

Deep Causes behind Brexit

Miklós Somai¹

***Abstract:** In an in/out referendum, held on 23 June 2016, the British electorate chose to leave the European Union. This paper uses the information and scientific outputs accumulated since the vote to explore and explain the deeper reasons behind Brexit. Key findings can be grouped in two categories. First of all, there are centuries long-standing endowments/factors – like history, geography, or differences in law or traditions, and, closely related to these, the legendary obsession with sovereignty and free trade – which have always been major drivers in influencing the British attitude towards Europe and have generally been reflected, in aspirations for a looser cooperation. Second, there are more recent factors – however, being around for the last 30-40 years – like changing balance of power (i.e., rising German influence) in the European institutions, or growing inequality in income, wealth, and opportunities, which may have been pushing some voters towards rejecting the status quo and embracing disruption as occasion emerged.*

***Keywords:** Brexit, European Union, euroscepticism, Germany, inequality, sovereignty, trade, United Kingdom.*

Introduction

Results of the 2016 United Kingdom (UK) European Union (EU) membership referendum surprised both the British and the European public. It seemed almost unbelievable that, after more than four decades of membership, the EU's second or third strongest country (tying France for second place) with an economic power equal to that of the 18-20 smallest Member States was leaving the integration project. Both the media and the scientific community (including the author of this paper) had originally paid significant attention to some economic reasons behind the Leave vote, like the rising strain on Britain's public finances related to the EU budget, or mass immigration (see Somai & Biedermann, 2016)². In retrospect, for many, those reasons embodied last straws rather than main motives behind voting to leave. Precisely, unlike most of the existing literature, either stuck to the standard narrative about money, migration, and populism, or merely analysing one or two of the profounder motives of Brexit supporters, this paper is intended to provide a comprehensive picture of those deeper contexts of the UK-EU relations which are quite continuous in time. Hence, following the literature review and a short historical retrospection on this difficult partnership, successive sections discuss those most persistent reasons behind Brexit that have been influencing British people's instincts, feelings, and thoughts about the EU for many years.

¹ Miklós Somai is a Senior Research Fellow at the Institute of World Economics within the Centre for Economic and Regional Studies (IWE CERS, Hungary). E-mail: somai.miklos@krtk.hu
Disclaimer: The views and opinions expressed in this paper are those of the author and do not necessarily reflect the position of the IWE CERS. The author declares that there is no conflict of interest.

² Yet, an economic argument for Brexit (concerning trade) will be considered in a later section.

Literature

Before delving into details, it is worth clarifying that, contrary to the usual practice at parliamentary elections, in the context of the Brexit referendum no public service broadcaster with national coverage (like the BBC, ITV, or SKY) carried out a comprehensive exit poll, a survey asking voters about how they voted upon their leaving the polling station. Consequently, only data on the regional distribution of the votes are reliable. This does not, however, mean that no exit polls were made at all. For example, some financial institutions commissioned smaller inquiries for their own use to gain early intelligence of likely movements in the currency markets. But these exit polls – as well as those surveys investigating the patterns in citizens' views in the run-up to, or the aftermath of the plebiscite, and creating data set, based on random sampling – could not be representative enough, and therefore the conclusions drawn from them should be treated with caution.

Early papers of the post-referendum period generally described the most obvious socio-economic drivers: immigration, excessive contribution to the European budget, and populism. From these reports emerged a picture of poorer, older, less educated folks (in low-skilled and mostly manual occupations) with loose or no connection to the labour market (such as the unemployed or the retired), also more conservative in their general worldview (e.g., people in favour of the death penalty, or against equal opportunities for women and homosexuals), fuelled by anti-immigrants and anti-establishment feelings, as being the archetype of voters who were likely to support the idea of leaving the EU. And conversely, of course: the younger, better-off, better educated, enlightened people (especially the young graduates in the urban centres), those closer to the labour market, and more liberal in their basic views, were depicted to be more likely to vote Remain (see e.g., Hobolt, 2016; Goodwin & Heath, 2016).

