Brexit and the (Multiple) Paradoxes of Neoliberalism

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In my view, it makes little sense to talk of neoliberalism without first grounding the discussion in, and with reference to, liberalism itself. The positing of a "neoliberalism" requires, I would contend, some clear, and preferably explicit, understanding of how it differs from the liberalism out of which it, presumably, developed and from which, presumably, it departs. Neoliberalism, put simply, is an (adjectivally) qualified liberalism. So the question is, or becomes, how does the adjective "neo-" qualify the liberalism to which it surely must refer?

There are, of course, different ways of conceiving of this. But for me it is very simply stated. Liberalisms, conventionally, tend towards a direct advocacy of liberty. They make, in effect, a positive argument for (positive and/or negative) freedom. Conversely, neoliberalisms can be characterized and hence distinguished by their indirect or second-order advocacy of liberty. Indeed, typically, they involve the positive advocacy of the market (and/or quasi-market mechanisms) as a means to attain, guarantee, or better achieve liberty. Neoliberalisms thus tend to assume the normative validity of the end and proceed, accordingly, to justify the means, not the end in itself. They are, as this suggests, liberalisms at one remove; and this is arguably responsible for the frequently (and arguably increasingly) technical form in which they are articulated.

That is why, when I have sought to define neoliberalism precisely, in assessing the extent to which the self-styled "modernization" of the British Labour Party under Tony Blair represented an accommodation to neoliberalism, I did so by identifying three core features (and a few others that followed from those):

(1) a confidence in the market as an efficient mechanism for the allocation of scarce resources, allied to a normative conviction that this efficient allocation is also just if, and to the extent to which, it is efficient;

(2) an associated belief in the desirability of a global regime of free trade and free capital mobility (on the basis that if the market is a good, then the market should be expanded in terms of its scope and scale as much as is possible); and

(3) an, again, associated belief in the desirability of a limited role for the state as a facilitator and custodian – rather than as a substitute for – market mechanisms (Hay 2004).

Each is highly relevant, as I hope to show, to the discussion of the meaning and consequences of Brexit.

Such a definition has implications. First, thus conceived, neoliberalism is a *disposition* – and as such something that might be brought to bear upon a great variety of different situations, with potentially rather different implications. It can, in other words, be applied almost anywhere at any time, with its form and content reflecting the time and place of its application. Second, to talk of neoliberalism as a disposition suggests that we can helpfully talk of *neoliberalization*. This we might define, very simply, as the tendency to makes things more neoliberal than they would otherwise be through the application of the disposition (and the attempt to bring things into conformity with it). The point is that if we accept the characterization of neoliberalism as a disposition then it might well not just be helpful, but *better*, to talk in terms of neoliberalization than to talk of neoliberalism per se. For, third, if we can talk of neoliberalization then we can also talk of counter-neoliberalization (the counter-tendency to the tendency). Rather like Newton's third law, for every tendency there is always at least the possibility of a counter-tendency. Finally, and as this in turn suggests, whether neoliberalism wins out depends on the clash of tendency and counter-tendency, allowing us a spatially and temporally differentiated and dynamic approach to the question of neoliberalism's effects.

A separate but no less important point is that neoliberalism and neoliberalization need not necessarily be normative (in the sense of being pursued as goods in themselves); they can also be normalized. In other words, one can be dispositionally inclined to neoliberalism because one thinks of neoliberalization as an inherent good (Thatcher, Reagan, and so on). Or one can embrace its logic because one thinks that it is an imperative and that, as such, one has no choice other than to do so (it is, perhaps, a condition of some good – competitiveness, good economic performance, and so forth). Neoliberalism, I have argued, has become increasingly prevalent in this second form, allowing it to penetrate parts of the body politic (and its very institutional architecture) that it might otherwise not have reached (Hay 1999; 2004).

Finally, in the early literature on the subject, from which I would suggest we can still learn a very great deal, neoliberalism was never thought to exist on its own. It was never invoked as a term to capture the *zeitgeist*, but at best one part of it (a part, moreover, typically in tension with other parts). In Ruth Levitas' (1986) and Desmond King's (1987) seminal books on the New Right and in Andrew Gamble's similarly excellent *The Free Economy and the Strong State* (1988), as the title clearly suggests, we were never talking about neoliberalism alone, but rather the articulation of neoliberalism with something else. In the Britain of Thatcherism and the United States of Reagan that other thing was neo-conservatism (a term whose meaning has, of course, morphed quite a lot in the intervening decades). Neoliberalism was most effective, and it was implemented most fully, where the neoliberal and neo-conservative targeting devices of the New Right lined up to point in the same direction in identifying a common target – the welfare state, for instance (see Hay 1996; Hay and Farrall 2011; Farrall and Hay 2014). Interestingly, where they pointed in different directions, neo-conservatism often triumphed.

