

FOUNDATIONAL ECONOMY

How to make Brexit
work: foundational
policies for a disunited
kingdom

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How to make Brexit work: foundational policies for a disunited kingdom

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By spring 2017, Brexit negotiations had not begun but it was clear from opening positions on both sides that Brexit would have jarring consequences. Economically, major sectors like wholesale finance or manufacturing will find themselves in a different place as they lose unimpeded access to the EU market. Outside the single market and customs union Britain cannot retain passported rights to sell financial services in Europe and trade deals for sectors like automotive and aerospace cannot be discussed unless and until the divorce settlement is agreed. Politically, Brexit puts Scotland's break-away back into the agenda and creates acute dilemmas for the UK's style of post-democratic, business-friendly politics of the centre-left and right. Previously, political and business elites could sort things out between themselves without worrying about the electorate; now Westminster politicians must try to reconcile the demands of organised business for market access with a popular vote challenging free movement of labour

So much was already clear at the point when Article 50 was triggered on 29 March. But the Prime Minister's unexpected announcement on 18 April of a snap general election to be held in June has compounded complexity. To the uncertainties of economic diplomacy and constitutional stress we now have to add the uncertainty of electoral outcome. This working paper is thus written in the shadow of two great uncertainties: about the consequences of Brexit and about the consequences of the Theresa May's electoral gamble.

Electorally the outcome looks predictable. The Conservatives have a commanding lead in the polls. But, it is a foolish observer who rests too much on poll leads six weeks in advance of an election and it is not clear that a larger Westminster majority will give Theresa May enough room for the compromise deal with Brussels that she and her Chancellor will want to do. The economic outcomes are a different matter. They are so uncertain that they license a diversity of predictions. Most of these – the most enthusiastic Brexiteers aside – lean to pessimism about the costs of disruption. But are we truly facing a country laid waste, as some formerly remain commentators fear? Or could Brexit put the country on a different trajectory and provide the conditions for economic renewal and a new politics, so that problems for the existing order become opportunities for a new order? The economic optimists, like the Brexit ministers in the cabinet, put their faith in tradeable goods and services: so Liam Fox (2016) can claim Brexit 'presented us with a glorious opportunity to reset our global trading relationships, place ourselves back in the centre of an increasingly interconnected world and build an economy that works for all'. The aim of this article is to replace this unreal economic optimism about new trade

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agreements and competitive success with a more sober political realism about the possibility of a new settlement based on radical social innovation in non- tradeable activities.

Political realists, like ourselves, believe that nothing is automatic but that Brexit underlines the need for a reorganisation of the *foundational economy* which delivers welfare critical goods and services to every household. And, if economic renaissance through export of tradeable goods and services is challenging, import substitution in mundane tradeables like food and energy is a serious opportunity. If we eschew epochalism and grand narratives about damnation and redemption, Britain has a workable future in the quotidian and empirical: a refocusing of economic policy on delivering what every household needs would serve the crucial larger aim of re-attaching citizen voters to the polity. Our starting point, in the first two sections of this working paper, is an argument about why all this is not obvious to the British political classes and mainstream media commentators.

The first section critiques the cultural binarism and othering which powers the dominant ‘left behind’ explanation of the Brexit vote. These jumbles voting patterns and economic interests as it fails to recognise the broader political forces that have driven Brexit and increasingly divides the polity and destabilises the historically prevailing model of United Kingdom politics. Section two then takes up our corollary economic argument, which is about how the continuing preoccupation with growth and jobs obscures the awkward fact that jobs are no longer a way of diffusing prosperity via market income. In sum, our argument here is that the Brexit vote of 2016 reflects the experience of large sections of the electorate who live in different economies and are detached from collectivity in ways which undermine the polity of this increasingly disunited kingdom

The third and fourth sections of this working paper are about what could and should be done. After rejecting the assumption of a singular economy, we will argue that the economic and political future of the UK now depends not on the one economy, but on the performance and management of part of the economy. Section three shows how the experts who modelled the effects of Brexit before the vote were thinking in the conventional post-1940s ways about one economy, with the post-Brexit GDP level driven trend by the tradeable goods and services sector; while ignoring the mess in the non-tradeables sector caused by austerity cuts and financialization. As the fourth and final section of this working paper argues, export-led renaissance of tradeable goods and services after Brexit is unlikely and import substitution should be a more realistic option; while, the main economic and political debate should be about the reorganisation of the largely sheltered foundational economy.

(1) ‘Left behind’ or a disunited kingdom

If the referendum result was a shock, that is because so many in the political classes, media commentators and established members of tertiary educated, salaried middle classes lead such segregated lives that the leave voter was an exotic, disruptive force that disrupted the European world taken for granted. The first past the post system had protected the electoral duopoly of the two major parties even though they were no longer mass parties. The treatment of housing

as an asset led to increasing residential segregation by income and the decline of manufacturing and heavy industry meant few had jobs managing organised workers. It is therefore not surprising that in the immediate aftermath of the Brexit vote many explained the leave majority by othering and a kind of cultural binarism about 'us and them'.

Media commentators and academics reached for tropes about places and people 'left behind', which confusingly was both an economic explanation and a cultural analysis. For John Lanchester (2016) in the *London Review of Books*, leave was the option of places disadvantaged by structural change: seaside resorts which lost their role with cheap flights; coal fields where the good jobs went with pit closure; and knocked about factory towns like Oldham which has not found a post-industrial basis for prosperity. The psephologist, Rob Ford (2016), writing in *The Observer*, advanced a 'them and us' socio-cultural explanation: the working class leave voters were older, socially conservative and 'left behind' by the secular shift of the past 30 years which younger, educated, socially liberal, big city cosmopolitans have embraced.

This kind of 'left behind' explanation does find support in more serious analysis of material differences. Some years ago, leading economic sociologist, Neil Fligstein (2008) showed how social class position in the EU correlates empirically with participation in, and perceived benefits from, the EU project: put crudely, well-travelled grant getting academics and their peers were much more likely to be positive about the EU than blue collar workers living in deindustrialised regions with few good jobs. At the same time, the left behind trope re-works the binary distinction between new and old in a descriptive way and flatters the self-image of the 'globalised middle classes' without really engaging the specifics of voter patterns and their drivers.

The first point is that it focuses on the 48 versus 52 split amongst those who voted and ignores the third roughly equal sized group of adult citizens who took no part in this referendum. Electoral Commission (2016) data tell us that about 15 per cent of eligible citizens are disfranchised: somewhere around six million eligible adults do not appear on the 2015 electoral roll and therefore could not vote on 23 June. A second group also took no part in the vote: the 27.8 per cent of those registered who did not turn up in the polling booths.

Identifying the social characteristics and motives of the unregistered and non-voting citizens has always been tricky, but we can with some certainty say that their household needs should be considered in any enlightened polity because the unregistered and non-voting consist disproportionately of those who have lost or not gained a toehold in the competitive economy: people with precarious housing tenure, those whose skills and aptitudes are not valued in the labour market; the young, especially those with histories of marginality.