To spotlight this kind of cultural divide – i.e., portraying the older, poorer, and low-skilled who speak only their mother tongue, and do not travel or indeed consume any culture from foreign societies – in relation to the European integration, was not unprecedented in the literature (Fligstein, 2008). But this time, some critics went further, arguing that the 'Leave campaign' – based on its influence in certain segments of the media (notably, the most popular tabloids), and sometimes using xenophobic rhetoric and blaming migrants for overcrowded public services and social infrastructure (like schools, healthcare, etc.) – manipulated groups of unqualified people into voting for Brexit. Such analyses typically describe the Remain side as the one providing scientific evidence of the detrimental effects of the UK exit, and the Leave side as the one only targeting people's emotions because having neither any vision of the future, nor any substantiated arguments as to why would it be beneficial to leave the integration (Fischer, 2016). Some even spoke of a 'cultural backlash' which have been stimulated among those (less educated, older citizens, especially white men) who had formerly been the privileged majority culture in Western societies, and who have now come to feel marginalized within their own countries due to the cultural shift fostering acceptance of gender and racial equality, greater tolerance of diverse lifestyles (of e.g., LGBT community), religions, multiculturalism, and greater attention to issues such as environmental protection (Inglehart & Norris, 2016).

In addition to the cultural divide, two other types of splits in the British society emerged in the analyses. The first one is on money lines: Hobolt (2016) considers the divide between winners and losers of globalization was a key driver of the vote; Arnorsson and

Zoega (2018) point out that, as not everyone gains equally from free trade and mobility of labour, losers may vote against them in a referendum, as they blame their poor living standards on foreigners – either because of imports from low-cost countries, or migrant workers from such countries. Goodwin and Heath (2016) speak of groups of ‘left behind’ (i.e., by rapid economic change).

This takes us to the second type of split which is on regional lines: Arnorsson & Zoega (2018) show that the Leave camp was strongest in regions that prospered during the industrial revolution and declined due to globalisation, while the regions voting to Remain (like London and the South East) have generally prospered in recent decades, as they were able to replace a declining manufacturing by modern ‘industries’, like financial services or the information technology sector³. Becker et al. (2017) find that areas with deprivation – notably with a strong tradition in manufacturing, high share of population with little or no qualifications, relatively low pay and high unemployment, pressure on public services – were more likely to vote Leave⁴.

There were, of course, authors who contradicted some of the earlier findings – see. e.g., Liberini et al. (2017) who refused to attribute Brexit to the elderly, showing that only the very young were clearly pro-Remain – but most of them agreed that unhappy feelings (symptoms of acute left-behindness), stemming from poverty, hopelessness, a general lack of education and opportunities, might push people towards voting against the status quo, especially if they lived in a declining region.

Finally, one more remark: some scholars questioned the usefulness of the referendum as a manifestation of direct democracy, by stating that referenda were not necessarily democratic as the 17 million who voted for Brexit could not truly represent the will of the 46 million enfranchised citizens (Adam, 2019), or by proposing a widening of the scope of the electoral law to include the ability to challenge ‘false statements’ on political issues during the political campaign (Organ, 2019). Without knowing anything about what the future would bring (e.g., the COVID crisis management), these papers augured poorly for democracy⁵.

Post-war hesitations

For long centuries, Britain’s relationship with the Continent had been determined by aspects related to defence. British diplomacy sought to sign treaties and other arrangements with its European counterparts to prevent not only any invasion of the islands, but also the possibility for any continental power to even consider such an invasion. Interests of national defence, for some time after the Second World War (WW2), continued to play a role in policies shaping the UK’s relationship with Europe (Greenwood, 1996).

Naturally, it is not military or defence considerations alone that were influencing British politicians when, at the dawn of the European integration, they did not show enthusiasm for closer institutional cooperation with the Continent yet. Although concepts

³ If this pattern is not visible in Scotland and Northern Ireland, it may be because, in these parts of the country, historical mistrust of the British authorities is stronger than that of the EU institutions.

⁴ In this respect, it is instructive to know that regions with relatively shorter waiting time for treating supposed cancer patients the Vote Leave share was lower (Becker et al., 2017).

