

What Brexit Tells us About Institutions and Social Action

Geoffrey Wood

Professor of International Business and Dean of Essex Business School

University of Essex

gtwood@essex.ac.uk

and

Mike Wright

Professor of Entrepreneurship

Director, Center for Management Buyout Research

Imperial College

Mike.wright@imperial.ac.uk

In his searing novel of the violence at the heart of the building of the American West, *Blood Meridian*, Cormack McCarthy depicts individuals who both relentlessly pursue their own enrichment, and yet regularly engage in actions that are both inexplicable and self-destructive. This raises the question as to the role of incompetence, misjudgment, opportunism and failure at formative times of institutional building and change.

A focus on the distribution, rather than the efficiency, aspects of institutions highlights their inherent fragility (Thelen, 2010, 54). Actors will constantly seek to test or renegotiate any compromise, and there is the omnipresent threat of alternative or reformed coalitions of interests presenting themselves (Thelen, 2010: 54; Hall and Gingrich, 2009). Meanwhile, historical institutionalism highlights the importance of power and politics within institutional arrangements, which provide opportunities and constraints on social action. Even in times of 'critical juncture', institutions and politics both evolve in ways that follow a particular logic, following on the structural context (Thelen, 2010: 55). Both these approaches conceptualize attempts to change institutions as the product of logical processes, representing either rational calculations or contextually logical products of historical circumstances.

Most strands of comparative institutional analysis stress the duality of institutions and social action, with each influencing and remoulding the other, stretching back to the works of Georg Simmel (Jackson, 2010; Lane and Wood, 2009); it is also generally considered that social action constitutes a process that is at least partially reasoned and thought through. Historical settings frame actors' interests and actions: actors may both reinforce the rule book and seek to depart from it (Jackson,

2010). The literature on comparative institutional analysis has tended to focus on collective action by actors. However, it is recognized that more coordinated settings strengthen collective ties within and between actors (Lane and Wood 2009). In liberal markets, where owner interests predominate, a greater range of opportunities are presented for entrepreneurial actions by individual players (c.f. Dore, 2008).

Actors can be seen as ‘creative political schemers’, rather than ‘acting out the parts the theorist has set for them’ (Crouch, 2009: 87). However, the extent to which actors may be incompetent or bungling in their schemes, and the extent to which such incompetence and bungling may have far reaching consequences for institutions is often underestimated. Endogenous approaches to understanding systemic change suggest that continuity is secured by ‘skillful’ actors who use their existential material and/or political advantages to prop up and secure their positions; challengers seek to contest this in a ‘strategic dance’, characterized by shifting tactics (Fligstein and McAdam 2012: 84). It could be argued that disorderly or chaotic change may represent not only shortfalls in capabilities and judgments on the behalf of both agents of continuity and change. Exogenous conceptualizations of change focus on relatively unusual external shocks; such circumstances open up particular opportunities for ‘skillful’ actors to remake the system in their own interests (ibid.). Once they have secured their position, then the new order is rapidly bedded down. However, a failure to capitalize on this opportunity may make for an extended period of disorderly systemic flux. Beckert (2013) argues that in times of uncertainty, actors are particularly likely to imagine or have *fictional expectations* about what the future may be like. With fiction come narratives, which can become self-fulfilling; they serve the interest of the speaker without necessarily mapping out an advisable path or ensuring future stability and growth (ibid.). At the same time, the manner in which such narratives unfold may represent a sharp departure from past trajectories; the choices made by actors may be difficult to predict.