As for 48 versus 52 and those who did vote, there is no sign of one clear binary line of division. The YouGov and the Ashcroft polls on referendum voters reveal multiple differences: there are gaps between classes, educational levels, nations of the UK, and within and between English regions. If we try to identify a general determinant of voting preferences, then age is arguably the most important factor. The Ashcroft and the YouGov polls are consistent on this: the young wanted to stay, the old to leave. In the YouGov poll, for instance, 71 per cent of 18-24 year olds

voted 'remain'; the comparable figure for those aged over 65 was 36 per cent. As always, the problem is to know what to make of this. There were presumably significant differences within the young and old age groups according to class and education.

But one thing is certain: immiseration on the standard income measures certainly does not explain the age-related differences in voting. Using the standard measures of income and assets, older citizens with pensions and houses have done well as the residuary legatees of the post-war settlement; as a group, the old have effectively been bribed by politicians like Chancellor Osborne with his 'triple lock' on the state pension. If the incomes of the old have actually increased since the financial crisis (Belfield et al. 2015), as we argue later, the welfare of the elderly raises more complicated issues as health and care services have been cut back. The implication is that income related welfare explains little.

This point is reinforced if we try to explain either the leave votes of the old or the remain votes of the young, which received much less attention (because for so many the question was only how and why could leave muster a majority). But, surely, the real puzzle here is not that the British old voted leave but that the British young voted for the status quo which offers them so little; especially when, for example, in France the young are much more likely than the old to vote for Le Pen. The British young are least likely to own property, to be enrolled in anything resembling a final salary pension scheme, and are most likely to be employed under precarious contract terms in the 'gig' economy. When did you last see a pensioner working as a Deliveroo rider?

It could then be argued that 'left behind' is not about incomes and assets but about cultural identity. The older leave voter may be unreconciled to the sexual revolution or diversity and is more likely to have authoritarian views on capital punishment. While authors like Ford can make this argument stand up using cross section evidence, it falls down if we introduce a time series element. The working class that voted for Labour and the post-war settlement in 1945 no doubt contained many racist, homophobic and wife-beating individuals. There is no simple correlation between this kind of cultural identity and voting left or right, progressive or reactionary because it all depends on context and political mobilisation.

'Left behind' binarism does not really explain what has happened to identity per se but gives an opportunity for identity to be enacted in a referendum which was conceived in a particular state formation where the referendum's role was performative. The judgement of the voters was intended to vindicate the choice of the political classes and demonstrate that they and their electors lived in a United Kingdom; instead it turned into an opportunity for many of the electorate to send a strong message to the political classes and for their voting patterns to reveal an increasingly disunited kingdom.

It would be more sensible then to put less effort into trying to explain the behaviour of voters and more into analysing the role of referendums for the political classes. Although sometimes pictured as a constitutional innovation, referendums, since the original 1975 Wilson referendum on Common Market membership, have been traditional tools of statecraft in the hands of the metropolitan elite. They have been offered, as was the June 2016 referendum, to solve a

problem faced by that elite and it is naïve to complain that they are instruments of party and parliamentary management when electoral legitimation will help. Referenda have also been withheld, as in the case of the imposition of elected mayoralties in major British cities, when the calculation is that voters would give the ‘wrong’ answer to a question. In this way, referenda are the product of the court politics of Whitehall and Westminster, used to legitimise choices made for the ‘British people’ by the central state.

In June 2016 ‘the people’ of course gave the wrong answer and that revealed divisions within elites and masses. Elite divisions have been rightly emphasised in Glenn Morgan’s (2017) account of the referendum. In the Wilson referendum, only Enoch Powell, Tony Benn and the farmers were against the Common Market; by 2016, business was divided and the governing Tory party was publicly quarrelling about the EU in post-truth ways which discredited the whole of the political class. More important, in June 2016 ‘the people’ gave the wrong answer because the entities over which the metropolitan elite claim suzerainty – the British state, the British people – do not exist anymore. The state has been fragmenting along territorial lines for a generation, and the two landmark referendums of recent years – Scotland in 2014, Brexit in 2016 – are accelerating that process.

‘Left behind’ does not capture this fragmentation. The picture presented by the June result is indeed one of a ‘kingdom’ disunited and a ‘country’ divided: between the Irish, the Scots and the rest; between big city and small town; between graduates and the rest; between the young and the old and so on. And, buried in the Ashcroft polls is one particularly striking finding: in England, leave voters (39%) were more than twice as likely as remain voters (18%) to describe themselves either as ‘English not British’ or ‘more English than British’. We are seeing, in short, the waning of a British/ United Kingdom identity, the reconstitution of new territorial identities, and widening divisions between groups with very different identities – encapsulated in the gap between generations.

As the prime minister tries to manage splits and rivals struggle for advancement, the court politics within the Cabinet will continue to obsess those who practice and report the politics of that court. But alongside the big overt message of the referendum – a vote for Brexit – is an equally important more tacit message: that after the vote the real action lies beyond the court politics of the metropolitan elite, in the fragmented and dissolving elements of the state that was once the United Kingdom. Ironically, this is denied by the post-referendum consensus within the metropolitan elite that the British people have spoken and their will must be obeyed: so ‘Brexit means Brexit’.

The tacit message of the referendum is that this is a disunited kingdom and that has not been received by the metropolitan political classes because it is beyond their imagination which defaults onto ‘left behind’. The question of what to do in policy terms and how to manage the economy after Brexit is further complicated by divisions within what these political classes think of as ‘the economy’. As we will argue in the next section, the technocratic economic experts want to manage as though there was one unitary economy, even though, like the United Kingdom, this economy has ceased to exist.

(2) Now growth and jobs do not diffuse prosperity

How and why did the commentariat, experts and academics not see the Brexit vote coming? Partly because economic divisions within the UK have been reassuringly read through conventional ways of thinking about one national economy measured in terms of GDP and amenable to macro-economic management which can manage the level of activity and, through jobs, deliver broad based increases in market income. The problem is that British voters are not now living in one economy where market income from jobs diffuses prosperity. GDP, as a socio-technical form of quantification, fails to capture the changed role of income from employment so that those who fixate on GDP growth and jobs are like generals fighting the last war. This is nicely ironic because the now conventional understanding of the economy as a manageable, singular entity came out of the external conflict of the second world war; our argument is that the internal divisions revealed by the Brexit vote should now stimulate a new kind of thinking about how there is more than one economy.

The idea of the unitary, manageable national economy is, as Mitchell (1998, 2002) has argued, an invention of recent date. It links to GDP as the quantitative measure when 'total war' in the USA and UK required management calculations of demand around national full employment activity levels (Coyle, 2014; Fioramonti, 2013). The question in the USA was whether war mobilisation could be managed without crimping civilian consumption; the question in the UK was how much demand had to be taken out of civilian consumption so as to curb inflation. The policy instruments of activity management have changed in the past 50 years. In the UK, for example, fiscal policy fine tuning and various kinds of corporatism favoured in the 1960s are long gone; and have now been displaced by monetary policy of an increasingly experimental kind with quantitative easing and zero interest rates. But, jobs and GDP growth remain the superordinate policy objectives for the Bank of England, as for the British Treasury in the 1960s.

