

Preface

Most people are in favour of progress, it's the changes they don't like.

– Unknown Source

'Taking back control' should unlock the energy of the Greek's immortal blacksmith Hephaestus (known as Vulcan by the Romans) and harness the wisdom of Athena to ignite a new age of Entrepreneurial Opportunity and National Pride according to 'Brexit Believers'. A gift to all.

Then Prometheus, in his perplexity as to what preservation he could devise, stole from Hephaestus and Athena wisdom in the arts together with fire – since by no means without fire could it be acquired or helpfully used by any – and he handed it there and then as a gift to man

(Vlastos, 1956, p. 19)

For the 'Brexit Naysayers' perhaps the journey will be like Icarus, son of Daedalus, who took the wings made of wax and feathers to escape with his father from the Minotaur in the Cretan Labyrinth, and soared too close to the sun with the wings collapsing as the wax melts and the feathers drop away...

Policy by megaphone is seldom the policy of evidence-based reason. It too easily becomes the policy of the zealot, and then anyone who disagrees with the zealot becomes an 'enemy of the people'. A narrative recited repeatedly over the ages, any contrarian opinion becomes in its mildest form 'fake news' and in its more extreme form the backdrop to the writing of texts such as Foxe's *Book of Martyrs* in 1563. Suppressed dissent can bubble over and be conflated with power battles between different groups and provide the fuel for events such as the English Civil War, a multi-dimensional conflict which was both part secular and part religious. It is for our readers

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to take their own view on which was the dominant theme in that conflict.

Reason is lost in hyperbole. Foolishness overtakes wisdom. Wishful thinking replaces reality. ‘Snake Oil’ becomes ‘Miracle Cure’. The cancer of distrust contaminates leaders, representatives and institutions. Experts assert they have the answers without explaining that they only have the answers if their assumptions are correct. Equally, many people, just like Icarus, don’t want to listen to the expert, even if it means disaster when reality overtakes hyperbole.

Our book is about stepping away from predetermined views and using historical paradigms to understand future challenges. The 2019 Brexit will not be England’s first Brexit, as there have been a number of previous ones. We focus on three of these, the end of Roman Britain, the Henrician Reformation and the Elizabethan Settlement, but there have been others. For example, there is the 10-year Brexit in AD 286 led by Carausius, a Celtic nationalist¹ with distinctly ‘pirate’ like characteristics (Woolf, 2016). Having risen to Admiral of the fleet and contributing to suppressing the Gauls (Franco – English tensions are nothing new), he was found guilty of corruption by Emperor Maximian and so decided his future would be best served by declaring himself ‘Emperor of Britannia’. Carausius ignites Celtic nationalism with phrases like ‘Liberty’ and ‘Restorer of Britain’ and brings both Army and Navy with him to seize power.

Notably, Carausius having seized power tries to do a deal to make peace with Rome, and fails. He doesn’t last long. Seven years later (AD 293) he is murdered by rivals and replaced by his Finance Minister Allectus, who lasts three years until reconquest by the Romans. Rather than creating the first British Empire, Carausius ended up becoming a footnote in history.

¹There is some dispute on Carausius’s lineage following a 1911 entry by Chisloin in *Encyclopedia Britannica* and copied into Wikipedia that Carausius was a Menapiian (a Belgian tribe from north Gaul) of humble origin. Casey in a 1994 book on Carausius and Allectus traces Carausius to be a son of Bonosus who claims royal lineage to Cunobeline King of Ancient Britain from AD 9 to AD 41. Coincidentally for lovers of children’s rhymes, Cunobeline appears to have had a son called Caractacus. It appears the disputed lineage comes from contrasting sources: Carausius’s tomb was a Celtic cairn and the inscription suggests he was a great Celt, the Britannica attribution from Roman historian Sextus Aurelius Victor writing many years after Carausius died.