And that brings us – about time too, you might be thinking – to Brexit. For here, it might be argued, neo-conservatism has come to trump (if you'll pardon the verb) neoliberalism once again (though the EU, of course, appears in the targeting device of both neoliberalism and neo-conservatism).

On Brexit my argument is relatively simple. There is not much that we can say about Brexit if we choose to look at Brexit as a symptom of neoliberalism alone; but there is quite a lot that we can say about both Brexit and neoliberalism if we see the latter as never existing on its own but as articulated with other things and if we think not so much in terms of neoliberalism *tout court*, but in terms of neoliberalization and its counter-tendencies.

But what is clear about Brexit to anyone who has studied it, and probably to most of those who have not, is that it is paradoxical and contradictory. Here I draw out, as it were, the neoliberal paradoxes of Brexit – ten of them. But there are certainly others one could point to.

The 10 paradoxes of Brexit

(1) *The political imperative to trump all economic imperatives* (where, by "political imperative," I mean the honoring of the staunchly anti-immigrationist sentiment assumed to underpin the vote for Brexit and by "economic imperative" I mean the mantra "do no economic harm, certainly through market distorting measures"). What is first striking about Brexit is that we see a British government, arguably for the first time in recent political history, taking what it regarded to be a significant political and economic choice with what it perceived to be substantial economic consequences without regard for its own economic assessment – indeed, in open violation of the advice of its own Treasury. The closest examples of anything equivalent are the Falklands conflict, the Iraq war, and, I suppose, Wilson's own Brexit referendum (when Britain was, of course, the "sick man of Europe" and the economic assessment of a vote for Brexit far less clear). So much, one might think, for governance by perceived economic imperatives; so much for normalized neoliberalism. So much for TINA; it turns out that there was an alternative after all!

(2) *The triumph of the strong state over the free economy.* In the 1980s, the literature was clear: neoliberalism never came on its own. It was always accompanied by, and articulated with, other things – typically, indeed until the 1990s almost exclusively, neo-conservatism. As the years have passed and normative neoliberalism has given way to normalized neoliberalism, we have tended to forget this. Brexit is, among other things, a timely reminder. For it is, in effect, the revenge of the strong state,

or at least the idea of the strong (for which read "sovereign") state over the free economy. That triumph may, of course, prove rather pyrrhic (a point to which we will return presently), but it is a victory nonetheless.

(3) Relatedly, and again seemingly paradoxically, Brexit might either be seen as the end of three decades of depoliticization (a political and politicized "taking back control" of things previously subject to a dull logic of economic expediency). Or it might be seen as a highly politicized moment in the transition to the next phase of depoliticization, in which the imperative of the economic adjustment to the even harsher competitive terms of the new world in which Britain now finds itself will again come to trump political choice. In a sense, it is both; and, as such, it reminds us of the potential fragility of the institutionalized depoliticization of economic governance that we often associate with neoliberalism.

(4) In a similarly paradoxical vein, Brexit might also be seen either to herald the return of protectionism (or at least the expression of a protectionist reflex) after four decades in which the mantras of liberalization have predominated. Or, conversely, it might be seen to signal the rise of a more purist ultra-neoliberalism – neoliberalism in one country, as it were. Here it might be remembered that, for the official Brexit campaign (the one led by Michael Gove and Boris Johnson), the problem with the EU (to which Brexit was the solution) was one conceived largely (though neither explicitly nor exclusively) in neoliberal terms. For them, the EU represented not greater market integration and the elimination of barriers to free trade and free capital mobility (the basis of Thatcher's reckoning and rapprochement with the idea of Europe) but a mountain of "Brussels red tape," unnecessary and overburdensome regulation, the carrier and promoter of an illiberal "social model" and the triumph of the "super-state." It was a market distortion and an impediment, in other words, to neoliberalization. The irony, of course, and the associated paradox is that this is not really the Brexit of the May government – which has tended to resolve the ambiguity in the meaning of Brexit in favor of the unofficial Brexit campaign, thereby privileging a neo-conservative rather than neoliberal objection to the EU. The point, in a way, is that like many of the targets of the New Right in the 1980s, the EU appears in the cross-hairs of both neoliberals and neo-conservatives and the campaign for Brexit was led by both (albeit relatively neatly partitioned between the official and unofficial campaigns). And this left, in effect, a particular interpretive ambiguity around the meaning of Brexit – does honoring Brexit involve pandering to neo-conservative anti-immigration sentiment or to a neoliberal deregulatory disposition? The implications for Britain's place in the world economy of resolving the ambiguity one way or the other are clearly very significant and at present the Brexit negotiations have not led to a significant clarification of the extent to which neo-conservative reflexes will be allowed to trump neoliberal economic expediency.

