

# The *exit* connection: Europe's new Polanyian moment<sup>1</sup>

*Aye, make yourself a plan  
They need you at the top!  
Then make yourself a second plan  
Then let the whole thing drop.*<sup>2</sup>

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## 1. Introduction: convergence and variations

In this paper, we attempt to draw some lessons from Greece that might be applicable to the Brexit debate and the political economy of the post-Brexit era. The use of the term 'exit' to describe a possible walk-out from the Eurozone (or the European Union) was initially coined in the case of Greece. For many years, in the wake of the Greek sovereign debt crisis, Grexit has been usually linked to the (additionally) negative economic and political consequences that an exit from the Eurozone would imply. Some economists, commentators and political analysts saw Grexit as inevitable; a few tried to see the exit as a positive scenario or a radical/simple solution to the Greek predicament. For the majority of the relevant discussions and analyses, the Grexit scenario was mostly seen as the 'nuclear option', to use Krugman's pessimistic expression.<sup>3</sup>

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<sup>2</sup> Quotation from the "Song of the insufficiency of human endeavour", B. Brecht, *The Threepenny Opera*, translated by R. Manheim and J. Willett, London and New York: Bloomsbury Publishing Plc.

<sup>3</sup> Krugman, Paul, "European Crisis Realities", February 25, 2012, The New York Times, Opinion Pages: <http://krugman.blogs.nytimes.com/2012/02/25/european-crisis-realities/>

The announcement of a forthcoming UK referendum by David Cameron after the elections in May 2015 automatically boosted a new 'exit' term: this time it was Brexit. But in many different respects the UK is not Greece, so Brexit took different meanings and developed its own political dynamics as a term in public discussions and debates. The UK is a G7 economy. It is not part of the euro. It has its own currency and an independent central bank. Its international economic and political role is unquestionably very different from Greece. The UK did not suffer a severe sovereign debt crisis; on the contrary, after the 2008 global financial meltdown, government borrowing costs reached historically low levels that, in practical terms, increased the fiscal space of the Treasury. The referendum took place at a period of relative economic prosperity (compared to other developed capitalist economies) and, despite the outcome of the referendum, the future growth prospects do not look gloomy. The UK, like Greece, has experienced for some time twin deficits, that is, both a current account deficit (mostly because of capital inflows) and a government budget deficit. In the case of Greece most analyses argued that a twin deficit country could not survive within the Eurozone unless structural reforms were immediately imposed. The arguments from the Greek case cannot be used, and a hypothetical disentanglement from the EU looked much less impractical, at least at first sight.

From the beginning of the Greek crisis our argument was against an exit from the Eurozone.<sup>4</sup> This standpoint is by no means a defence of the current form of the common currency or *status quo*. The line of the argument is that Grexit could not, in any possible way, improve the living conditions of the working classes in Greece. In the very short term, given all sorts of transitional impracticalities and hazards, it would definitely provoke an extra economic shock. All domestic accounts would have to be translated into a new national currency, which would be led into a free fall. The new exchange rate would create a huge balance sheet mismatch and force Greece to default in all of its external public and private debt, causing further recession and leaving temporarily the economy without any meaningful financial intermediation. In

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<sup>4</sup> Milos, J. and D. P. Sotiropoulos (2011) *Imperialism, Financial Markets and Crisis*, Athens: Nisos Publications (in Greek). See also: Sotiropoulos, D. P., Milios, J., Lapatsioras S. (2013) *A Political Economy of Contemporary Capitalism and Its Crisis: Demystifying Finance*, London and New York: Routledge.

the medium term, Grexit would also imply a labour devaluation project. It would constitute a more violent market-based alternative to the existing political agenda of a large real depreciation in the form of continued negative wage growth. In the face of strong inflationary pressures, real wages would have to keep up with a falling exchange rate for the current account to readjust. Greece would also need international reserves to service its current account deficit, which would additionally deepen due to the post-Grexit disruption of the capital inflows and currency devaluation. This would imply a new memorandum, probably with the IMF, if not the EU; the terms would be devastating and Greece's negotiating position would be very weak. Sovereign debt negotiations would bring Greece on the very same table with existing European creditors without any leverage this time. The new economic shock would boost extreme rightwing parties and structures of power, so the Greek society would probably suffer great losses both in economics and political terms, i.e. workers' benefits, protections, and civil rights. All in all, our argument was not pro-European but an anti-Grexit one.