Economic Background: Opportunity and Challenge

Nostalgic or progressive; traditional or disruptive; whatever our view on the world, a common thread runs through all. A hope and aspiration for a ‘better world’. For our narrative ‘better’ is defined in ‘economic’ terms, namely defined as rising productivity that drives economic growth and leads to a rise in real living standards, so reversing poor post-2008 living standard growth trends. Machin (2015) tells us how median real wages grew by about 2 per cent per annum from 1980 to the early 2000s, but since the 2008 financial crash median real wages have fallen by around 8–10 per cent corresponding to a 20 per cent relative drop in comparison to the previous trend rate. Ultimately, real wage growth and living standards growth for the whole population depend upon economic growth consequent upon rising Total Factor Productivity (i.e. improved output per unit of labour/capital). In the ten or so years since the ‘Credit Crunch’ of 2007/2008, economic progress in terms of this Total Factor Productivity and associated real wage growth has been disappointing across the developed world and most especially in the United Kingdom (Haldane, 2017). This disappointment has been against the background of continued and rapid technical change in the products and services in everyday use.

The Pace of Change

We seem to be living in an ever-faster changing world. Illustrating this, many products that are ubiquitous today were figments of consumer imagination just 10 years ago. For example, in January 2007 Facebook did not work on mobile phones and was far from being widely used on PC type devices. In December 2007, there were a mere 58 million active users globally, by December 2016 this had risen to 1.86 billion active Facebook users, many of them (1.15 billion) active on Facebook’s mobile platform (Facebook, 2017). The first iPhone, the start of the ‘Smart Phone’ revolution, was launched in June 2007. Nokia was still the number one mobile phone company globally with over 35% of the market in 2007 (source: Statista) and Android phones were unheard of to the common consumer as their initial commercial launch was not to come until 2008. In this rapidly changing dynamic world, British success has been limited. There have been some winners, for example Dyson, and until its recent acquisition by Soft Bank, ARM Holdings was a UK global technical

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champion in silicon chip design. More established companies such as Unilever and GSK have also been very successful at driving new products into established markets. Despite the United Kingdom having a number of top global universities – and being one of the world’s key finance hubs – it has been unable to create a Google, Amazon or Facebook.

Community Fears and Frustrations

Becker, Pfaff, and Rubin (2016) tell us from a comprehensive study of the Brexit Referendum vote that Vote Leave was more successful where there were lower incomes, high unemployment with less adaptable workforces who are older and have lower qualifications. For many towns and communities located away from London’s global finance hub, there has been a steady loss of big name manufacturing. Previous ‘greats’ such as Rover have disappeared along with their jobs. In their place have come new jobs, mostly in the service sector and many with poorer pay and conditions, including the rise of zero-hours contracts (that do not guarantee a monthly or weekly income) and the fashionable ‘gig economy’ (something broadly akin to what was known as casual labour). Self-employment has grown relative to salaried employment, particularly in older age groups. Housing has, for many, become more unaffordable, real wages have stagnated and final salary pensions have become, for many, a figment of imagination.

Growth performance and value added per head has substantial variations between regions (Harari, 2016). For example, top in terms of value added per head are the London Borough of Camden and City of London with a Gross Value Added per head in excess of £292,000, against a UK per head average of £25,000 and, a lowest value added per head at under £14,000 per annum (Harari, 2016).

Unease has been heightened by immigration. Culturally, especially Asian and Indian subcontinent immigration has unsettled the indigenous population near areas where these groups have settled. Sometimes integration has been synonymous with fears and phobias of Islamic extremism. European Union (EU) immigration from Eastern EU Accession States has, for some, become a narrative of interlopers taking away well-paid jobs and affordable housing from the native population. For others, especially the old, hearing groups of foreigners speaking an alien tongue conjures up fears for their physical safety. The UK’s ageing society has become politically skewed towards protecting the old at the

expense of the young, as pensions have their benefits protected, whilst low-pay families are targeted to reduce working tax credits and housing benefit. Measures have been enacted to withhold support for families with more than two children. These generational specific measures are unsurprising given that older people tend to vote more than young ones.

Britain's National Health Service is under a perpetual strain that grows as the population ages, with older people tending to have more medical issues. Equally, strains on health resources have fed back into resentment against immigration as fears are expressed that health service resources are consumed by immigrants. Cuts in Adult Social Care budgets increase the number of old people who cannot be safely discharged as there is no care available, so further increasing strains on hospital services as beds are blocked by people who cannot be discharged for lack of available social care. Such a narrative continues in many other areas of state services, as the government targets reducing public expenditure both to reduce public sector deficits and to reduce the state spending share of Gross National Product, on a belief this will enable the private sector to flourish.