⁵ It should be noted that while at the Brexit referendum the winning votes represented 37,44% of the enfranchised (Electoral Commission, 2019), this ratio was only 34,37% at the 1992 French referendum on the Maastricht Treaty (i.e., on the introduction of the euro in France) (French Ministry of the Interior, 2011). At the time of the latter event, nobody questioned the validity of the referendum – true, the result did meet the expectations of the establishment.

and theories had been developed particularly in the Foreign Office headed by Ernest Bevin⁶ – whereby post-war Western Europe was to be united under British leadership to form a ‘Third Force’ to match the power of the United States (US) and the Soviet Union, and a customs union was to be established between the advanced manufacturing countries of Europe and Commonwealth’s raw material producers – such ideas did not gain support of the two main economic ministries⁷ of Whitehall at the time. In their view, closer cooperation with the Continent and opening-up of the Commonwealth market to European competitors would have destroyed important bases for British economic power: the UK’s special financial position in the Sterling Area⁸ and her trading positions in former colonies. As for the customs union, it was considered as a first but irreversible move towards full economic integration with Europe, foreshadowing the erosion of the UK’s leading role as a world trading power. The plan of a British-led West European bloc thus failed over the then prevailing economic policy paradigm to keep control over tariffs on imports from, and more generally over trade with the Commonwealth countries, and to promote agreement on a freer world trade (Young, 1993).

In the post-WW2 period, British foreign and trade policy had for years been characterized by uncertainty and delay. On the one hand, London found it difficult to “let go” of the imperial past, as it maintained a large army (keeping close to 900 thousand men under arms) in peacetime, stubbornly stood for a strong pound sterling, and overestimated the relationship with both the Commonwealth and the US. On the other hand, it did not believe in European integration – the ability and sincerity of the Six to cooperate amongst themselves – and the power of the economic integration (customs union) to stimulate growth. The Suez Fiasco (October 1956) and the signing of the Treaty of Rome (March 1957) then had a sobering effect: the British realised that their foreign policy space had been severely reduced in the bipolar world dominated by the US and the Soviet Union, and that nations of Continental Europe were able to commit themselves to engage in close and long-term economic integration without the need for Britain standing at the cradle. The latter issue was of particular concern to London because it feared that the European Economic Community (EEC), as a third power, would soon to become more influential and therefore a more valuable partner in the eyes of the Americans, compared to the United Kingdom. Therefore, some form of British association with the EEC became deemed essential (Reynolds, 2013).

Eternal ambiguity

The UK-EU relationship has always been characterized by a certain amount of ambiguity. As for the British perception of this liaison with the Continent, Churchill’s words from 1930 are the most famous: “... *We have our own dreams... We are with Europe, but not of it ...*” (Mauter, 1998). There is some truth in the view propounded mainly by Oliver Daddow, a British scholar, whereby the UK has always remained an ‘outsider’ to the European ‘project’: an outsider as balancer by pursuing a policy of maintaining the balance of power between France, Germany and Russia (1815-1939); an outsider as supporter by participating in the military effort to liberate the Continent and by backing up the achievement of a certain level of European unity (e.g. European

⁶ Ernest Bevin was Foreign Secretary in post-WW2 Labour governments (1945-1951).

⁷ The Treasury and the Board of Trade (BOT) to European co-operation.

⁸ A group of countries which either pegged their currencies to the pound, or used the pound as their own currency. The Sterling Area ceased to exist in 1972.

Coal and Steel Community, and Western European Union) in the aftermath of WW2 (1939-45); an outsider as saboteur by trying to drive the integration project towards looser trading arrangements with the involvement of then members of the Organization for European Economic Cooperation (OEEC) (1955-56); an outsider as rival by creating the European Free Trade Association (EFTA) (1956-60); and an outsider as supplicant by trying to enter the integration (1960-73) as London realised that German economy overtook Britain's (in 1958), its own trading patterns shifted from Empire to Europe (in the period of 1948-1968), and hence membership would attract American investment. Finally, an outsider as insider (since 1973) by opting out of European common policies as many times as no other Member State (Daddow, 2015; Schaad, 1998). The reality of British 'outsiderness' within the European integration can be best grasped by considering that UK governments have simply never been able to play by the EU rules of game, i.e., to search constantly for occasional allies in emerging issues in the Council of Ministers, and to link these issues together to gain more room for manoeuvre in some areas through compromising on others (Forster, 1999).

