hard to divine. As citizens look to representative government to mediate the two types of rationality, the current negotiating stance of the UK government appears to reverse the two types of rationality. What in a sense settles the matter is an appeal to Weber's concept of *Verstehen* (understanding). That is, understanding the meaning of action from the actor's point of view. It is putting oneself in the position of another person as a subject rather than some object of study. It also implies that unlike objects in the natural world human actors are not simply the product of the pulls and pushes of external forces. Individuals are seen to create the world by organizing their own understanding of it and giving it meaning, thereby constructing some form of recognizable but negotiable rationality.

We hope that this volume will contribute to a *Verstehen* of the complex and overlapping rationalities of Brexit, that itself is multi-dimensional and multi-scalar.

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