Many critics have rightly argued that GDP and jobs are (marketable) activity measures not (social) welfare measures, but few have questioned the singular economy framing and the underlying assumption that we do (or should) live in one economy. If prosperity does not trickle down, the policy response within the unitary frame has been to promote 'inclusive growth' which distributes prosperity. The most prominent official advocate of inclusive growth is the OECD (2014, p.8), which has responded to the general increase of inequality in high income countries by advocating 'a new approach to economic growth that aims to improve living standards and share the benefits of increased prosperity more evenly across social groups'. The OECD accepts the need to supplement GDP with other measures (as in the long established UN Human Development Index) but retains the core problem definition about distributing prosperity within the one economy.

Like everything else, the policies for redistributing prosperity territorially between groups and regions have changed quite radically in the past fifty years. UK regional policy in the 1960s took the form of incentives to locate in peripheral regions and planning controls which forced car assemblers to move outside the Midlands. Now, Wales and Scotland have regional-cum-

industrial policies of investing in infrastructure and upgrading skills to extend the internal labour market and attract mobile capital on the basis that inward investment creates jobs (Brill et al., 2014, pp.23-5). For example, the future of Wales is linked to projects like the Cardiff Metro. As for redistribution between groups, that is more complicated because it remains part of the centre left's intellectual agenda but it has vanished from the political agenda. Piketty's (2014) *Capital* diagnoses increasing inequality caused by returns to capital higher than the growth rate and prescribes the remedy of progressive national taxation to redistribute income and wealth. But, in the UK, there is no political constituency for reversing Margaret Thatcher's strategic decision to cut income tax rates by shifting the burden of taxation onto regressive, indirect consumption taxes.

If politics blocks redistribution between groups, the problem is that policies for more equal income distribution within and between regional territories appear to be ineffectual. In the UK and across the EU, the standard measure of regional inequality is GVA, which is a cousin of GDP. These measures disclose that 2:1 GVA per capita differences are, for example, long established or, increasingly regionally marked between London and the North and intra-regionally between Manchester City and outer boroughs of Greater Manchester like Oldham or Rochdale (Folkman et al., 2016). Closing this kind of 2:1 GVA gap is massively unlikely because it requires a huge acceleration in the growth rate of the laggard region: in the Welsh case, a regional economy which has grown half as fast as the UK in the past twenty five years would only now close the gap if it grew twice as fast as the UK for the next 25 years (Brill et al., 2014).

In our view the problem here is not that standard regional policies have not been pressed hard enough and/or the Treasury has made a macro policy mistake since 2010 by pressing austerity cuts (though austerity cuts have been damaging). The fundamental problem is that economic structure and socio economic relations have changed in ways that block the primary diffusion of prosperity through jobs and make the one economy assumption obsolete in a new world where GVA and GDP measures increasingly capture little.

In the 1950s and 1960s, the socio-technic GDP measures of activity meshed with co-existing social relations around large scale (male) factory employment at standard wages. The leading sector was UK manufacturing which, in the mid-1960s, supplied 90% of the domestic market, exported 20% of output (Williams et al., 1983) and diffused prosperity by employing 5-6 million. Here, the anchor institutions were the giant public company and the nationalised corporation paying standard wages for unionised, full time, secure employment with a defined benefit pension at the end.

The context of the 2010s is very different because manufacturing now means imports of goods and labour. The UK has a current account trade deficit approaching 6% of GDP, with no sustained increase in real manufacturing output since the 1970s (Froud et al., 2011). Overall, manufacturing employs no more than 8% of the workforce, the largest sub-sector is food processing and one third of manufacturing process operatives are foreign born (The Migration Observatory, 2015). After five years of recovery since 2011, manufacturing output remained some 5% below pre-crisis levels and the manufacturing workforce has increased by nearly 5%

(SPERI, 2016, pp.2-4). This is worrying because UK manufacturing is no more the bastion of high wage blue collar employment when it is currently (like the rest of the economy) adding low wage, low skill and low productivity jobs.

In manufacturing, as in the whole economy, employment is increasingly small scale and informal. Large scale factory employment has collapsed and incidentally taken out private sector unionism so that no more than 15% of private sector workers are unionised. There are now fewer than 2,000 factory establishments employing more than 200 workers in the UK (Froud et al., 2011). The average British owned manufacturing firms employ less than 10; one third of UK employment is in micro firms employing an average of less than 2 people (Froud et al., 2011). Informalisation is everywhere: 15% of workers are classed as self-employed after a one million increase in the self-employed workforce over the past ten years; some 900,000 workers are officially on zero hour contracts and the number is currently increasing by more than 100,000 per annum (ONS, 2016).

The outcome is socio-cultural as much as narrowly economic. The UK has seen the emergence of an increasingly unprotected and disaffiliated working class with no connection to any kind of industrial and political labour movement. Before the Brexit vote, this was sociologically observed as the rise of the precariat; afterwards we have had a political panic about the other 'left behind' Britain which voted leave. The UK has now joined other high income countries with insurgent populisms and increasingly unbiddable electorates threatening the post-democratic status quo.

Perceptive observers, like Andy Haldane, are beginning to admit that the standard post-1945 measures of income no longer capture the growth of inequities. This was the point which the Bank of England's Andy Haldane (2016) made in his Port Talbot speech after the Brexit vote. The speech laid out multiple inequalities between different socio-economic groups using standard indicators and concluded that recovery from the post-2008 recession had not done enough for the many. This is especially so in the case of the young, because those who gained income and assets under the old order have houses and pension rights; while one quarter of 21 to 34 year olds now live with their parents (Haldane, 2016). Haldane then goes on to note that reassuring indicators of post-2008 recovery in income/ GDP, jobs and wealth did not square with food banks distributing more and NGOs reported increasing homelessness. 'The language of 'recovery' simply did not fit their facts' as disclosed by visits using the Bank's system of regional agents which long predated GDP measures (Haldane, 2016, p.2).

The UK is clearly a country with problems about unequal income distribution. As we have noted elsewhere, the top 20% of (non-retired) UK households captured nearly half of the nominal income gains from 1979-2010 (Brill et al., 2014). But there is another story here which is not captured by income and output measures because the structural changes of the past 40 years have been about dismantling a social settlement as much as denying income. This produces paradoxes, especially in the case of the elderly on pensions who are doing well in terms of income but badly in terms of welfare. Pensions and health expenditure have been protected from cuts because governments have sought the pensioner vote. The median income of pensioners is within 7% of those in work so that *The Guardian* talks jokingly of 'peak pensioner'

(Collinson, 2016). But, at the same time, health care is stressed by budget limits and adult care system is close to collapse after austerity cuts: in England between 2009 and 2015 the number of old people receiving home visits, under local authority funded domiciliary care schemes, declined by some 20% and home visits are now rationed so that only the most infirm are eligible (Burns et al., 2016).

If we want to understand these discrepant facts, one good starting point would be to jettison the unitary economy assumption which leads to regret about persistent large differences in GVA per capita, hand wringing disappointment about the non-diffusion of income, wealth and decent jobs and puzzlement about discrepant facts. But as we shall see in the next section, mainstream economists (for remain or leave) all continue to work within the frame of the unitary economy assumption.