Several factors can explain Britain's perpetual outsiderness, as well as its eccentric approach to the European integration. They are of the nature of geography, history, law, and special attachment to sovereignty. As for geography, the insular character of Britain, and her excellent natural sites for seaports (over 90 estuaries) contributed to the early development of both naval and commercial shipbuilding, which in turn helped to enhance maritime trade and border protection capability. As for history, it is a matter of fact that "*since the Norman conquest no successful invasion has taken place without the active sympathy and assistance of a great section of the population*" (Foord & Home, 2015). So, the least one can say is that British obsession with trade and sovereignty is a quite long tradition.

Sovereignty

It is worth lingering a bit on sovereignty, since the demand to "take back control" played a prominent role in Leave campaign (i.e., of those arguing for Britain exiting the EU). Sovereignty means something different to people in the United Kingdom, compared to the European partners. For the last 200 years, territories of today's EU continental Member States, with Sweden as a notable exception, have been thoroughly ravaged by various wars, mainly started by nationalistic sentiments. During WW2, all the original signatories of the Rome Treaty – actually, almost every single current EU Member State – became familiar with the horrors of occupation and destruction, or indeed the reality of widespread collaboration with the Nazis. For them, and for the French and Germans in particular, who had fought bloody wars with each other three times in three generations from 1870 to 1945, to break with the past of divisions, to gradually transcend the nation-state as a framework for decision-making, and to dissolve themselves in an international integration, was and has still been nothing less than a pledge of peace. But Britain is different. People of the United Kingdom did not have to re-evaluate of what they had done in wartime; their democratic institutions had not failed. As winners, they felt no need to pool resources at, and hand over competences to the European level (Lever, 2017).

Although this position eventually changed, and Britain became a member of the Common Market in 1973, British policy towards Europe remained controversial: even during the long decades of membership, London was having trouble in deciding whether to take part in the different stages of deepening the integration, or rather to

strengthen relationship with the former colonies, the Commonwealth, and the United States. This perennial dithering would consistently result in that key decisions about the EU have never been unanimously approved by the entire political elite. The European Communities Act 1972, for example, a domestic legislation which took the UK into the EEC, was voted in the Commons only by a thin margin of 301 to 284, i.e., by 51.45 percent (Hansard, 1972). As for the Maastricht Bill, another milestone in European integration, it only passed the Commons in July 1993 after then Prime Minister John Major had forced a no confidence motion against his government, i.e., by threatening MPs by an early dissolution of Parliament (Forster, 1999)⁹.

Sovereign trade policy

Although, at the beginning of this paper, economics reasons behind Brexit were described as of secondary importance, there is a particular aspect of sovereignty, namely the sovereign trade policy – i.e., the freedom of a country to develop its own customs code and negotiate new trade agreement with other countries according to its own national interests – that is worth mentioning.

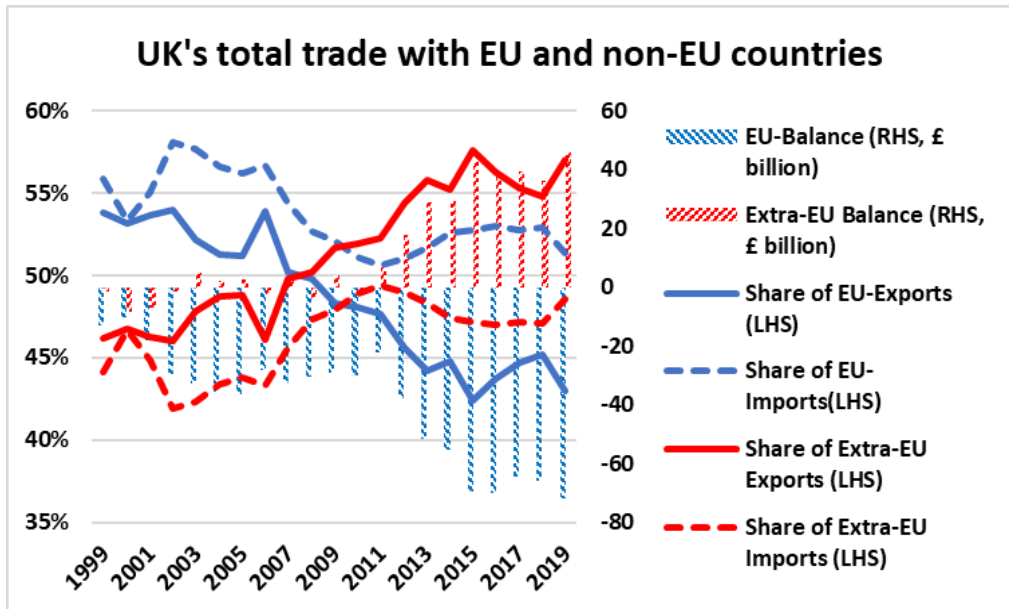
While the British membership in the European integration got off to a good start, since, by the mid-1980s, UK's goods share in the imports of the founding six member countries (Germany, France, Italy, and the Benelux) doubled (from 4 to 8 percent) compared to 1967, the trend then reversed during the subsequent thirty years, and Britain's EU goods market share returned to where it started from, and it sank even slightly below its 1967 level, to 3.8 percent (Bush, 2016).

