

The Pre-history of Brexit: Empire, Race and Class in the Road to Brexit

Tuesday 9th May 2023 17:30-19:00 (BST)

Chaired and convened by

DAMON SILVERS

Visiting Professor of Practice in
Labour Markets and Innovation



Intro and Recap: States, Market Shaping and Neoliberalism

- Here at the Institute for Innovation and Public Purpose, we study the relationships between the state, market shaping, and innovation.
- Often we look at these issues in terms of particular markets, like the smart phone, or in a local or regional context. This lecture is about market shaping on a very large scale— Britain, a major industrial nation, interacting with global markets
- It is a profound and troubling story of market shaping— and how complex and political in the largest sense is the process of market shaping.
- It is a story I came to in the course of my interest in the challenge of climate change, and I believe it illuminates that challenge in important ways.
- And a huge thank you to David Frayman for all his help with the research that led to this lecture.

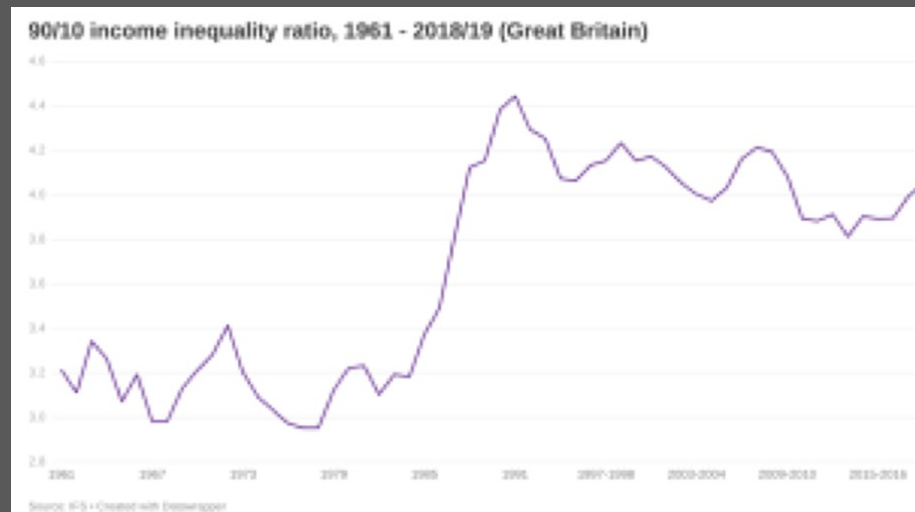
Innovation
is political.

Background to Our story - Recap of Last Two Lectures on Neoliberalism

- Neoliberalism is a global system that emerged out of the economic and political crisis of the 1970's, which harkened back to the classical liberal order of the 19th century.
- Its ideology was market fundamentalism, but its reality was a political economy of power.
- Neoliberalism as a global system worked to weaken states and strengthen private power.
- Neoliberalism in particular seeks to neutralize the state as a means for societies to shape markets.

Empire, Neoliberalism & Modern Britain

- Neoliberalism has an important role in the modern history of Britain. But it is a story that has to be told in the context of race and empire— or else it doesn't make sense.
- When one looks at empire, race and neoliberalism together— the true nature of Britain's current economic and strategic dilemma comes into focus (and that will be next week's lecture).
- In terms of what we study here at IIPP, it is critical to understand this is a story about innovation—and the many ways economic innovation can fail as a political project.
- In many ways there is no better time to tell this story than a day after Coronation weekend.



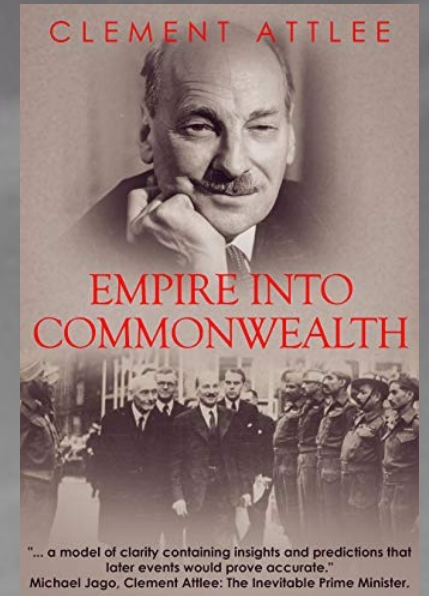
Post War Britain: Empire to Commonwealth— the Original Empire 2.0

- In 1945, the British Empire was still formally at its peak in territory and wealth— but in reality it was seething with unrest and demands for independence.
- After the First World War in response to demands from predominantly white Imperial Dominions Britain had created a political structure for maintaining economic integration and political coordination even as the Dominions moved toward independence.
- That structure was the Commonwealth, established in 1926.
- The central question post-World War II for Britain was not “could the Empire be preserved?”, but “could the Empire evolve into the Commonwealth as a genuine economic and political bloc?”