For different reasons, in the rest of the paper we take a similar anti-Brexit standpoint. The UK is very different from Greece, but the Brexit agenda is definitely worse for the interests of working people than remaining as part of the European Union. The Brexit agenda attempts to secure conservative social consensus promoting a labour devaluation strategy to the benefit of the political and economic elites.

## **2. The anti-immigration sentiment as the decisive factor of the referendum result**

Generations of Tory politicians and party members have been politically raised to see Britain's EU membership as a doomed marriage. This expression is actually borrowed from the title of Daniel Hannan's brief pamphlet, published in 2016, which attempted to explain the Brexit case to the public. Hannan defended the Brexit agenda against any accusation of nationalism or populism. For him, Brexit is a critical and manageable first step towards economic prosperity and more democracy by parting with a bureaucratic European Union; the latter is mostly represented as a set of

irrational and restrictive regulations undemocratically imposed by Brussels.<sup>5</sup> In a similar fashion, Nigel Lawson, another well-known Tory Eurosceptic, argued that Brexit would let the UK finish up with the Thatcher revolution becoming, under a proper Tory leadership, ‘the most dynamic and freest country in the whole of Europe’.<sup>6</sup> As a matter of fact, there has always been strong Euroscepticism within UK economic and political elites. Hannan’s and Lawson’s arguments echo Bernard Connolly’s mid-1990s book with the telling title: *The Rotten Heart of Europe. The Dirty War for Europe’s Money*. This book argued that the European Exchange Rate Mechanism, the predecessor of the euro, was an indispensable part of a political project to undermine the political and economic sovereignty of European countries.<sup>7</sup>

There is no question that a rightwing shift and return to conservative Thatcherism have been the driving inspiration among Tory Brexiters and a significant part of their supporters. After all, about 60% of Tory voters defied David Cameron’s leadership and the gloomy post-Brexit economic perspective offered by his economic chancellor, George Osborne.<sup>8</sup> For the Brexiters, Europe is not pro-capital enough and UK political influence is insufficient to put the whole EU on a modern Thatcherite track. However, the decisive factor of the outcome of the referendum was not the pro-capital agenda but the gradually rising anti-immigration and xenophobic sentiment, a card that, admittedly, was played really well by the Brexit camp. Immigration control, as a critical part of the reclaim of sovereignty, was one of the key reasons that both Tory and Labour party voters chose to support the Leave campaign.<sup>9</sup> Despite the shocking tragedy of Jo Cox’s assassination (a labour MP with reach pro-immigration action) by a mentally ill fascist, about 40% of Labour Party voters totally ignored the official party decision and voted for Brexit.

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<sup>5</sup> Hannan, D. (2016) *A Doomed Marriage. Why Britain Should Leave the EU*, London: Notting Hill Editions.

<sup>6</sup> Nigel Lawson, “Thanks to Brexit we can finish the Thatcher revolution,” *Financial Times*, 3 September 2016, p.12.

<sup>7</sup> Connolly, B. (1995) *The Rotten Heart of Europe. The Dirty War for Europe’s Money*, London: Faber and Faber Ltd.

<sup>8</sup> See Lord Ashcroft polls at: <http://lordashcroftpolls.com/2016/06/how-the-united-kingdom-voted-and-why/>

<sup>9</sup> See Lord Ashcroft polls, *ibid*.

It was not long time ago that the former Prime Minister, David Cameron, put immigration at the heart of the UK-EU relationships and negotiations. Before the referendum, UK demanded a membership of exceptional status. Despite its grand title, the latter was mostly related to some minor intra-European immigration control that would help Cameron's domestic campaign. At that time, Cameron's political gamble managed to link closely the issue of democracy and sovereignty in the public debate, as a process of reallocating powers from Brussels to Westminster, to the issue of immigration. This is a critical ideological shift that sheds light into the current political conjuncture. To reassure the Tory electoral base and block further leaks towards UKIP, Cameron negotiating strategy was focused on establishing an 'emergency brake' which would give UK authorities temporary controls over EU migration. The practical details and the actual efficiency of the brake were questionable from the beginning. However this was hardly the aim. The actual target was to secure the social consensus, in particular of the squeezed middle classes, to the Tories' conservative agenda. In that sense, one can safely argue that the seeds of the Brexit victory were planted by Cameron himself.