If we focus on more recent years, it is obvious that non-EU trade has become increasingly important to the British economy. As a matter of fact, British exports have, for the last decade or two, been driven not by the European single market but by non-EU markets (see Chart 1). And while the deficit with the EU has grown substantially in the last couple of years (2015-2019) – and now seems to be stabilizing at around £70 billion a year – in the meantime, the opposite trend has taken place, i.e., a steady surplus of around £ 40 billion a year appeared in the non-EU trade.

In view of the above, the question rightly arises that if a country's trade moves further and further away from the European single market, then it is less and less justified to force all the actors of its economy to adapt to the rules and norms of that market. In other words, to develop a sovereign trade policy seemed increasingly attractive for the British business.

⁹ It is to be noted here that since the ratification of the Maastricht Treaty, differences in opinion on European politics, which until then had typically been between political parties, were increasingly giving way to debates within each of them. Although the parliamentary adoption of the Lisbon Treaty in 2008 has been a relatively smooth process, on at least one major issue, all three major parliamentary parties (Labour, Conservatives, Liberals) practically split into two opposing camps (Cowley & Stuart, 2010).

Chart 1. UK's total trade with EU and non-EU countries



Source: own compilation based on data from Ward, 2020 (9. Appendix: Trade with EU and non-EU countries, 1999-2019), in turn based on data from the Office for National Statistics (ONS).

Eurocepticism

Closely related to national sovereignty is Euroscepticism, another permanent element of post-WW2 British history. In its milder form, it opposes the mere existence of certain European institutions and policies, criticizes, or seeks to reform the way they function; in its toughest form, it questions the benefits of integration, and considers the EU as irredeemable.

Euroscepticism did not even abate in the first years of UK membership. Barely two years after entering the Common Market, the British had already held a referendum on whether to continue to be part of it. It is evident from debates organized during the run-up to the 1975 plebiscite that – although there were risks of economic nature to maintain membership, like the growing difficulty to devalue the pound, introduce import surcharges, or control capital movements, thus the fear that the British would lose out against both German manufacturing and French food industry – doubts about the weakening of democracy and sovereignty were paramount¹⁰. These doubts stemmed from the fact that membership inevitably eroded the importance of the vote, ordinary people's only power to change policies, and that real power within the integration rested mostly with institutions not directly affected by elections in a single Member State (Jenkins and Benn, 1975).

¹⁰ Economic arguments typically emerged in debates to emphasize the positive aspects of membership. This was also reflected in the wording of the ballot paper: "Do you think the United Kingdom should stay in the European Community (the Common Market)?" Given that the word "market" has always been appealing to the Britons, it is no wonder that 67 per cent of them had voted to remain at the time (Watts & Pilkington, 2005). Surely, a different result would have been achieved if a question referring to the opening sentence of the Rome Treaty had been asked, something like: "Do you think the United Kingdom still has a place in an ever-closer union among the peoples of Europe?"