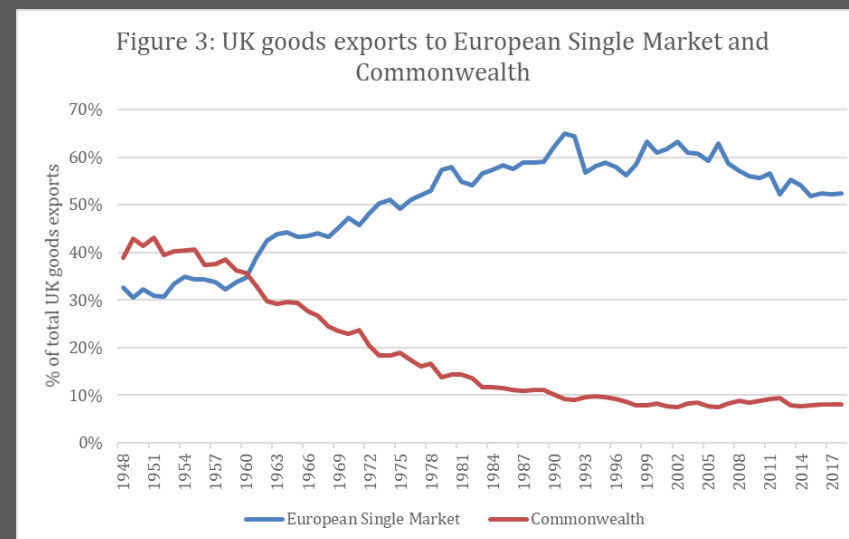
The Labour Party, Europe and the Commonwealth

- Although the Commonwealth was a Tory invention, it was Labour that formulated and supported the idea of the Commonwealth as an independent trading and power bloc after Indian independence in 1947.
- While the Tories under Churchill and Eden sought to preserve the Empire by force (Suez, Kenya, Malaysia) Labour hoped for a peaceful transition to a new role for Britain and its former colonies.
- The question of Empire vs. Commonwealth had strong racial overtones—was the Commonwealth just for Britain’s “white” Dominions?
- Labour saw the Commonwealth as a potential “Third Force” in a world dominated by US and Soviet power.
- During the 1950’s and 1960’s even relatively centrist forces in Labour were suspicious of both the United States and the continental European governments as too right wing, at a time when Europe was dominated by military dictatorships and Christian Democratic governments with substantial elements inherited from pre-war authoritarian and totalitarian governments.



How the Commonwealth Helped Preserve Post-War Britain as an Industrial Nation

- In the years following World War II, the United States was the world's dominant industrial economy, with Germany and Japan devastated by war and industrial giants of today like China and South Korea in the first stages of industrialization.
- But the United Kingdom held its own as an industrial power through the 1960's, and as late as 1970 was the most industrialized nation in the world measured by the percentage of its workforce employed in industry— 32.6%—8 million workers.
- Key to Britain's continued success as an industrial economy was its access to the Commonwealth as a market. In 1950, the Commonwealth accounted for 43% of British exports and as late as 1960 the Commonwealth was the UK's largest export market.



The 1966 Crisis of the Commonwealth

- At the end of 1965, after the British Prime Minister Harold Wilson made clear his government's policy was "no independence before majority rule," a settler government representing 5% of Southern Rhodesians declared independence.
- After a period of maneuvering, the Commonwealth's heads of government met in Lagos, Nigeria in 1966.
- The leaders of the newly independent states demanded that Britain use force against the white Rhodesians.
- Australia, New Zealand and Canada opposed the use of force against Rhodesia, as did the right wing oriented British tabloid press.
- The leaders of the newly independent Commonwealth states made clear to Wilson that this was for them an existential test of the Commonwealth.



Wilson and Labour's Turn to Europe

- Prior to the Rhodesian Crisis, Wilson had been a Euroskeptic, declaring the Common Market's founding Treaty of Rome to be "anti-planning."
- Following the Lagos meeting of the Commonwealth, Wilson instructed his team to open negotiations with the Common Market.
- In 1967, Britain made its second application to join the Common Market, and the first by a Labour government.
- DeGaulle vetoed the 1967 application, but it set the stage for joint Labour-Tory support for Britain's ultimate admission in the 1970's and its affirmation by Wilson's second government.