Cameron took advantage of and fuelled the rising anti-immigration sentiment by framing immigration as a key problem that required an immediate response. From the rich palette of his xenophobic statements, the following quotation is the most indicative of a complex political narrative that invokes anti-immigration and nationalist sentiments to secure consensus on a conservative pro-capital agenda. Attacking the Labour Party leadership, of both Corbyn and McDonnell, Cameron stated in July 2015:<sup>10</sup>

Look at their record over the last week. They met with the unions and gave them flying pickets. They met with the Argentinians, they gave them the Falkland Islands. They met with a bunch of migrants in Calais, they said they could all come to Britain. The only people they never stand up for are the British people and hardworking taxpayers.

In the general elections of 2015, Cameron attacked the Labour party by warning that a Labour government would mean a 'return to uncontrolled immigration', which

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<sup>10</sup> <http://www.independent.co.uk/news/uk/politics/david-cameron-accused-of-trying-to-deflect-attention-from-google-tax-row-with-bunch-of-migrants-a6837661.html>

would threaten social cohesion and put pressure on public services and wages. Tory political dominance in the UK was based on an ideological narrative that *succeeded in associating xenophobia with the conservative anti-labour agenda*. In this narrative, any anti-austerity political demand was not just ineffective and futile, it was primarily presented as opposing the British national interest.

The Remain campaign failed to address a strong and convincing anti-austerity argument. Neither the Remain nor the Leave campaign presented Britain as an essential part of the EU project. People were requested to decide whether the EU membership was a good *instrument* for the national interest. Dissatisfaction with the government *within* the dominant political discourse soon boosted the hopes of Brexiters. The rise of xenophobia was the decisive factor for the Leave vote. Cameron's plan was defeated, but the message the people sent to Westminster was not an anti-austerity one. *Anti-immigration rhetoric gave Tories their chance to attempt a new Thatcherite revolution*. This explains the exemplary smooth transition to a new government cabinet led by Theresa May. Tories have put immigration control at the centre of their negotiating strategy. In this way, they secure wide social support for a conservative agenda. Brexit *is felt* by voters as 'taking back control' but practically it will be translated into more benefits for businesses and economic elites. This is the 'beauty' of capitalist ideology: it offers a certain recognition of reality, but one which is ultimately aligned to the strategic interests of capital.

Cameron's plan did not work. The Brexit plan is more ambitious and risky. It will fail in its core ambitions. But some sort of failure might be the actual target. Hard Brexit, that is the surrender of single market membership in return for more power over immigration, might have costs for parts of UK capital. These costs would imply a particularly favourable treatment to be offset by the government. This treatment would impose a new Thatcherite political agenda. Hard Brexit enjoys considerable social support and will subordinate social and fiscal policy to the interests of firms, making the UK a new pro-capital tax heaven. Quite ironically the defeat of Cameron empowered the Tory political strategy to give rise to a new plan. Cameron became the sacrificed Iphigenia to the benefit of the Thatcherite agenda, a victim of his own ideological victory.

### **3. Is the rise of far-right and anti-immigration sentiment all over Europe a threat to neoliberalism?**

Is the rise of xenophobia a threat to neoliberalism? Strangely enough, the answer is no. This is one of the big lessons to be drawn from the Greek political and economic crisis. The rise of the Nazi party Golden Dawn has never been an actual threat to the conservative agenda and related neoliberal economic and social reforms. In spite of its superficial anti-establishment rhetoric, Golden Dawn has proved a valuable political ally to austerity policies. Its role has been complementary to post-crisis authoritarian governance, blocking electoral leaks to the left, attacking immigrants and trade unionists, targeting mass social movements, and supporting key pro-capital law making in the parliament. In other words, Golden Dawn has been a useful support to the political status quo. In fact, this is the strategic role of the contemporary far-right political forces all over the western world. As long as the conservative neoliberal agenda works and produces results, *an ideological empowerment of the 'nation' against any hypothetical 'foreign' threat is a useful political formula to subordinate working class interests to a pro-capital strategy*. In other words, the current rise of anti-immigration sentiment neither poses a threat to the free movement of capital nor, in practical terms, would tighter control of immigration flows. To use Marxist terminology, xenophobia sets forth a form of capitalist governance model that subsumes and redirects a resisting and gradually dissatisfied working people to a conservative pro-capital strategy.<sup>11</sup>