A similar line of reasoning was again put forward later, at the time of parliamentary debates in the run-up to the Maastricht negotiations. Some MPs realized that, to accelerate the procedure, civil servants could bypass the normal law-making process by slipping the legislation in through Brussels – notably the Committee of Permanent Representatives, better known as COREPER, having, as a main role, to prepare the agenda for the ministerial Council of the EU meetings – i.e., discussing it with the Council and getting it back as an EU directive. As no European legislation entrenched by previous governments could be repealed by later ones, the danger of the above practice for democracy was that once the electorate understood how this thing worked, they were likely to conclude that no matter who they were going to vote for during future general elections, it would change nothing, so why would they bother going to the polls at all (Hansard, 1990). We have to note here that even Prime Minister Theresa May, who had campaigned for Remain, made it clear in her so-called Florence speech, in September 2017, that the strength of feeling Britons had about democracy and sovereignty was a major reason behind their decision to leave (May, 2017).

Law traditions

Finally, there is also a need to talk about the difference in approach to the formulation and implementation of law that had for centuries distinguished the United Kingdom so much from Continental Europe. All main aspects of the continental approach to public administration tradition – notably the practice of governing by decrees (or directives), i.e. the possibility for the executive to benefit or disadvantage particular individuals or firms by issuing legally binding decrees, and thus creating subordinate regulations to be judicially reviewed only formally in special (administrative) courts, while the authorities often being exempted from an obligation to reveal the criteria used to come to particular decisions – conflict directly with British common law traditions whereby citizens can challenge the essence of such subordinate legislation in ordinary court, and ensure that decisions taken by the administration comply with the principles of natural law and procedural fairness. So, it is no wonder that law-making activities of the Commission were deeply distrusted by the British whose adherence to the rule of law was “*probably the most potent argument against EU membership*” (James, 2016).

Changing balances of power

Question: what could be worse for London than the prospect of public law principles and parliamentary accountability of legislators being gradually sacrificed on the altar of ever closer European integration? One possible answer is: if all this takes place under German leadership – which leads us to another major reason behind Brexit, namely the growing German dominance in Europe.

The first decades of the UK's integration had been characterized by a relatively even balance of power between the major Member States, since the British government successfully defended their national interests on such issues as:

- the budget rebate which later could not be abolished or changed without an approval from London,
- the reform of the common agricultural policy which was in line with the interests of the British farmers, and close to the former (pre-EU membership) British system,
- the quasi completion of the European single market,

- and the international trade which had gradually become liberalised thanks to GATT Uruguay Round and EU agreements with third countries.

While the problem of potential hegemony did not begin with the fall of the Berlin Wall (Hrbek, 1990), and European central banks, with the exception of the Bank of England, had virtually been forced to follow the Bundesbank's monetary policy moves long before the Economic and Monetary Union (EMU) was established (Reade & Volz, 2011), Germany has, since reunification, become the largest Member State both in terms of population and economic power, also increasingly been strengthening its role in defining the rules of game for the European integration.

The Germans, although much of their success so far came from hard work and good organization, have always been the biggest beneficiaries of the 'European project'. In the first decades of integration, their economy, based on a reliable, high-quality, and innovative manufacturing, was able to take huge benefit from the vast common market, while being protected from the competition of large international companies. The Germans have always "*treated the EU as their domestic market and they thrived*" (Lever, 2017). By about the time when, in parallel with the gradual liberalization of world trade, benefits of the customs union waned, the next milestone of the European integration process – which, like the common market, was to become a goldmine for Germany – did arrive: the euro.

The strength of a currency reflects the strength of the economy. If countries with different economic productivity/stability come together to create a common currency, the latter will show an exchange rate corresponding to the average strength of their economies. It follows that for Germans, Dutch and some other 'northern' Member States the euro appears as a weaker currency than their former currencies used to be, and for French, Italians, Spaniards, etc. the opposite is true.

Many have tried to quantify the cost/benefit of having the euro. The author of these lines has in recent years dealt with the subject in two articles. The first one showed that, while in the period of 1985-1998, the German mark and the Swiss franc tended to move parallel to each other against the US dollar, the same was not true for the Swiss franc and the euro for the period between 1999 and 2017, as after 2008 the Swiss franc has strengthened significantly against the euro (Somai, 2018). Assuming there is no euro, and the German and Swiss national currencies were moving parallel against the dollar in 1999-2017 just like in the previous period, the German mark would, from 2011 to 2017, have on average been circa 27-28 percent stronger than the euro was. Obviously, this would have had a negative impact on German export competitiveness.

