Explaining Brexit

What persuaded more than 17 million people in Britain to choose to leave the European Union in a phenomenon dubbed Brexit? This question has occupied the minds of researchers since the decisive vote in 2016. Scholars have proposed various factors that could have played a role in the run-up to the referendum.

Fetzer (2019) proposes that austerity – the reduction of the governmental budget through cutting spending and increasing taxes of the welfare state – was a driver in understanding how the referendum was proposed and why the "Leave" campaign ultimately won the vote. The question of leaving the EU in 2016 had, however, not been posed for the first time. Just two years after joining the precursor of the European Union in 1975, the European Economic Community (EEC), a referendum on continued British membership of the EEC was held. Carl, Dennison and Evans (2019) take this as initial proof for their proposed contributor for Brexit, that Britain has never had a strong European identity and actually has been one of the most Eurosceptic countries in the European Union and has continued this trend until voting to leave the EU in 2016. It should be noted, however, that the result of the 1975 referendum was 67% in favour of remaining within the EEC. The Euroscepticism at that time can be regarded as somewhat subdued.

A Cultural Perspective

Carl et al. (2019) review and discard existing explanations for why Brexit may have happened. The first focus is on the Leave campaign and it's misleading tone which – also through false claims – was able to sway voters. In particular Michael Dougan, a professor of political science, is mentioned, as he argued that the Leave campaign used dishonest arguments in order to win votes. Carl et al. find the (false) campaign arguments insufficient to have influenced determinant factors over the relatively short campaign period.

The district-level variations in support for Leave are most likely caused by factors such as demographic and economic effects that are not expected to change in the short-term according to Becker et al. (2017).

A second explanation from Carl et al. includes the Euroscepticism of the UK as a proxy for frustration. Voters were exasperated over poor living standards and attributed the resulting discontent not to the failings of the national government, but rather to decision-making within the EU and expressed their opinion at the ballot box accordingly. It would – in that case – ultimately be the economic inequality and social spending problems that prompted people to vote for Leave. Carl et al. believe this explanation to be insufficient as measures of Euroscepticism are only minimally correlated with measurements of inequality and austerity across the EU.

The third explanation Carl et al. (2019) review is the accumulation of losers due to globalisation. Individuals that were dissatisfied with the developments in British society were left marginalized, consequently voting for Brexit in protest at the economic ramifications of globalisation. Carl et al. discount this theory also, arguing that globalisation losers in other EU countries are not found to be Eurosceptic.

A fourth explanation focusses on the authoritarian values of Leave voters as opposed to the more liberally inclined Remain voters. Here, the Brexit story would be values-based and not a function of economic inequality.

Carl et al. argue that all of these explanations are insufficient, as they only focus on national level phenomena rather than being generalizable to other countries. They hypothesize a weak sense of European identity in the UK, which instills doubt about the legitimacy of EU institutions. They provide data positing the UK's net opinion of their membership of the EU to be a bad thing over many years, implying that Britons were consistently less positive about their relationship towards the EU than other countries.

Methodological Analysis. Carl et al. hypothesize that the difference between the UK and the rest of the European countries could be explained in two ways. The support of the EU on average could be lower (this variable would stay constant) and on the other hand the influence of other factors such as the national identity would have an additional (slope) effect. Three analyses are performed to test this hypothesis.

First a UK or not-UK fixed-effects model is created based on Eurobarometer data from 2005 to 1014, so as not to interfere with campaign effects. The independent variable was coded in a binary manner to refer to UK and non-UK countries, the dependent variable was Euroscepticism (measured in two different ways), national identity and other socio-economics characteristics, such as age were included in the analysis along with measures that are related to the feeling of losing out in globalisation (e.g. trust in political parties and the national government, personal job situation and salience of immigration). The analysis shows that only 0 to 17% of the gap in Euroscepticism between the UK and other EU member states can be attributed to socio-economic characteristics and the feeling of losing out in globalisation. 17 to 41% of the gap on the other hand can be attributed to the strength of national (rather than European) identity.

To investigate the slope effect in a second step, as hypothesized above, models with cross-level interaction effects were created to demonstrate that national identity has a stronger association with Euroscepticism in the UK than in most other member states.