Understanding the Roots of Britain's Going into Europe

- Britain had an industrial strategy – it was to be the supplier of industrial goods to the Empire, and then to the Commonwealth.
- This strategy was designed to among other things enable British industrial firms to maintain their independence in the face of greater American scale.
- The strategy was under economic stress in the 1960's, but it became untenable once it was clear that the Commonwealth was ineffective in the face of white racism.
- In this sense the events in Harare and Lagos in 1965 and 1966 are pivotal events in British history– they are not the periphery of the history of modern Britain– they are the center.
- And they are an example of a recurring theme in modern British history– the way that racism as a political force in British and Commonwealth societies undermines British aspirations to a larger role in world affairs and constrains British policy choices.

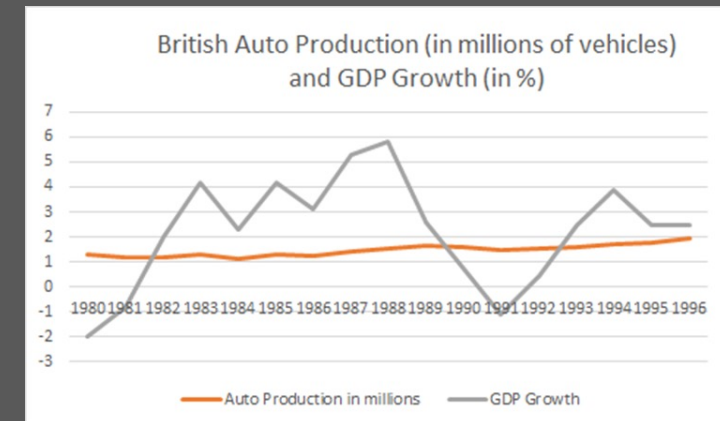
The 1960's and Britain's Crisis of Industrial Competitiveness

- By the mid 1960's both Japan and Germany had regained much of their prewar strength as industrial economies, and other major European economies had enjoyed prolonged, rapid growth.
- Britain now faced multiple industrial competitors, whose companies had new plant and equipment.
- Britain's system of industrial relations was dominated by pre Taylorist shop floor organisation, where control of production on a day to day basis rested with skilled workers organized through trade union structures ("the shop steward system") (See Lazonick, Shop Floor Competitiveness)
- German and Japanese post-war industrial relations saw the development of different systems of shop floor management within collective bargaining (codetermination, quality circles).
- The combination led to British industry facing a productivity and a quality crisis.



What Was the Impact of European Integration on British Industry

- British industrial production was in freefall in the late 1970's through the mid 1980's, particularly in high wage, job intensive sectors like auto assembly and steel.
- Integration with European supply chains, and the takeover of British industry by global firms using German and Japanese production systems, led to a rebound in industrial production, particularly in the auto sector, in the 1990's.
- But it is a different British industry— owned and controlled by foreign firms, part of larger European production systems like Airbus, selling to European markets.
- Most importantly in the long run— it is managed using neoliberal versions of German and Japanese production systems and without the government supported training systems in those countries.