In the other paper, based on real effective exchange rates published annually by the IMF (in its so-called External Sector Reports), it was explained that the single currency did greatly increase the already significant economic competitiveness of Germany, practically giving her products a price advantage of more than 20 percent over those of France, Italy, or Spain (Somai, 2019). A similar conclusion was reached by the Germans themselves. Researchers at a Freiburg-based institute quantified the gain/loss on the euro, and found Germany was most benefiting from the introduction of the single currency: from 1999 to 2017, her gain corresponded to 1893 billion euros or 23,116 euros per inhabitant, while France lost 3591 billion euros and Italy lost 4325 billion, i.e., 56,000 and 73,600 euros per inhabitant respectively (Gasparotti and Kullas, 2019).

In the light of the above, it seems to be a logical assumption that the already high competitiveness of German companies has been further strengthened by the single

currency. Though this fact does largely explain the country's excellent trade performance vis-à-vis the 'southern' part of the Eurozone, we share the view whereby this surplus can also partly be ascribed to Berlin's success in introducing labour market reforms (the so-called Hartz reforms) and wage moderation (especially in the services sectors), developing trade linkages with emerging high-growth markets, and off-shoring manufacturing to low-cost Central and East European Member States (Celi et al., 2017).

Crucial to strengthening her influence in the EU was that Germany was able to make herself acceptable to the other Member States as a model-nation, an example worth following. A country with a strong economy focused on exports, successfully penetrating even emerging markets, with sound and balanced public finances, a triple-A credit rating which has never been endangered, and with high level of social security and solidarity, is worth to follow. So, it comes to no surprise that basic European institutions, whether they are legislative, executive, or judicial, have been modelled on German lines in the sense of not only being strong but also enjoying high degree of independence. Even the body (Directorate General) responsible for enforcing the European competition policy plays an equally prominent role as its German homologue, the Bundeskartellamt, as "*the EU's approach to competition has consistently reflected German values*" (Lever, 2017).

For the last 30 years, Germany has emerged from crisis situations ever stronger, and did so after the Great Recession and the ensuing Euro Crisis as well. As there was no credible rival model available, most EU members gave in to Berlin's demands for budgetary discipline and signed up to the Fiscal Compact in March 2012. Since then, the balance of power has been radically changed: on the surface, the Franco-German tandem is still working, embodied in joint proposals in the run-up to summit meetings, but on key issues of integration it is Berlin that has the final say¹¹. Germans occupy more and more senior positions in the European institutions, e.g., hold more committee chairs in the European Parliament (EP) than any other nationality, and do, at the time of writing, preside such bodies of high importance as the European Commission, the European Investment Bank, the European Stability Mechanism, and the European Court of Auditors.

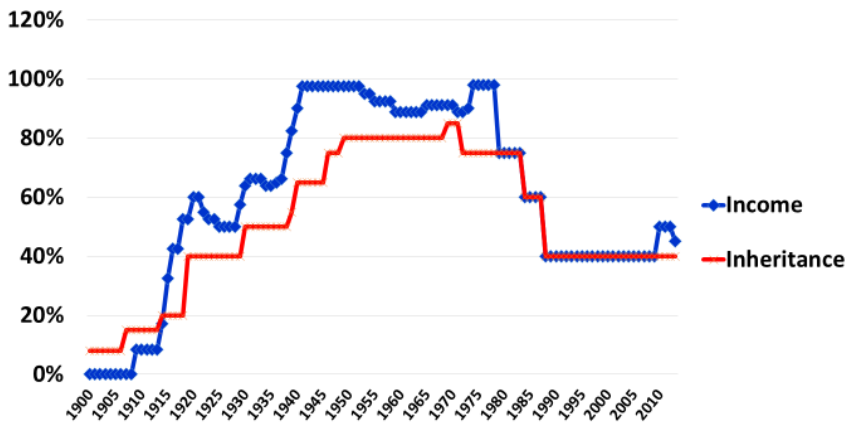
These changes also had a major impact on Britain's ability to influence EU policies and legislation. From 2009 on, the UK has become the most outvoted Member State in the Council of Ministers, and its influence in the EP has diminished, too (Hix et al, 2016). In 2014, it came as a humiliation for then Prime Minister David Cameron, as well as for the whole United Kingdom, when Juncker was elected to be the President of the Commission against the opposition of not only the UK government, but all main political parties in Britain (Lever, 2017). Even more humiliating for the country was when the attempt to renegotiate the terms of the UK's EU membership only resulted in some minor changes to social security entitlements of migrant workers. It failed to address most of those questions of importance for the British: jurisdiction of the European Court of Justice, budget contributions, repatriation of some competences to national level, and restrictions on immigration (Adam, 2019). In other words, the Leave victory in the 2016 referendum was, in a sense, a demonstration "of failure on the part of the EU to prove itself sufficiently adaptable to retain" Britain within its ranks (Murray, 2020).