Country-level data is used to confirm both findings of the second analysis that on the one hand, it is indeed the strength of the national identity and Euroscepticism that are the main explanations behind Brexit rather than measures of austerity or inequality and on the other that the UK is exceptional in this perception of losing in globalisation or European values. The authors are indeed able to confirm – with the chosen data – that national identity (as opposed to European identity) is strongly correlated with measures of Euroscepticism.

In their discussion they attribute the low sense of European identity to the country's history (strong links with its former Empire, and the single European allied power that has resisted occupation by Germany), its culture (common law legal system and a national church vs the civil law system in Europe) and geography (an island, which fostered the perception that 'the continent' is remote).

Criticisms of the Carl et al. Approach. Whilst restricting the analysis to no later than 2014 "to avoid contamination from campaigning effects" (Carl et al., 2019) may help with cross-country comparisons, this basically presumes the correctness of the hypothesis and specifically discounts any one-time effects of campaigning, Cameron's somewhat ineffectual negotiations with the EU and 2 years of any other possible explanations of Brexit.

The cross-national comparisons on which Carl et al. base their hypothesis ignores one salient point, namely that the opportunity of voting to leave the EU (i.e. calling a referendum) was a necessary precondition for Brexit which has (perhaps with the exception of Greenland which also chose to leave) not yet arisen in other non-UK countries. In cases where referenda on other EU topics have been held (Euro currency, EU Constitution, Maastricht Treaty, Nice Treaty, Lisbon Treaty) the results have been, to say the least, rather non-uniform (NSD - Norwegian Centre for Research Data, n.d.).

The Church of England argument Carl et al. propose is very tenuous, since church attendance in general in the UK is very low (ca. 5%), of which only 21% are Anglican. In fact a higher percentage (25% of all churchgoers) are Catholic and in 2015 a mere 660,000 Anglicans attended church (*Christianity in the UK*, n.d.).

An Austerity Perspective

Fetzer (2019) begins his theoretical background with a review of the UK Independence Party (UKIP) over the years. He explains that UKIP votes mainly originated from the Conservative Party. Voters can be split into two distinct camps, on the one hand wealthy people that identify with arguments of the party centring around Euroscepticism and on the other hand economically struggling individuals with a Labour party background. Fetzer primarily focusses on short-run campaign effects and

recounts that events of the Leave campaign famously and wrongly suggested that 350 million pounds of the governments' budget per week go to the EU, which could be better spent on the National Health Service. The correct figure amounts to 181 million pounds, or annually 1.2% of the United Kingdom's GDP. The campaign incited fear while promising that if the UK were to leave the EU, it could retain the benefits without having to meet any obligations.

Methodological Analysis. Fetzer uses both district- and individual-level data. Focusing on the UK Independence Party (UKIP) as a proxy for the sentiment to Leave the European Union. The austerity shock is used to estimate multiplier effects on local GDP. Individual-level data is collected through the Understanding Society study (USOC) panel data of a consistent 40000 households.

Fetzer's results indicate that austerity-induced welfare reforms commencing in late 2010 contributed significantly to the instability in the political landscape of the UK. Spending of welfare per person fell by 23.4 percent in real terms between 2010 and 2015. Subsequently support for UKIP grew in areas where benefit cuts became effective. Fetzer is able to attribute between 3.5 to 11.9 percentage points of the increase in UKIP vote shares to austerity.

Individual level data from the panel shows that those who were exposed to various welfare reforms significantly increased their support for UKIP and thus Leave in the referendum. Sentiment was also expressed as feelings of lack of confidence in the impact of their vote.

Criticisms of the Fetzer Approach. There is an argument to be made questioning, that austerity was a (main or single) driver of Brexit when the results of the referendum are considered according to age demographic. Those 65+ tend to be largely insulated from fluctuations due to the austerity measures (Fetzer himself writes that "expenses for pensions steadily rose") or unemployment, yet precisely this group voted most strongly to leave (60%). The 18-24 group voted most strongly to remain (73%), yet were hit more directly by austerity measures ("spending on education contracted by 19 percent in real terms").

Fetzer omits to account for the permanently strong EU sentiment in Scotland. The argument of austerity could apply equally in parts of Scotland (Glasgow, Ayrshire, Dumfriesshire, ..) as in England, yet polling in Scotland consistently registered a strong majority for "remain" and finally in the referendum a 62% majority for remain resulted.