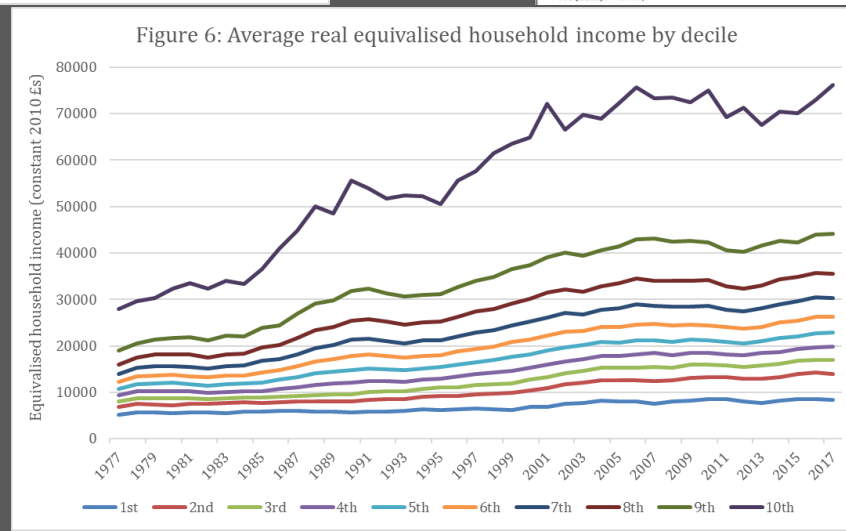
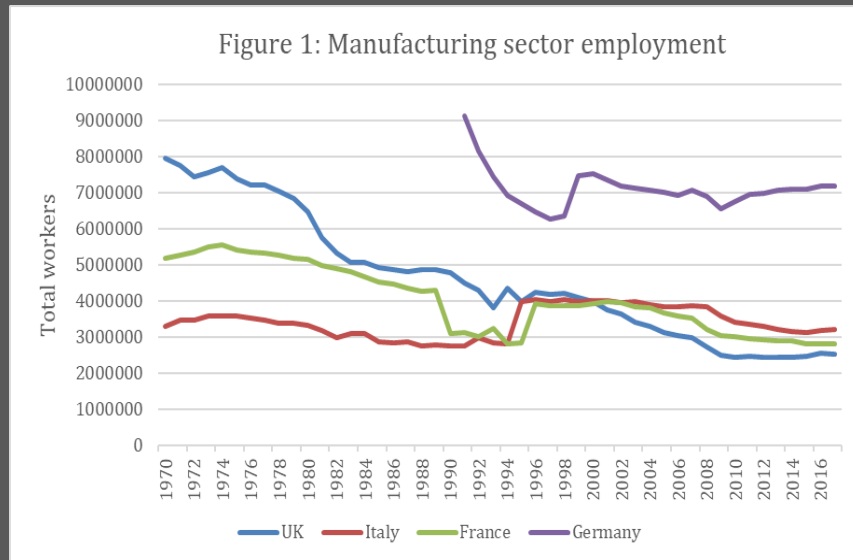


Europeanization and Financialization – British Economic Strategy in the Neoliberal Era

- Britain’s “Going into Europe” in the mid 1970’s was quickly followed by the Thatcher government’s embrace of neoliberalism, the deregulation of British financial markets, denationalization of much of British infrastructure, and hollowing out of Britain’s tax system.
- The result was industrial integration with Europe took place on neoliberal terms within British society— most importantly in the context of dramatically weakened private sector trade unions.
- Integration with Europe coincided with, *but was likely not caused by*, a rapid rise in inequality, as measured by the Gini coefficient.

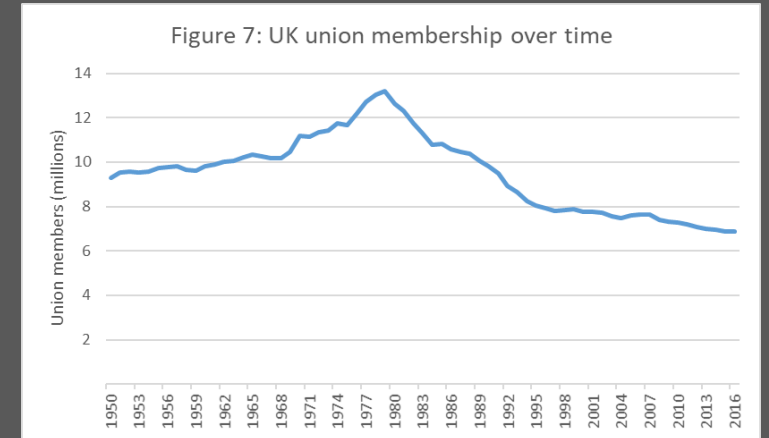


The Industrial Impact of Neoliberal Integration with Europe in 3 charts



The Blair Government, the Neoliberal Consensus and the Dog That Didn't Bark

- The Blair government's landslide victory in 1997 led to significant changes in social spending policy— investment in the NHS and in state education spending grew dramatically.
- The Blair government introduced Britain's first statutory minimum wage
- However at the same time the Blair government broadened and deepened financial deregulation, seeking to compete globally for financial activity based on Britain's "principles based" approach to financial regulation.
- Growth in the financial sector significantly contributed to the tax base that supported increased NHS and state education funding.
- Trade union membership in the public sector grew with the public sector, but there was no significant trade union revival in the private sector, nor was support for trade union organizing in the private sector an important feature of the Blair government.
- Private sector collective bargaining coverage in the UK today is 13%.