(3) Looking ahead; forecasting GDP and focusing on tradeables

In the course of the Brexit campaign, before the referendum, Michael Gove famously said 'people in this country have had enough of experts' (Mance, 2016). In the ensuing furore about Gove's disrespect for expertise, most commentators lost sight of the main point: before the referendum, economics experts on both sides (remain and leave) took a very narrow one economy framing of the issue at stake. For mainstream economists, the (macro) economic question was whether Brexit would increase or decrease GDP. As we will see, answering this question requires a recognition of differentiation and parts of the economy. But typically the analytical focus here was a narrow one: the key issue for leave and remain was whether and how the tradeable sector (of goods and services) would adjust to Brexit on the assumption that Brexit would one way or another impede trade with mainland Europe. The idea that welfare might depend on the sheltered economy was not part of the mainstream economists' cosmology.

It was the headline figures about short term activity down turn and longer term loss of GDP which captured the media headlines when translated into losses of thousands of pounds per household. Armstrong and Portes (2016, p. 5) have usefully laid out the mainstream estimates of GDP loss by the Treasury, the OECD, the Centre for Economic Performance and the National Institute. These establishment forecasts all used the National Institute economic model and all showed significant long term GDP losses, which varied according to estimates of technical matters like trade elasticities and assumptions about the trade regime that would replace the single market and customs union. The Treasury projected a 6.2% GDP loss by 2020 under a free trade agreement; the OECD's (2016) central estimate was of a 5.1% loss of GDP by 2030 under WTO rules. The outlier was Patrick Minford, as part of the Economists for Brexit group, who ran his own, more classically price-based model and came up with a welfare gain of 4% of GDP (2016, p.13).

The bottom line magnitudes are speculative and fragile: the OECD's (2016, p.6) central 5.1% estimate of GDP loss by 2030 was actually set between best case and worst case projections of 2.7 and 7.7%. More interesting than the different bottom lines are the shared assumptions of all the modellers. As Armstrong and Portes (2016, p.5) acknowledged, all the modellers assumed that

trade is good for productivity and long run growth; furthermore, it was assumed that leaving the EU will lead to some decline in trade with the EU. What they are then modelling is the adjustment response of the tradeable goods and services of the sector. Economists for Brexit got the outlying result of GDP gain by making two key assumptions: first, the Minford model assumes that everybody buys on price in the cheapest market so that a Chinese brand car is a substitute for a BMW and thus there will be a consumer gain through cheaper products (Sampson et al., 2016, p.1); second, Economists for Brexit supposed that tradeable service exports will expand smoothly to 'take the place of diminished manufacturing' (Economists for Brexit, 2016, p.13) In an article for *The Sun* newspaper, Minford (2016) developed this point:

'Over time, if we left the EU, it seems likely that we would mostly eliminate manufacturing, leaving mainly industries such as design, marketing and hi-tech. But this shouldn't scare us. Britain is good at putting on a suit and selling to other nations'.

The credibility of this claim is partly an empirical matter and we will consider the relevant evidence on these issues in the next section. But, immediately, we would observe that the economist's gaze is fixed on the tradeable part of the economy's ability to generate exports within one macro economy. This reflects British preoccupations all the way back to the Ministry of Information's (1946) 'export or die' cartoon trailer in the 1940s; and it remains relevant in a country like the UK with a current account deficit running at more than 5% of GDP. But, the exclusive preoccupation with exports is quite curious, in that import substitution is never part of the agenda for a country where since the 1950s imports have consistently increased faster than exports. And, even more remarkably, the preoccupation with competition in tradeables crowds out discussion of the larger part of the economy which is sheltered and not tradeable and that, in turn, closes off any discussion of multiple economies.

The sheltered economy (i.e. all that is not internationally tradeable and/or subject to competition) is the single unitary economy minus what concerns our mainstream economists: and if that were promoted as a scientific or political object, it would initially provoke a 'so what' response because this sheltered economy is large but heterogeneous and apparently mundane. If we want to develop something more conceptually interesting and begin to understand multiple economies, we need to turn back from economics to historians like Fernand Braudel, who recognised that there is more than one economy and thus provides us with a good starting point. Partly in opposition to the post 1950s rewriting of economic history as the history of economic growth, Fernand Braudel (1981, 1982) in his history of the early modern period distinguished three levels: an everyday economy of subsistence and make do which was partly outside the market economy, which again was disconnected from high finance and long distance trade. Economic history is then about the interference between these three levels as the market expands and Europe integrates into world economies. The Braudelian question for our own time is how we would now distinguish different economies and analyse their mutual interference.

The aim now should not be a taxonomy of economies in some kind of totalising account, because that is impossible. Instead, we could hope to understand the difference between zones and

begin to analyse each zone's character, history, internal logic and distinctive intrication with others. From this point of view, within the mundane sheltered economy our main interest is in the identification of a welfare critical zone where outcomes matter to most or all citizens, a kind of present day equivalent of Braudel's early modern economy of subsistence. In present day capitalism, we therefore focus on the 'foundational economy' (Bowman et al., 2014) which distributes essential goods and services consumed by the whole population through networks and branches. Under a variety of ownership and operating models, this mainly mundane economy is part state provided, part-outsourced and part on the market. It is welfare critical because health, education and care, pipe and cable utilities, transport, retail banking and food distribution are the social infrastructure of civilized everyday life.

In historical context, this foundational economy is both a matter of universal basics and of changing historical context so that the salience of the basics change and the basket includes ever more goods and services over time as households become more foundationally dependent. Food supply is always important, whether through famine in low income societies or the obesogenic environment in high income societies. But the foundational economy is also a matter of expanding needs and horizons as, for example, when railways and then the automobile added mass mobility. In general, the foundational economy in the twentieth and twenty first century has become an infrastructure-heavy space of connected households: the late nineteenth century brought piped water and sewerage, twentieth century pipes and cables brought domestic appliances and central heating which was all set in a social context by welfare technologies of social insurance and assistance. Robert Gordon (2016) considers the pipe and cable aspects of household connection as a once and for all boost to US growth which is now spent; we see household connections more broadly (including social technologies of assistance) as the increasingly important underpinning of material welfare.

We would not disparage the importance of GDP cycles because, if GDP falls, then unemployment rises and businesses fail, with obvious consequences for welfare; Keynes (1936) in the *General Theory* did not have the concept of GDP but did perfectly capture this eternal down side verity. But, as we argued in the last section, increasing GDP does not now diffuse welfare. Whereas, every day (regardless of what happens to GDP) mass welfare has become critically dependent every day on the provision, renewal and update of each household's foundational connections.

Consequently, the foundational economy is, in the aggregate, large in all the regions of the UK; it is also strategically important because it has now taken over from manufacturing as the diffuser of prosperity through employment. In deindustrialised Liverpool, the foundational economy employs nearly 45% of the work force; and in London it still accounts for 31%. As for the diffusion of prosperity, UK government revenues were being steadily applied to expand health and education up to 2010 so that more than half of all new jobs were publicly funded under the Thatcher and Blair premierships (Buchanan et al., 2009). In effect, under Thatcher and Blair, the foundational took over from manufacturing as the diffuser of prosperity, often by putting a female wage earner into a two income household. Many of those in publicly-funded jobs (or privatised monopoly utilities like gas or telecoms) still have decently paid secure employment in school teaching, para-medical or technician roles.

The foundational economy is inherently stable on the demand side because foundational spend is the first lien on household income and governments can raise taxes. Demand is effectively underwritten by the stable population base, even in depressed areas like the Welsh valleys where there is currently nothing like the large scale inter-war out-migration when jobs and family houses were available in the Midlands. But the foundational economy is increasingly now caught up in a supply-side crisis which is about austerity cuts in revenue compounded by financialization and the import of unsuitable financial high return models.