Northern Ireland (56% voted Remain) seems to have been completely forgotten in the analysis and it is safe to say that in Northern Ireland many factors other than austerity will have played an important role, not least being the common land border with the Irish Republic (i.e. the EU) and historical allegiances for and against the UK, largely along religious lines.

Contribution to EU and EU Integration

Carl et al. posit that Britons' have a comparatively weak sense of European identity which explains their Euroscepticism when they were in the European Union. The UK is therefore opposed to closer political union as "holding a political union together requires a reasonably high degree of common identity among the individuals living within that union" (Carl et al., 2019, p.299). With their article the authors contribute to the literature on Brexit, more specifically they focus on a comparative approach, which has previously been neglected for analyses of differences between individuals within the UK. The authors attempt to provide answers to a different question, namely why it was the UK that voted to leave as opposed to any other member state.

In this vein Carl et al.'s article contributes to EU understanding by examining the background mechanisms of why a defining event such as Brexit would happen in one particular country versus another and conversely by examining European as opposed to national identity. The article examines what makes people identify themselves as European or as part of a nation in the first place.

Fetzer's paper focusses on the economic drivers of Brexit. While past evaluations have concentrated either on the backlash against globalization creating winners and losers (this is also the main focus of Colatone and Stanig's 2018 paper), here there is a specific emphasis on the role of the welfare state or on the impact of immigration and, in particular, the free movement of labour.

The paper specifically focusses on UKIP and their gains of voters previously associated with the Conservative Party. Fetzer attributes this political gain uniquely to austerity. The austerity reforms instituted by the Conservatives had a political cost, a notion for which Fetzer suggests there is limited evidence in the literature. A second contribution the paper makes is in the economic factors contributing a rise in populism. Previous research by Fukuyama (2018), Mutz (2018) and Norris and Inglehart (2019) suggests that economic factors are less relevant. This is in contrast to what Fetzer finds in his research.

Progressing Knowledge

There is a slight tendency in the surveyed literature to attribute Brexit to a single (main) cause, be it austerity (Fetzer, 2019) or a weak sense of European identity (Carl et al., 2019). It does appear more than logical that the reasons behind Brexit were compounded over many years (and perhaps decades). This assumption is to be found in the hypotheses of both Fetzer and Carl et al., such as the use of high-frequency panel data by Fetzer which would support my preferred hypothesis of a build-up of political momentum over some years due to multiple factors. Carl et al. is unable to rule out the possibility of endogeneity, that Euroscepticism actually causes weaker European identity, or that both variables are confounded by some third factor. Through the inclusion of historical events, I propose an analysis determining a sequence of causal events.

There are many contributory causes and at different points in time the dominant cause may well mutate. My research agenda would target an analysis of the available data (polls, elections, surveys and panel-data) longitudinally, but without an assumption that the same driver will always be dominant. Nonetheless, certain contributors, though important, will remain largely static and these may sometimes be regional such as the SNP affiliation in Scotland and the land border with the EU in Northern Ireland.

Contributing Factors to Brexit

In most political parties there was some division on even proposing a vote on Brexit. The question of allowing a referendum became a hot topic of the 2015 general election and was designed to neutralise the increasing popularity of UKIP (practically a single-policy party dedicated to exiting the EU) amongst Eurosceptics in the conservative and other parties.

PM Cameron strategized that the mere threat of an exit would give him an advantage in negotiating new/better terms for the UK's EU membership with which he would robustly campaign for continued EU membership. The importance of the former prime minister was indeed mentioned in Carl et al.'s 2019 paper as to why there was a referendum in the first place.

GB renegotiation of EU membership. Cameron announced that he would be campaigning for Britain to remain within a "reformed EU". The terms of the UK's membership of the EU were renegotiated over many months, with agreement reached in February 2016. In the UK, the hard-won agreement was considered as at the lower end of expectations regarding increased autonomy of the UK with regard to immigration, benefits payments to non-UK EU-nationals and acceptance within the EU that UK is not committed to "ever closer union".

The EU itself had little incentive to compromise because of the relative balances of trade. The EU trades more with the UK in terms of volume, but as a percentage of GDP it is only around 4%, whereas for the UK, the trade with the EU constitutes around 20% of GDP. There was, then, an asymmetric bargaining power balance.

Grexit. The economic turbulences in Greece and the reaction of the EU (and other international organisations) fostered a much more negative opinion of EU political leadership. Not only in Greece was the EU-criticism rampant.