The rise of far-right political forces is a sign of deeper political shifts in contemporary capitalist societies. This rise indicates that extreme rightwing ideas have become more appealing and that the whole political spectrum is moving to the right. Working people do worry about the disintegration of the welfare state, the rise of income and social inequalities, the crisis of the health and pension system, etc., but they gradually redirect blame on 'foreigners' and foreign political 'centres of power', looking to the empowerment of domestic power structures as the only possible solution. In this sense, they end up supporting the political agenda that was

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<sup>11</sup> Sotiropoulos, D. P., Milios, J., Lapatsioras S. (2013) *A Political Economy of Contemporary Capitalism and Its Crisis: Demystifying Finance*, London and New York: Routledge.

responsible for the deterioration of their living conditions in the first place. In this vicious circle, Europe and the Western world might look as drifting back to the turbulent 1930s. However this time things seem a little bit different. Some time ago, Karl Polanyi argued that authoritarian governments in the 1930s were the answer to working class political unrest in a market society that refused to function.<sup>12</sup> Unlike then, globalisation today is irreversible. However, the Western world might still be heading towards its new Polanyian moment. Quasi-nationalisms look like an effective way to tame and control working class unrest without the need to abandon the strategic free market ideal.

The above line of reasoning answers to the apparent contradiction with regard to the Brexit referendum: people attempting to send a strong message of disobedience to the Westminster establishment wound up supporting the most conservative UK government after the Thatcherism of the 1980s. This interpretation goes beyond the explanations attempting to understand the voting behaviour in the Brexit case on the basis of purely economic criteria - the winners and losers from globalization. In fact, 'for every one person who voted leave because the global rat race had left them behind, there was more than one person pretty well served by the economy, who voted leave'.<sup>13</sup> If we look at the figures that plot voting against housing, social and council tenants voted Leave, but so did those who owned their houses outright, the people we might describe as society's winners. By housing type, the only groups where Remain prevailed were private renters and people with mortgages.<sup>14</sup>

The above analysis can be easily generalised all over Europe. Regardless of the forthcoming election results in the US, France, and Germany, the rise of right-wing parties and political rhetoric poses a threat to a dysfunctional monetary union without posing a real danger to capital and its free movement. But most importantly, it seems that the xenophobic Brexit agenda is gradually haunting all of Europe. All European leaders have warned that the UK will not be allowed to 'cherry-pick' the relationship

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<sup>12</sup> Karl Polanyi (1992) *The Great Transformation: The Political and Economic Origins of Our Time*, Boston: Beacon Press.

<sup>13</sup> Zoe Williams, *The Guardian*, 7 August 2016, ;Think the north and the poor caused Brexit? Think again': <https://www.theguardian.com/commentisfree/2016/aug/07/north-poor-brexite-myths>

<sup>14</sup> Zoe Williams, *ibid.*

to the single market. The price to be paid is EU immigration. Suddenly, *immigration flows and free labour movement has become the negative cost one needs to pay in order to 'enjoy' access to the free market.* Long live the Europe...

#### **4. The strategic dilemma of the left: some thoughts for the future**

In the UK referendum the left and the Labour Party, in particular, were caught in a midst of dangerous and unpleasant dilemma. Both the Remain and the Leave campaigns were led by opposing political forces. UKIP and conservative Tories put their stamp on the leave camp while Tories, Liberal Democrats, and Labour Party Blairites led the Remain campaign. The ground for Corbyn's Labour Party was particularly slippery in that debate. The challenge for the left was more strategic: Would it be possible to argue for a leftwing exit (the so-called Lexit) when Brexit is ideologically reigned by Thatcher's admirers or nationalists? Would it be possible to uncritically support the current version of the EU, which is nothing more than a stronghold of neoliberal recession-led reforms? The argument that was finally adopted, 'remain to change Europe', was hardly appealing and convincing. The UK political establishment has so far been an absolute and uncompromising guarantor of a rightwing and pro-market EU. It has also been an impediment to further unification, which could potentially rebalance the current dominance of the conservative political agenda. The UK could change Europe in so far as it changed itself. The 'remain and change' line would make sense only to the extent that it set out an alternative agenda for both the UK and the EU politics. This project was never actually undertaken by the left. And there is a good reason for that.