The outward, visible and advertised sign of crisis is ongoing austerity cuts which undermine foundational services. Initially, the Cameron coalition government protected pensions, health and education spending, so that the main burden of imposing cuts fell on local government and the most damaging result was cuts in adult care. But by 2017, it is clear that the May government is restraining cash spending on education and health in ways which mean that the prospect is of missed KPIs with service cuts and headcount reductions in hitherto protected areas: in schools, for example, the freeze on cash spending per pupil from 2015-6 to 2019-20 will result in a projected across the board real terms cut of 6.5% in funding (Belfield and Sibieta, 2017). This long, soft squeeze through cash limits is damaging because there is no prospect of it ending: in 2017, government departments have been asked to identify 3% and 6% cuts to take effect shortly after Britain leaves the EU so that some monies can be reallocated to (cash starved) 'priority areas' (Elgot, 2017).

As or more damaging is outsourcing following on from careless privatisation. Outsourcing has degraded pay and conditions in public service activities like residential adult care or prisons without solving the longstanding activity problems about care quality and rehabilitation (Bowman et al., 2015). While public limited company and private equity business models, requiring 10% or more returns on capital, have led to outcomes that include investment rationing in telecoms and pressure selling in retail banking (Bowman et al., 2014). The Braudelian idea of interference is relevant here because these developments are an outcome of financialization and the agency of organised money when public companies are under pressure for shareholder value and private equity operations are under pressure for a surplus over the cost of debt.

Under the pressures of austerity and financialization, the foundational economy is the dragging sheet anchor of welfare with a cash strapped state co-dependent on the outsourcers. In an activity like care, debt based financial engineering turns care home operation which should be a low risk, steady low return activity into a fragile business with serial churning of ownership. This churning crystallises gains for those who get their timing right and creates distress takeover opportunities for those who have bought bonds at discount prices from those who got their timing wrong (Burns, et al., 2016a). If we consider the problems of the care sector from this point of view, the implication is that we need to pay much less attention to GDP as an object of policy and as the metric of the (unitary) economy's success. Instead, there should be more focus on the unequal local tax bases which fund care and the double digit return targets of financialised providers. Securing the tax base and resisting financialization of the foundational could open up new and constructive possibilities of economic management for controlling informalization,

curbing financial engineering in low risk and low return activities and securing foundational services. This is even more important because, as we argue in the next section, an export-led renaissance of tradeable exports after Brexit is unlikely and, if it did happen, would accentuate regional inequalities. Hence the attractions of import substitution and reorganisation of the foundational as economic policies which would avoid crisis, diffuse prosperity and begin to fix citizen detachment from the UK polity which is the threatening underlying problem.

(4) Export-led renaissance or reorganisation of the foundational

Will export-led renaissance happen and deliver the ‘competitive success’ that mainstream policy seeks? Our answer is that this is highly improbable because the UK does not have the private sector actors nor the leading sectors in manufacturing or services to turn round a balance of trade deficit through export success. Even if it did happen, a service-led export renaissance would intensify regional inequalities because it would disproportionately benefit London and the South East. Of course, trade cannot be ignored given an UK trade deficit running at 5% of GDP which makes us dependent on what Bank of England Governor Carney calls ‘the kindness of strangers’ who hold our debt and buy assets (Treanor and Watt, 2016). But in tradeables the more realistic defensive project would be an industrial policy for import substitution in key sectors like food and energy.

At the same time the real opportunity is a reorganisation of the foundational economy which improves the quantity and quality of foundational goods and services. The precondition for such reorganisation of the foundational economy is a change of governmentality which empowers public sector actors to take the leading role in renewing the infrastructure of civilized life. The governmentality change would involve a major shift in the aims, posture, location and instruments of policy:

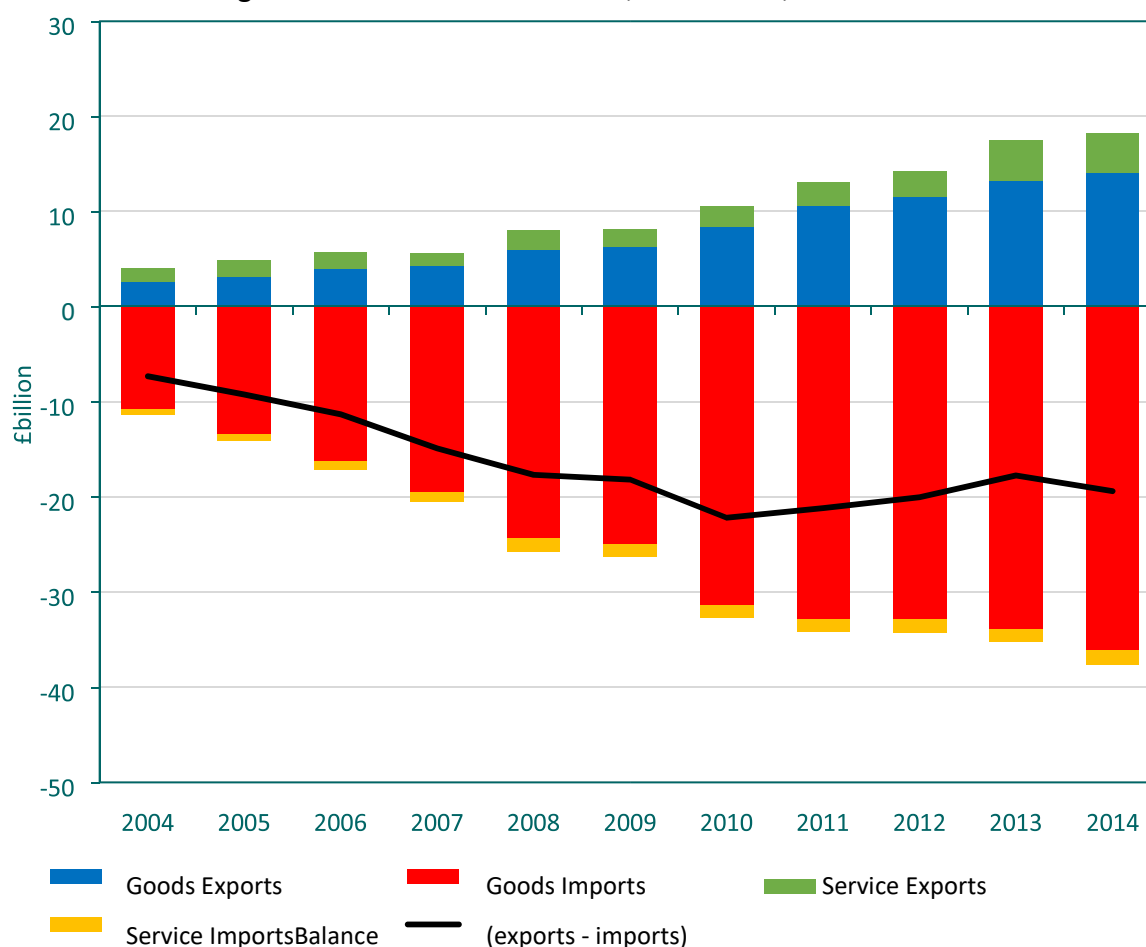
- by shifting the primary policy objectives away from increasing marketable activity and jobs, towards building capability and citizenship;
- by changing the posture of government away from business-friendly placating of mobile business, towards raising the social ask of foundational businesses whose revenues and profit come from collective development;
- by dispersing power away from a single polity, centrally managed from Westminster, towards multi-level governance with initiative dispersed to regions in a way quite different from the delegation of responsibility proposed under English city deals;
- as corollary, a shift away from generic policies like skills and infrastructure to make the one economy work better, towards local experiments which engage the activity specifics of individual sectors and through political mobilisation deliver radical social innovation.