¹¹ The two countries have also been drifting apart in terms of economic performance: France's index of per capita gross domestic product (GDP) at market prices decreased from 98.5 percent of Germany's in 2009 to 84.1 percent in 2020 (Eurostat, 2021).

Growing inequality

The arguments for Brexit listed so far, like sovereignty, the British concept of the rule of law, or Germany's dominance, were mainly those of the elite, the richest and most influential stratum of the society. But there was a very important argument in the hands of the middle and lower classes too: growing inequality. Based on the top 10 percent share in total income, inequality in Britain has, by the end of the first decade of the 2000s, returned to around the same level as it stood between the two world wars. Wealth inequality is, albeit with some phase lag, following the same trend. Interestingly, Britain's top tax rates for both income and inheritance, brought down under prime minister Margaret Thatcher, also stand at interwar levels (see Chart 2).

Chart 2
Britain's top tax rates, 1900-2013



Based on: Piketty, T. (2013). *Capital in the 21st Century*. Compiled from data shown in Figures 14.1 and 14.2

Source: Piketty, 2013.

Moreover, when it comes to the geography of the 2016 referendum, the electoral districts where the Leave vote was highest overlap significantly with areas where levels of economic, cultural, and social capital were lowest (Savage and Cunningham, 2016). No wonder regions (save East Anglia) with highest Leave vote coincided with those (like the Midlands or North Anglia) having seen the slowest growth in average incomes over the last 40 years (Cribb et al., 2017).

While it cannot be said that inequality was solely caused by Britain's belonging to the EU, as Thatcherism had fundamentally transformed society, it has not been innocent either. In fact, EU membership has not only failed to protect UK citizens from the harmful consequences of globalization, e.g., problems and tensions of fragmented society and lagging regions, but has even strengthened them through the implementation of the four freedoms, i.e., the free movement of goods, capital, people, and services across and (for the capital) even beyond Europe. Assuming that no more than 10-15 percent of the inhabitants, having close economic and social ties with their counterparts on the Continent, benefited materially and culturally from EU membership (Fligstein, 2008),

it should have come as no surprise that in addition to the known harmful side effects of growing inequality – like worsening indices for life expectancy, homicides, imprisonment, infant mortality, mental illness, obesity, teenage birth, social mobility, math and literacy statistics (Wilkinson & Pickett, 2010) – also strong anti-elitism and a genuine desire to quit the integration was emerging in at least part of the remaining 85-90 percent of the population.

Conclusion

Brexit has been one of the most significant operations in the European integration in recent years and will undoubtedly continue to have an impact on the development of both the UK and the EU27 in at least medium term. So, it is important to understand the underlying motivations to prevent further disintegration.

While topics dominating the political debate before and immediately after the referendum centred on a couple of issues (EU budget, migration, and populism), we found that the voting outcome was rather driven by long-standing fundamental determinants – some of them being based on differences between British and Continental traditions, while some others being rooted in relatively recent but persistent global and European socio-economic changes.

The main lesson to be learned is that the visceral British cautiousness about being deeply involved in European affairs – stemming from fundamental differences between Britain and the Continent in geography, history, and culture in broad terms (i.e., including political and law traditions) – has, for the last 30 years (practically after Maastricht), only been intensified by developments both in Europe which has, through a formal Franco-German leadership, but under an effective German dominance, become increasingly political rather than economic project, and globally, due to globalization and ensuing growing inequalities. The already growing British distrust vis-à-vis the European institutions have, since the 2008-2009 crisis, been exacerbated by the combined effect of protracted budgetary austerity, slow economic growth on the one hand, and worsening fiscal burden of EU membership and growing exposure to European immigration on the other hand, the latter two happenings appearing to have been the last straws.

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