The Labour Party right-wingers have put forward a clear argument about Britain's EU membership: staying close to Europe would serve the national interest, empowering the role of the UK in the contemporary global landscape. On the other hand, the leftwing perspective about the EU can be summarized by the following older statement of Tony Benn: 'When I saw how the European Union was developing, it was very obvious what they had in mind was not democratic. In Britain, you vote for a government so the government has to listen to you, and if you don't like it you

can change it'.<sup>15</sup> Tony Benn was right indicating the democratic deficit in the way the EU has been developed so far. However, a possible answer to this deficit could, in principle, be a demand for more unification: the European parliament to become accountable in its decision-making. Tony Benn was against that prospect because he seemed to believe that it was easier for voters to influence national governments. Corbyn sympathises with this view and this probably explains his unwillingness to whole-heartedly support the Remain campaign. It is also the same argument that inspired the Lexit idea that a leftwing Brexit was possible. However, this argument is based on two erroneous assumptions with regard to the social nature of the capitalist state. First, the capitalist state and its political institutions are not neutral; the state is a key institution in the organization of capitalist power. Second, capitalist states and societies cannot exist in isolation. Their complex and multileveled interactions are reflected in domestic power relations and structures. The UK's 'hard' exit from the EU would solve the abovementioned democratic gap in relation to EU membership, but it will also recalibrate the UK's position at the international level, consolidating a more conservative political agenda and related conservative forms of governance. A different set of compromises would originate a new democratic deficit.

The question with regard to the exit from the EU should thus be addressed in relation to an analysis of the contemporary form of capitalism. The exit from the EU could not be a return to the nation-state in general but only a decisive step towards a different set of power relations and an alternative interaction with the global market. Should Brexit be a strategic target for the working classes and the left? Could an alternative exposure to the global market exist, to the interest of working people? Some progressive thinkers do embrace this idea, which gains some ground even within Germany, probably the most pro-European society. For instance, acknowledging that the EMU has been a political mistake, Wolfgang Streeck suggests unravelling the project of euro and returning to an orderly system of flexible exchange rates in Europe.<sup>16</sup>

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<sup>15</sup> <http://www.bbc.co.uk/news/uk-politics-26575258>

<sup>16</sup> Wolfgang Streeck (2014) *Buying Time: The Delayed Crisis of Democratic Capitalism*, London and New York: Verso. See also the Appeal of the Lexit (Left Exit) campaign: <http://lexit-network.org/appeal>. Of course, the debate in Germany has many different aspects as well, see: C. Offe

Globalisation is something much more than a mutual institutional contract between sovereign nation-states that can be unilaterally challenged. Globalisation (or neoliberalism, a term which is often used to indicate the same economic, political and social context) is the *irreversible* new form of capitalism. Schematically, we could argue that globalisation is a fundamental re-contextualisation of the relationships between capitalist states, the workings of capital and the global market. The reproduction of social power relations is intertwined with the workings and the historical norms of globalisation.<sup>17</sup> Even if the project of EMU were abandoned, individual European societies would not have the historical option or even the power to place themselves beyond the reach of globalisation. The argument holds for countries like Greece but also like the UK.

No doubt, the EMU has been a useful mechanism to facilitate the adjustment to a new global order by promoting and reinforcing conservative reforms. The case of Greece is probably the most indicative example. However, the exit from the union could by no means become part of a genuine de-globalizing process. It would probably impose upon societies a more conservative pro-capital agenda, one led by a new exposure to global competition. As a matter of fact, the aggressive and conservative ruling elites of the UK got it right. An exit from the EU implies exposure to a competitive global market, in which what was claimed and promised by Brexiters as 'more flexibility' means, in practical terms, nothing other than a set of TTIP-like bilateral type of agreements (exactly like the one recently drafted between Canada and the EU). It might be a risky strategy but, as argued above, it is one that can potentially subordinate social resistance to a new conservative strategy for the UK capitalism.

The Leave or Remain dilemma is a systemic one: it is about which pro-capital strategy British politics will follow from now on. This is a wrong debate for the left. The improvement of the working class's living conditions could only come from a challenge of domestic power structures and the creation of radical democratic institutions in an anti-capitalist perspective. The Brexit agenda might take a range of

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(2015) *Europe Entrapped*, Cambridge (UK) and Malden (USA): Polity Press; J. Habermas (2015) *The Lure of Technocracy*, Cambridge (UK) and Malden (USA): Polity Press.

<sup>17</sup> Sotiropoulos, D. P., Milios, J., Lapatsioras S. (2013) *A Political Economy of Contemporary Capitalism and Its Crisis: Demystifying Finance*, London and New York: Routledge.

different forms, but is definitely here to stay. It cannot be reversed but it can be defeated.