This major shift is relevant and necessary because the export-led renaissance of tradeables is improbable. If Secretary of State for International Trade, Liam Fox, hopes for success in

exporting, he also recognises that only 11% of British firms export; responding by blaming a business culture which is ‘fat and lazy’ so that companies ‘choose’ not to export (Bury, 2016). This kind of scapegoating of business culture covers the more intractable structural problem that business, or more precisely manufacturing, lacks the private sector corporate actors who could lead a successful export drive. The corporate sector has been sold off to foreign buyers and the UK has lost anchor firms like ICI, ICL, Courtaulds or GEC (Comfort, 2012) which could fund development, sustain national supply chains and market exports which carried the products and services of smaller firms into foreign markets. The factory sector is largely foreign owned, while the much smaller British owned and managed workshops have limited ability to export directly: British owned manufacturing firms have an average of 14 employees while foreign owned manufacturing firms each employ 200 and account for one third of manufacturing output (Froud et al., 2011, pp. 30-1; Froud et al., 2017). Where the final product is complex, it is intricately in global supply chains of foreign parents so any increase in British output is partly offset by the import bill for components; in British machinery and vehicles, 50% of intermediate purchases are imported (Froud et al., 2011, p.32).

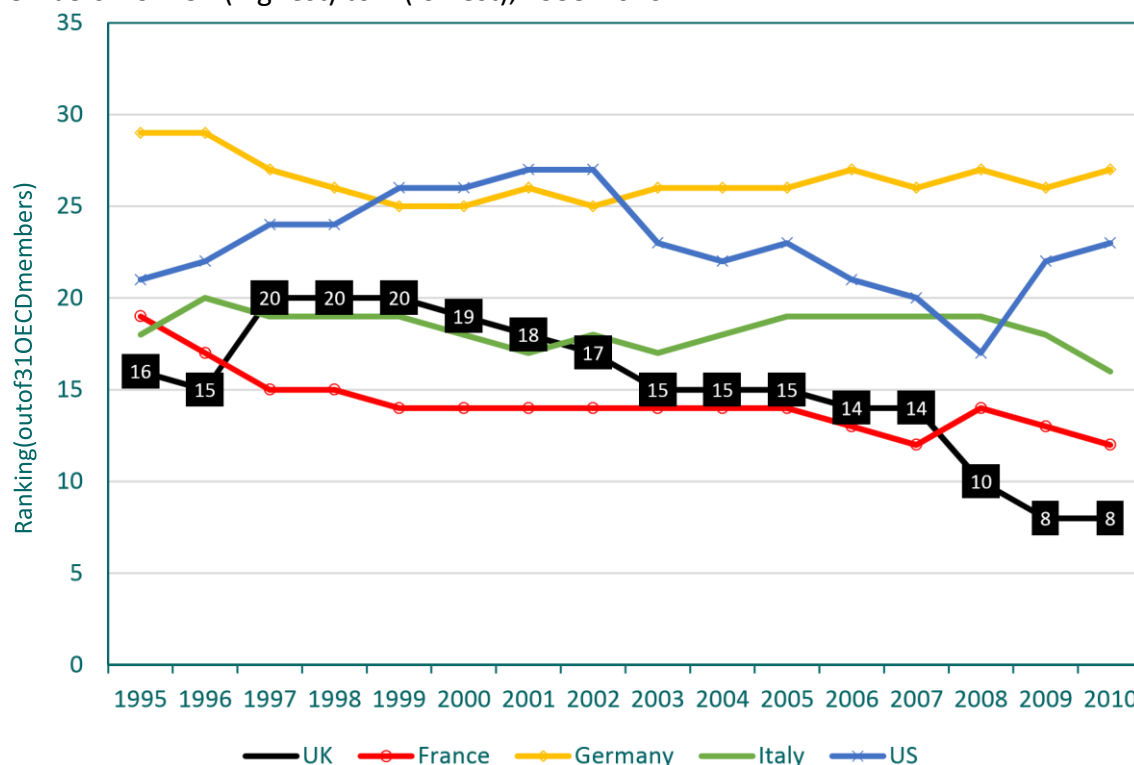
The world outside the UK is a difficult environment for British exporters who must compete against high technology and low wages which provide a basis for selling imports onto the British home market. The old problem of the British from the 1960s was that they could not stand up to German manufacturing, the new problem from the 2000s is that they are also losing badly to the Chinese: our largest single country trade deficit has long been with Germany and the second largest is now with China. Nearly thirty years ago, we described the then European Community as a ‘German co- prosperity sphere’ because West Germany in the late 1980s accounted for 40% of EC 12 manufactured exports to non-European countries and one third of intra-European EC 12 manufactured exports (Cutler et al., 1989, pp.15-17). The enlarged EU by 2013 offered reunited Germany free trade access to 27 adjacent markets with the euro sheltering them from the currency appreciation which would ordinarily offset their export success. In the past twenty-five years, world manufacturing has also gained Asian new entrants who combine low wages, high cash generation, corporate champions and sectoral ambitions. In UK trade with China, the predictable result is a large and growing deficit on UK manufactured trade with China and an inability to grow UK service exports to China on anything like the scale that is required to balance trade, as Figure 1 shows.

Figure 1: UK trade in goods and services with China, 2004-2014, £ billion



The UK is so far from being the workshop of the world that our largest manufacturing sector by employment is food processing which is partly sheltered by local agricultural production and cultural tastes for British style biscuits and such like. Across UK manufacturing as a whole, output fluctuates cyclically but there has been no increase in the real value of manufacturing output since the late 1970s; and, since the mid- 1990s, on the manufacturing output (GVA) per capita measure, the UK has moved from 16 to 24 (out of 31) in the league table of OECD countries (Figure 2). From this structural position of weakness in a world of many capable, large scale manufacturing centres, it will not be easy to reverse the long-term trend whereby UK manufactured imports increase faster than exports. In the depreciation that followed the 2008 financial crisis, a falling pound brought no sustainable export advantage for the UK because EU and world demand was muted. The current ongoing depreciation of the pound amidst Brexit uncertainties may boost export volumes (as long as world demand holds up); but further depreciation comes at the cost of inflated manufacturing input prices via component and energy costs (while feeding political disillusion and social conflict about falling domestic living standards).