Above all, Brexit should be seen in such a light. While it would be difficult to completely deconstruct the actions of two key players, the former Prime Minister, David Cameron, and the leader of the Brexit campaign, Boris Johnson, widely repeated theories in the media suggest two dimensions. Firstly, Cameron had embarked on the gamble of holding referendums as a means of solving or kicking into the long grass persistent challenges or dilemmas; this included electoral reform, the Scotland referendum and the Brexit one. Inevitably, as with a gambler who tosses the dice one too many times, bad news presented itself. Secondly, Johnson seems to have hoped to burnish his credentials with the Tory rank and file through leading his campaign to a narrow defeat, without having to face up to the challenges Brexit would bring. The outcome was one neither

individual appears to have anticipated nor had plans to manage. Not only will Brexit fundamentally change the impact of supra-national EU institutions on UK regulation and governance (with knock on effects on nested national and sub-national institutions (c.f. Boyer and Hollingsworth, 1997), but it also places into renewed question the survival of the United Kingdom as a single political entity. The scheming of more minor actors in this tragedy is an equally dismal story, but there are many more subplots of miscalculation, wrong headedness, willful stupidity and petty treachery. Even less inspiring is that some of the investors who lavishly funded the Brexit campaign were the same who bet against the pound (Johnson et al. 2016), in other words, actively working to bring about economic disruption in order to profit through it. Quite simply, British institutions will undergo fundamental change, and this change has not been brought about by the rational calculations of key actors, nor does it represent a successful example of premeditated opportunism.

While Brexit was marked by elite failure and bungling, it was an elite that expressly excluded the intellectual classes. This is not to suggest that, as with any other ideology, neo-liberalism does not have its fair share of prophets. However, an increasingly forceful political narrative in Liberal Market Economies has been a disdain for intellectual thought, evidence based compromise and qualification (Massey, 2000; Rigney 1999; c.f. Etzioni, 2006). As Priestland (2010) has pointed out, elites can be divided into three categories: the rich/owners of capital; militarists and intellectuals. Only when the last are taken seriously – which normally only follows after a period when other two elite segments are completely discredited – is there a basis for durable social compromises, and for political elites to be held properly to account. The failure of the intellectual elite to make themselves heard above the noise of the Brexit battle is part of a particularly worrisome trend. On one hand, it was an easy and cheap shot for political elites arguing for Brexit to state that we have had enough of intellectual elites in the form of experts (many of whom, as Grey (this issue) notes, probably now have to enact a policy they did not vote for or believe is realistic). Academics are rarely successful in making their increasingly complex insights accessible to a mass audience, despite increasing exhortations to be impactful beyond academia. This arises in part because much academic energy is diverted to securing peer reviewed publications, while even potential informed readers are increasingly prepared to read only short digests conveying unambiguous messages even if the research on which it is based does not support such an unequivocal conclusion. On the other hand, in hankering after simplistic solutions for complex problems by disregarding the insights of experts is a direction in which lies populism, the mob, and worse. As such, the wider public are vulnerable to misinformation and downright lies promulgated by other elites. The relative weakness of intellectuals in Liberal Markets would reflect the extent to which the other two elite categories are relatively powerful in such contexts. Intellectuals, through their (unbiased) scientific knowledge,

are able to speak truth to power not least in the development of policy based on objective evidence, without which policy actions may well make situations worse. Truth was a particular casualty in the claims made by both protagonists and antagonists in the Brexit debate.

Bressand (1979) notes that elite incompetence is often associated with a wider sense of unease about life and change. It has been argued that the 2008- financial crisis was itself an example of elite failure; the latter had become hubristically detached from the complexities and contradictions of the financial ecosystem (Engelen et al., 2012). In turn, the underlying roots of the crisis at least in part lay in the elite enclosure of increasing amounts of the commons, and rising social inequality (Savage and Williams 2008). Lupia and Johnson (2001) conclude that behind destructive referendum outcomes often lies elite maneuvering and misjudgment, while Morgan (this issue) identifies elite fragmentation. In other words, elite failure helped sow the seeds of the Brexit crisis, which were reaped by means of elite bungling. More broadly speaking, the central theoretical lesson of the Brexit debacle is that systemic change is not always calculated nor best serving the interests of change agents or of the wider national well-being; institutional regimes may be endangered through elite incompetence, even if only by a small handful of individuals. Change under such conditions is likely to lead to particularly unpredictable outcomes.