(5) This takes us directly to the next paradox: does Brexit represent the end, or the consolidation and further purification, of the Anglo-liberal (growth) model? On one hand, Britain is likely to become more dependent on debt-fueled consumer demand, so-called "asset-based welfare," equity release, consumer credit, and hence, ideally, the continuation of a low inflation–low interest rate equilibrium. All of this suggests that it will reinforce the singularly liberal character (at least in the comparative European context) of its growth model. On the other hand, in anticipation of the economic troubles ahead (notably the threat to sterling on foreign exchanges), we have seen something of a return to "foul weather Keynesianism" (Hay 2011) and the greater prospect of the foul weather proving climatic – foul *climate* Keynesianism perhaps? Witness finance minister Hammond's pump-priming of the housing market yet again (this seems both paradoxically neoliberalizing and de-neoliberalizing). Or witness, again, the espousal (as yet nothing much more substantive than that) of the need for an industrial strategy for the first time since the 1970s.

(6) This brings us to another thorny old chestnut of British political economy – the City–Bank–Treasury nexus. The question here is whether Brexit threatens a potential de-coupling of the Bank of England and the Treasury from the City and hence the bringing to an end of the City–Bank–Treasury nexus that has long been held to characterize economic power in Britain. It certainly appears to represent a potential moment of reckoning for the Bank of England: does it defend the value of sterling at the risk of threatening the growth model (reliant on cheap credit, house-price inflation, equity release, and debt-fueled consumption) or does it decouple macroeconomic management from the (perceived) interests of the City? At present the jury is out – like many things with regard to Brexit, a delicate balancing act is currently in play. How long it endures is anyone's guess. A second irony here is, of course, that the neoliberal-engendered transformation of the City of London (Thatcher's "Big Bang") contributed significantly to the possibility of Brexit in the first place. Put starkly, "the City" is not the City of old (in that it no longer comprises British institutions) – and the reason for that is the "Big Bang" and neoliberal-inspired financial deregulation. The pre-Big Bang City would have fought hard and dirty (and almost certainly successfully) for remain; the new City did not and could not, being prepared, in a way, to bear the (more marginal) adjustment cost of re-distributing its activities between the multiple financial centers in which its constituent banks and financial institutions are now located. Brexit also arguably represents a significant weakening of the Treasury – the referendum, in effect, sidelined it.

(7) A further paradox relates to the implications of Brexit for the character of Britain's external economic interdependence. On one hand, Brexit might be seen, quite simply, as unleashing a series of de-Europeanisation tendencies. One might expect, all things being equal, the ratio of intra-regional to inter-regional cross-border economic transactions involving Britain to fall with Brexit, after 50 years in which the figure has grown steadily and constantly (with respect to trade, from around

20 percent to in excess of 60 percent). As such, Brexit might be expected to lead to a de-regionalization and hence geographic globalization of Britain's external economic relations. But all things are not equal – and things are more complicated than this implies. For Britain's terms of trade with the rest of the world are likely to suffer just as much, if not more, with Brexit as those with the EU27 in the years to come (for it was, of course, primarily through Britain's EU membership that it came to enjoy its privileged access to non-EU markets). Thus, whether Brexit represents a net-globalization or a net-regionalization of the British economy remains to be seen (and will be contingent upon negotiations that have really yet to begin in earnest).

(8) What is rather clearer is that Brexit is likely to lead, at least in the medium-term, to an even more swingeing and brutal form of austerity, even if its short-term effects are to postpone the point at which deficit reduction becomes debt reduction. The point is that Brexit can only suppress the growth potential (relative to pre-Brexit trends) of the British economy and that can only serve to escalate the costs of (any pre-existing commitment to) austerity and reinforce Britain's reliance on private, asset-based welfare rather than public welfare. The macroeconomically destabilizing and pro-cyclical character of that reliance suggest the longer-term dangers of such a dependence.

(9) This brings us to two final and rather different paradoxes. The first is that the revenge of the strong state – the victory of the nation-state over the member state as Chris Bickerton (2013) might put it – threatens the fragmentation and dismemberment of the British state itself. For it is not clear that the increasingly fractious alliance of Great Britain, yet alone the increasingly anachronistically titled United Kingdom of Great Britain and Northern Ireland can endure the combined political and economic trauma of Brexit. Time will tell.

(10) Finally, and perhaps most paradoxically of all, Britain's rejection of neoliberal globalization (insofar as that is deemed an appropriate characterization of at least some of the support for Brexit) is, of course, likely to result in a reinforcement of the neoliberal character of Britain's growth model at precisely the moment it becomes more exposed than at any point in the last 50 years to the rigors of a more genuinely global competition for market share. It seems, in other words, that in and through Brexit, Britain has come to reject neoliberal globalization in favor of … neoliberal globalization. That is some paradox and it is difficult to see it ending well!

That this is so is, of course, a consequence of the fact that Brexit is a product of the complex interplay of neoliberalizing and counter-liberalizing tendencies and counter-tendencies and a combination of neoliberal and neo-conservative reflexes. Put like that, it is hardly surprising that it is likely to prove both neoliberalizing and de-neoliberalizing in terms of its effects.

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