Figure 2: Manufacturing output (GVA) per head in OECD countries: ranking of selected OECD members from 31 (highest) to 1 (lowest), 1995-2010



Since the economy has not rebalanced and Chancellor Osborne's 'march of the makers' never happened, few now have any serious expectation of UK manufacturing renaissance. By a process of elimination, services are what everybody hopes will fill the trade gap. And service exports are the great success of the past 25 years. The UK is the world's second largest service exporter with rapid growth in the 1990s and 2000s raising the UK surplus on services trade from its historic level of 2% of GDP to 5% of GDP in 2013. However, the nature of service activity is such that services in the aggregate have a low propensity to export: currently, services account for nearly 80% of GDP and service exports for just 13% of GDP; meanwhile manufacturing accounts for 10% of GDP and export of goods (including manufactures) is equivalent to 15% of GDP. The brilliant success in services is therefore narrowly based on the two large and growing sectors of financial and business services, which in 2015 together accounted for more than half of all service exports and more than four fifths of the UK's surplus on trade in services (Ernst and Young, 2014).

And this is a problem because the growth of financial service exports is tied up with the fortunes of London as a financial centre in a way which creates multiple issues. The present position is that in any crisis the British tax payer is on the hook for the massive downside liabilities of London as financial centre; furthermore, financial services export growth stalled from 2008-13 and a hard Brexit (with no passporting and issues about equivalence) will shift activity out of London and almost certainly reduce the value of financial services exports. While City lobby groups are commissioning alarmist reports (e.g. Wyman 2016), the outcome is uncertain but dark. Business services did hold up after 2008; but, if Brexit brings a substantial decline in London-based financial service activity, business services are unlikely to be able to expand to compensate.

The supporters of so-called hard Brexit advocate trade deals with non-European partners on the assumption the UK has something to sell; usually it is supposed that this will be high tech and services. Here, for example, is Ryan Bourne (2016), policy chief of the Institute for Economic Affairs (IEA), arguing in the *Financial Times* that Brexit is an opportunity for ‘producing what we are relatively good at under global competition- pushing us further up the value chain into a future of high end manufacturing and services’. After our sober consideration of the performance and prospects of UK manufacturing and services, it is hard to see anything that ‘we are relatively good at’ on the scale that is required to secure mass employment and cover the appetite for imports of manufactures, food and energy.

If there is to be a boom in British service exports, that would not be a solution for the nation but the next instalment of the regional problem, because export success in services would intensify regional inequalities between the London and the South East against other regions. This is the logic of trade deals in services with non-European partners. The UK will be a supplicant on trade deals when the Americans and Australasia have extensive low cost agriculture and Asia has low wage manufacture: the logic of these trade deals is that the UK will cede our commodity agriculture and high wage manufacture in return for opportunities for British service exporters. Nationally, in the aggregate, this bartering around specialisation makes sense because services now account for 44% of value of UK exports and already generate a £90 billion surplus. But, regionally, because of the distribution of activities, this will be good for London and the South East and bad for peripheral regions like Wales. The ONS recently produced some estimates which attributed exports to regions on the basis of sectoral activity in that region: in 2014, London and the South East have 28% of UK population and 58% of service exports whereas Wales has 5% of UK population but 2.2% of service exports.

The UK’s post-Brexit trade deals will have a tendency to increase regional inequalities which are already splintering the UK. And this will not be countered by the May government’s industrial strategy (Department for Business, Energy and Industrial Strategy, 2017). This green paper excludes mundane sectors like food processing and concentrates on five next generation growth sectors: life sciences, low emission vehicles, digitalisation, creative sector and nuclear. The green paper also envisages an extension of sector deals which (as in automotive) will allow large firms to get aid with early stage innovation as recommended by Mazzucato (2013). With cold war priorities, giant corporates, a huge domestic market and world technical leadership, this worked brilliantly for the United States in the 1960s; in very different British conditions we are now putting relatively small amounts of public money into development of technologies like graphene which will almost certainly be commercialised elsewhere.

All this has implications for UK policy on current account deficit management after Brexit: the most leverage in the medium term for the UK would come from a defensive strategy of targets for limited import substitution in sectors like agriculture and energy; plus a review of supply chain gaps across a whole range of manufacturing activities where it is realistic to substitute for some products currently produced elsewhere.

We do not know what is possible and at what cost in these areas, if suitable investment of financial and other resources is made. The first and most constructive step in making Brexit work

economically would be for the government to consider areas where domestic supply chains can be strengthened to reduce imports. But we should also remember that worthy economic policies often appear to be irrelevant or meaningless for alienated voters. Thus, a well-meaning EU provided regional aid for infrastructure projects like new roads but this did not buy the gratitude and loyalty of voters in places like Blaenau Gwent or Cornwall. Import substitution would be a more intelligent policy but there is no guarantee that it would be any more electorally attractive. Hence the need to do something constructive which directly and identifiably meets citizen needs, like reorganisation of the foundational economy, which recognises that the British economy is neither a unitary diffuser of prosperity and helps to bind citizens to the polity.

Reorganisation of the foundational economy is within the realm of the possible and not a complete chimera like export success with non-EU partners. The foundational economy is controllable because a substantial part is state funded and the rest is largely immobile because of the networks and branches through which goods and services are delivered. When that has been said, major reorganisation of the foundational economy does have fierce preconditions. Most obviously, successful reorganisation in the long term depends on another once in a generation shifting of the instruments and burden of taxation like the earlier introduction of social insurance and PAYE as income tax for the working class in the 1940s or Thatcher's move to indirect taxes on consumption in the 1980s. Within a regime of multi-level governance, the central and local state must tap the wealth that society creates if it is to fund a new social settlement in areas like care. Practically, a much larger proportion of tax revenue needs to be raised from land and property where tax cannot be avoided and increases in the value of property clearly reflect social development not individual effort. Beyond that, the crucial obstacle is governmentality and the precondition for reform is a shift towards a very different concept of the field of economic policy and social action. In all this, our intellectual starting point is a theory of citizen rights built on Sen and Nussbaum's ideas of capabilities and a solidarist theory of value.

First of all, the narrow economic policy objectives of jobs and growth need to be replaced with broader objectives of capability and citizenship. As we have argued, the problem with jobs and growth is that, under current British conditions without a unitary economy, jobs are a very clumsy way of unequally distributing welfare: many jobs offer low, insecure incomes and to give people income to spend on the market is meaningless in a society which has not put the infrastructure of civilised life in place. Every morning, the motoring poor and the business executives queue on the M60 orbital around Manchester because the city is formatted so that they have no alternative to car commuting on a congested ring road; and their diesel engines poison the city air causing (pro rata from official national estimates) 2,000 premature deaths each year. The new 'spatial framework' plan for Greater Manchester, however, includes proposals for developers to build many more car-dependent new homes off the ring road (Folkman et al., 2016).

If we want to shift from these absurdities about income without welfare, we need in high income societies to rethink fundamental objectives, as Amartya Sen (1998) has done for low income societies in a distinguished body of work on development as freedom. The foundational

economy as a kind of infrastructure is not an end in itself, but a way of enabling citizens so that Sen's concept of freedom is the most relevant starting point. The aim of foundational economy policy is development in Sen's sense of greater freedom: this means expanding the sets of capabilities so as to create the opportunity for citizens to be and do more and different. The precondition for all of this (especially in a dense urban society with high tech in every household) is the infrastructure of connectivity: because, just as in a low income village the bicycle needs the road or track before it can deliver mobility, so in a high income city the tablet needs the internet before it can deliver the news or execute a grocery order.