References

Beckert, J., 2013. Imagined futures: fictional expectations in the economy. *Theory and Society*, 42(3), 219-240.

Boyer, R. and Hollingsworth, R., 1997. From National Embeddedness to Spatial and Institutional Nestedness. In J. Hollingsworth and R. Boyer (eds.), *Contemporary Capitalism: The Embeddedness of Institutions*, Cambridge and New York: Cambridge University Press, pp. 433-484.

Bressand, A., 1979. The New European Economies. *Daedalus*, 108 (1), 51-73.

Crouch, C., 2009. Typologies of Capitalism. In Hancke, B. (ed.), *Debating Varieties of Capitalism*. Oxford: Oxford University Press, pp.75-94.

Dore, R., 2008. Best Practice Winning Out? *Socio-Economic Review*, 6 (4), 779-784.

- Engelen, E., Ertürk, I., Froud, J., Johal, S., Leaver, A., Moran, M. and Williams, K., 2012. Misrule of experts? The financial crisis as elite debacle. *Economy and Society*, **41**(3), 360-382.
- Etzioni, A., 2006. Introduction. In Etzioni, A. and Bowditch, A. (eds.), 2006. *Public intellectuals: an endangered species?* New York: Rowman & Littlefield.
- Fligstein, N. and McAdam, D. 2012. *A Theory of Fields*. Oxford: Oxford University Press.
- Hall, P.A. and Gingerich, D.W., 2009. Varieties of capitalism and institutional complementarities in the political economy: An empirical analysis. *British Journal of Political Science*, **39**(03), 449-482.
- Jackson, G. (2010) Actors and Institutions. In Morgan, G., Campbell, J., Crouch, C., Pedersen, O., and Whitley, R., *The Oxford Handbook of Comparative Capitalism*. Oxford: Oxford University Press, pp. 41-62.
- Johnson, M., Agnew, H. and Childs, M. (2016). Hedge Funds Win Big from Brexit Bets. *Financial Times* 26/6/2016. Available at:
<http://www.ft.com/cms/s/0/c02fe256-3aaf-11e6-8716-a4a71e8140b0.html#axzz4D8yvfvfNz>
- Lane, C. and Wood, G. (2009) Diversity in Capitalism and Capitalist Diversity, *Economy and Society*, **38** (4), 531-551.
- Lupia, A. and Johnston, R., 2001. Are voters to blame? Voter competence and elite maneuvers in referendums. In *Referendum Democracy*. London: Palgrave Macmillan, pp. 191-210.
- Machin, S. 2010. Changes in UK Wage Inequality over the Past Forty Years. In Gregg, P. and Wadsworth, J. (eds.), *The Labour Market in Winter: The State of Working Britain*. Oxford: Oxford University Press. pp. 155.
- Massey, D., 2000. Editorial: practising political relevance. *Transactions of the Institute of British Geographers*, **25**(2), 131-133.
- Priestland, D. 2012. *Merchant, Soldier, Sage: A New History of Power*. London: Fontana.

Rigney, D., 1991. Three Kinds of Anti - Intellectualism: Rethinking Hofstadter. *Sociological Inquiry*, **61**(4), pp.434-451.

Sanders, D., 2000. The real economy and the perceived economy in popularity functions: how much do voters need to know?: A study of British data, 1974–97.. *Electoral Studies*, 19(2), 275-294.

Savage, M. and Williams, K., 2008. Elites: remembered in capitalism and forgotten by social sciences. *The Sociological Review*, **56**(s1), 1-24.

Thelen, K., 2010. Beyond Comparative Statics. In Morgan, G., Campbell, J., Crouch, C., Pedersen, O., and Whitley, R., *The Oxford Handbook of Comparative Capitalism*. Oxford: Oxford University Press, pp. 41-62.