The treatment of Greece was broadly adjudged (rightly or wrongly) by many, and also in the UK, to be very off-hand and somewhat callous. The thought was born, that "if it could happen to them, something similar might happen to us". Carl et al. (2019) also mention the Eurozone debt crisis as a factor that contributed to Euroscepticism that only contributed to the perception of the European

project being flawed. While Carl et al. only mention this historical event in the final discussion of their paper, due to the importance of formation of public opinion it is proposed to consider these events as distinct contributing factors.

Sterling and the Eurozone. The British pound was never replaced by the Euro currency (UK and Denmark opted out of the compunction to join the Eurozone in the Maastricht Treaty) and – during the financial crisis of 2008-9, this was widely considered an insulating advantage in financially turbulent times. Thus having a semi-detached relationship with the EU was greeted as advantageous. Could a complete detachment (Brexit) then be considered ideal?

UKIP. After trust in the mainstream parties was damaged by the parliamentary expenses scandal, UKIP received an immediate surge in support in the 2009 European elections where it placed 2nd after the conservatives, a feat never before achieved by a newly-formed party. Also a feat never achieved by a single-issue party.

In the 2014 local elections UKIP more than quadrupled their seats and in the 2014 European elections UKIP received 27.5% of the vote (more than any other party). Fetzer's use of UKIP as an indicator of sentiment towards Brexit makes sense to a degree, although losses at the 2015 election dented their popularity for some time afterwards (Figure 2 in the paper corroborates this). Only looking at UKIP sentiment is thus not a clear indicator of pro-Brexit sentiment.

Labour. The Labour Party was also split on the policy of Brexit. In particular the leader (Jeremy Corbyn) refused to clearly state whether he was for or against until April 2016 where he maintained his criticisms of EU membership whilst at the same time saying that there was an "overwhelming case" for staying in the EU, but then also rejecting claims that leaving the European Union would lead to a "year-long recession". The fact that the major opposition in government was not decisively "pro EU" would certainly have an impact on the public opinion.

Boris Johnson Love him or hate him, Boris Johnson was, in the years before the referendum, the conservative's most effective populistic figure. He himself was on the fence for a very long time and seemed predominantly interested in taking the position most advantageous for furthering his own political career. For years it had been mooted that Johnson ultimately saw himself as a future PM and in the Brexit question developed a line of thinking that pitted himself against Cameron. Cameron as a "Remainer" would be strengthened if the Brexit vote failed, so – it could well be argued – Johnson ultimately chose to tip the scales in the opposite direction, since only with this outcome would Cameron be sufficiently weakened to enable Johnson a shot at the job of Prime Minister.

Indirectly Johnson (who became PM with a delay of some 3 years) was proven correct in his calculations.

The Press Carl et al. (2019) express doubts as to whether the Eurosceptic press in the UK, played a crucial role in forming opinion. As a supporting argument Carl et al. reference 1975, where the " press overwhelmingly backed remaining in the European Community " (Carl et al., 2019, p. 299). This is contradictory and would in fact strongly support the press' crucial role, since in 1975 67% voted to remain (in the EEC). Observations of press opinion is in fact a crucial variable in the formation of public opinion and is important to consider.

Proposed Analysis

Hypothesis. The mindset of the electorate was changed long before even the decision to hold a referendum was made. Momentum was built (based on several areas of policy and key events) well before the vote was held and, combined with some political manoeuvrings, continued to carry the "Brexiteers" across the finishing line in 2016.

Method. The answer to explaining Brexit lies in changes of opinion over time, which caused the established parties (including those in power) to react in unusual ways. The analysis should track the

public opinion to recognise on possible inflexion points in opinion polling (on EU membership, UKIP support, Euro positivity) and panel data exacerbated by the following events:

- The threat of Grexit (several key events: first and second bail-out/austerity programmes, negotiation stop with Troika and referendum)
- Change in stance of Conservative party (manifesto with referendum proposal)
- Johnson's decision to support leave
- Cameron's renegotiation on EU membership

An additional content analysis of major news outlets, analysing changes in stance of the press longitudinally would complement the major factors influencing the outcome of Brexit.

The assumption is that the culmination of pro-/ anti-Brexit positions yields a slight majority for exiting in June 2016, with inflexion points in opinion due to several, if not all, key events.

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