In the discourse of philosophy, Marta Nussbaum operationalises Sen's freedom into a list of basic rights which should be constitutionally guaranteed. As with all such lists, Nussbaum's (2000) ten rights are rather abstract and juridical: including, for example, the right to bodily health and integrity and the political right to participation through free speech and association.

It is important to insist on the right to such liberties, but our approach is different and could be described as applied Nussbaum. The connection is that the exercise of Nussbaum's rights requires access to what we would call foundational goods and services; and a rich society with technical resources has the ability to make quality foundational goods and services available to all. The practical management of the foundational economy is then about experiments in shifting the feasibility constraints around human functioning; for example, how would free or very low fare rail transport within urban areas change mobility options (if we abandoned the pretence that rail can be financed from fares and instead taxed property owners who benefit from higher land and property values).

This in turn requires another shift in governmentality from a business-friendly focus to raising the social ask. Since 1979 or thereabouts a major idea of policy makers has been to release business from social obligations in the hope that jobs can be created and inward investment can be attracted; hence the cuts in corporation tax, the tolerance of tax avoidance, the acceptance of low wages and casualised employment on the implicit assumption that (all) forms of capital are mobile. This has always been a simplification because much business is grounded by social networks or delivery requirements like branches. Business-friendly incidentally discriminates against small business while favouring corporate business and organised money because it gives them a license to do what they please under cover of forms of corporate social responsibility which cost them very little. Business-friendly also incorporates the ideal of a market rational state which will regulate with the aim of securing competitive markets but is otherwise unconcerned about the structural composition and orientation of private business.

But, if business-friendly is routinely abused by corporate business, that is partly because the rest of us have not been clear about the principles which justify raising the social ask, particularly in the case of privately-owned foundational businesses like privatised utilities, retail banks, cable companies and supermarkets. Here again history is of some help because we can draw on the historical resource of social theories of value as developed in the late nineteenth and early twentieth century by Henry George (1879) and the French solidarists now being rediscovered by scholars like Kohn (2016). We can understand the present-day relevance of these thinkers by

flipping the connected household argument around. The household needs infrastructure but the infrastructure provider needs household users and tax payers: the contractual rights to the tolls on a bridge to nowhere have no value. It is collective development (especially through density of population in the urban areas) which in high income societies creates a social product in the form of service provider revenues, rising land values and subsidies from tax which are then appropriated by private service providers and property owners. On this basis, society has the right to tax and impose social obligations on private business. And this would be the rationale for a new kind of developmental state with targets and sanctions, rather like Japanese industrial policy as described in Chalmers Johnson's (1982) classic work, but oriented towards domestic reorganisation not export trade.

But that abstract general justification for a developmental state does not in any way specify policy and how the social ask of business could be raised. This is an important issue if we reject the orientations of orthodox right and left politics which will no doubt be pressed after Brexit as before. The orientation of the right is towards more structural reform on the assumption that the revolution fails because it is incomplete; hence the idea that we should after Brexit become like Singapore (Bootle, 2016). The orientation of the left is towards the restoration of the status quo of the post-war settlement through some combination of reversing austerity cuts, ending outsourcing and renationalisation; hence the campaign to bring back British Rail with some blur about what all this would require by way of tax increases. The argument about how financialization interferes in the foundational economy suggests a different orientation where the aim is not to install or evict the profit motive per se but to throw out financialised providers, their business models and devices like debt based financial engineering. But that ambition is not the same as having articulated policies which engage activity specifics sector by sector.

Hence the importance of local experiment and radical social innovation after admitting that in many activities and areas we start by not knowing what to do. A learning state needs local experiment which is both reversible in the case of failure and potentially transformational and scaleable in the case of success. In some activities, as in food supply, the objective is clear because processor margins have been captured by the supermarkets but there will then be debate about how this imbalance of supply chain power could be addressed. In other activities like care, the objectives are more diffusely about quality of life; and the choices here are complicated both about the physical formatting of provision (size of care home, types of sheltered accommodation etc.) and about financial business models with internal cost recovery or controllable subsidy. If we reject financialization of the foundational economy, we must work out how to access low cost finance either through state borrowing or by disintermediation which cuts out the money managers. We then need Roberto Unger's (2015) disruptive style of social innovation and political mobilisation to promote experiment and keep it honest. Because the idea of experiment (like resilience and sustainability) is inherently ambiguous and can be appropriated by all kinds of scoundrels; while serious experiment requires courageous political and administrative champions and will be resisted by the financialized businesses who lose directly and will enlist the local 'growth coalitions' who typically dominate city politics.

Can we reorganise the foundational economy?

The argument so far suggests that we can make Brexit work economically and politically for our citizens by a reorganisation of the foundational which is economically possible and desirable, but the question arising is whether this is practical and executable, given that the reorganisation presumes a large shift in governmentality. We would finally add the point that the obstacles in the way of such a shift are considerable.

A reorganisation of the foundational economy would meet many resistances. Political economists would highlight resistance by the economic interests of organised money and big business. These vested interests stand to benefit from the status quo because the foundational since the 1980s has represented a huge new sheltered opportunity for high returns. Cultural economists would argue that 'neo liberalism' has profoundly re-wired how people think about foundational commodities and services by eliding them with everything else into new and complex circuits of knowledge (Thrift, 2005). No doubt, many citizens are predisposed to accept general presumptions about the benefits of private management and consumer choice.

But, equally, the pro-business a priori is very fragile and usually has limited influence on the mass of citizens. In UK railways, for example, the train operating companies have invested heavily in developing a trade narrative about the benefits of private operation; this may have some influence on Westminster politicians but significantly has not changed the settled public preference for re-nationalisation of railways (Bowman et al., 2017). As for the cultural arguments, they underestimate the extent of blooming buzzing confusion, contradiction and indifference in the ordinary citizen's attitudes towards and understanding of anything economic. For example, the GDP measure is presented by economists and cited by politicians as the central number through which the health of the economy should be judged; but in a YouGov survey only 61% of respondents could define GDP and 47% of respondents said they 'talked about economics' once a month or less (Earle, et al. 2016).

Against this background, the politics of representative democracy have created the opening for new ideas and make the foundational economy into an idea whose time has come: this dissenting working paper could only have been written after the Brexit vote and the Trump presidency had undermined the self-confidence of all kinds of established authority. But it is democratic politics which also creates huge uncertainties about trajectory and outcomes because it is not possible to achieve the objective of 'take back control' (from the EU) or 'make America great again' without massive disruption and corollary damage and nobody knows how this will play out electorally in a cycle of elite evasions and excuses interacting with mass disillusion. By the morning of June 8th we will know whether, in the short term, UK democratic competition has become simply a victory procession for the Conservative Party or added a new layer of complexity to our Brexit future. But whatever the result in June, the story will continue to unfold, and in ways that are laced with uncertainties. What then happens depends very much on the relation between political elites and mass followers which is unstable because, as we have emphasised, an unprotected and disaffiliated working class has no connection to an industrial or labour movement. Those who supported labour market flexibilization may yet live to regret the demise of organised labour, if centrists are outflanked by the populist right. But moderate centrists of all parties who want an inclusive economy embedded in a functioning polity now

have opportunities for organisation around new kinds of objectives. This working paper has been written with the aim of hastening the intellectual reframing and the political realignment which is a necessary but not sufficient condition for some kind of progressive outcome.

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