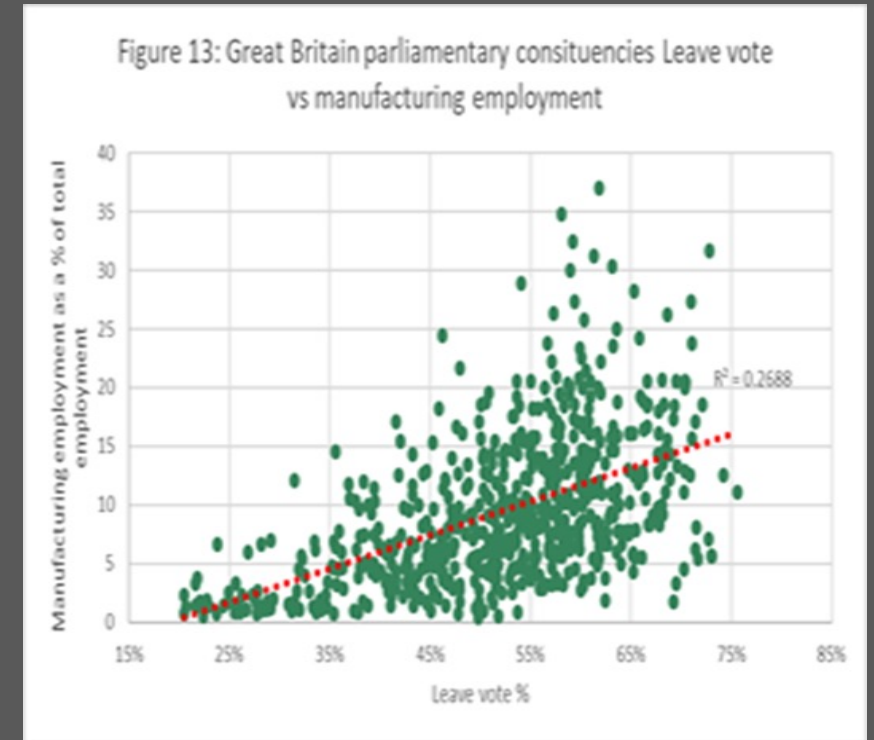


The Political Instability of Neoliberal Innovation in the United Kingdom

- By the time of the financial crisis, British industry had gone through profound structural change— but it was change largely imposed on Britain’s industrial workforce and its industrial communities.
- The EU itself was more neoliberal than it appeared— e.g. EU rules allowed European labour contractors to operate in the UK but pay the minimum wages of their home countries.
- And so when the financial sector ceased to be a source of economic growth post-2008...

There was NO Support for Europe in 2015 in Britain's Industrial Communities

- No Parliamentary Constituency that had more than 25% of its workforce in industry voted LEAVE in 2015
- There were service sector and agricultural sector constituencies on both sides of the Brexit referendum.
- But industrial communities voted UNANIMOUSLY for Brexit.
- This despite that going into Europe appears to have provided a substitute market for the Commonwealth, facilitated the modernization of British industry and prevented a near complete collapse of British industry in the 1985-1995 period.



The Enduring Legacy of Empire and Racism in Brexit

- Anti-immigrant sentiment and opposition to the European Union's freedom of movement policies played an important role in the rise of the Brexit movement.
- There is some anecdotal and polling evidence that some of that sentiment was actually more driven by opposition to immigration from former colonies than opposition to immigration from Europe.
- Post 2015, successive pro-Brexit Tory governments have struggled to find new trading partners in the context of both actual British immigration policies and a Conservative anti-immigrant rhetoric.

What the Conversations Were Like

A senior organizer in one of Britain's largest unions described the conversations in branch meetings during 2019 like this:

“The members would begin by complaining Brexit was taking too long and that too many Labour leaders were Remainers. Then the National Rep would talk about the implications of Brexit for the Branch's employers – nearly all of whom had European supply chains and customers. And then someone would say, 'well, if you knew that, why didn't you tell us'.”

Brexit unfolded the way it did because there were not enough members, not enough branches, and not enough conversations like that.

Conclusion - Racism Doomed the Commonwealth, Neoliberalism Doomed Britain's European Experiment

- In my second neoliberalism lecture, I talked about how neoliberalism opens the door for right wing authoritarianism.
- The history of Britain's efforts to craft a post-Imperial economic strategy is in many ways the history of illusions— the illusion that an empire built on racism could be severed from it, the illusion that the British public— and in particular Britain's industrial communities-- would support an economic strategy that had been largely imposed on them without their engagement or consent.
- Brexit is to a significant degree the story of how a neoliberal strategy for reviving industrial competitiveness opened the door for a right-wing counterattack on the very idea of Europe. A counterattack that succeeded.
- In the aftermath of the 2008 financial crisis and Brexit, Britain has endured 15 years of economic stagnation.
- Next week we will discuss in detail the nature of the economic trap that the failure of the Commonwealth, of Europe and of financialization has left the United Kingdom, and some ideas about how the United Kingdom might escape the trap and seize a better future.

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