Nostalgia and Radicalism: The Striving for Simple Answers

Facing uncertainty and hoping for the best, humans strive for simple answers. It's a common historical thread. Post-1945 Neo-Keynesian economic stabilisation programmes, 'Monetarism and Liberalisation', the Hayekian narrative of the Thatcher and Reagan years and the Cameron and Osborne world of austerity are examples of simplistic narratives seeking to address complex problems. The real world is more multifarious, a world that needs a supportive and nurturing framework of business to thrive. Look only at the post-1945 economic successes in Japan, South Korea, Taiwan, China and Silicon Valley, to name a few.

Support needs for growing innovating economies, driven by innovating capitalist entrepreneurs, could turn out to be nearly as unsettling as the people disrupting and changing them!

Entrepreneurs Drive Success

Someone is sitting in the shade today because someone planted a tree a long time ago.

— Warren Buffet (Kilpatrick, 2001)

Products, services and colossal ventures at some point started with an entrepreneur or a group of entrepreneurial thinkers, planting a small acorn. In some cases, the acorn grew into a mighty oak; occasionally, it may have spurted initial growth then withered and died; and often the seed did not even germinate. The Entrepreneur and their associated Micro, Small and Medium Enterprises (MSMEs) are the planters of these acorns. It is these MSMEs that are the heart of our thinking.

Some entrepreneurs are on the receiving end of change (for example, the humble corner shop owner); some entrepreneurs are partners in change (for example the small company providing high technology products to the Automotive or Aerospace industries); and some are crafting the change (the Big Bang Disrupters). The beauty of a smoothly functioning Capitalist System in full flow is that it allocates resources across all types of entrepreneurial activity according to entrepreneurial need. Innovative firms with great products thrive, receive necessary finance and firms with poor products that customers don't want, lose it.

There is nothing new in this. Wicksell (1898) spoke of banks allocating finance to business in line with their productivity and profitability with his *Natural Rate of Interest* giving *dynamic equilibrium* when capital is allocated to its most appropriate uses. Schumpeter (1934) developed further this theme, seeing a process allocating bank credit towards innovative entrepreneurs away from dying entities. Capital flows to businesses consumers want to succeed.

Financial liberalisation and financialisation have reduced financing (especially bank) flows to especially smaller and entrepreneurial SMEs (Krippner, 2005). This is crucial – *'a capitalist system can only function so long as the receipts of entrepreneurs exceed their outlays; in a closed system, and ignoring Government loan expenditure, this will only be the case if entrepreneurial expenditure exceeds workers' savings'* (Kaldor & Kaldor, 1978, p. xvi). Capitalism is about allocating capital to entrepreneurs who drive profitable productive change, not about private vs. public ownership.

Pictures vs. Brushstrokes

If you are a Brexit or Remain Zealot; if you are a Brexit or Remain Bolshevik on the Left or Right; you, as our reader, may be frustrated by our journey and seek to throw Henry Ford's, *History is Bunk*, at us! Can we encourage you to pause, step back and join us to see if using a

broad window of history as context can help give form to the picture you are trying to paint?

If you are an expert on any of the events or issues we refer to in our narrative and find yourself in passionate disagreement on some point of detail, we seek your indulgence. Many events we describe are controversial and in many cases the evidence can be patchy. We do not claim solutions to age-old discourses, rather we see these events as brushstrokes in the overall picture we paint. For example, you may radically disagree with our description relating to the speed of events around the end of Roman Britain, or with any suggestion that the subsequent centuries could be labelled, a Dark Age, when scholars such as Bede were at work. Rest assured, we are not seeking to contribute to these debates, rather we are looking to use these as examples to form the detailed brushstrokes in a picture that provides a window into what promises to be an undeniable period of discontinuity and change.

It is these moments of discontinuity, moments of change that are our focus. We anticipate Brexit having the capability to be a similar moment of change. Our pictures from the past are intended to help the reader identify some of the challenges we may face. As the brushstrokes form into pictures, our readers should feel free to add their own examples, their own brushstrokes, not least to help crystallise the picture and strengthen understanding.

Seizing Opportunity

Brexit will be a moment of change, and at such moments throw up significant opportunity. This book is not about ‘Leave’ or ‘Remain’, although there may be some cautionary pointers on our journey. In many cases, indeed with most of the issues and proposals we identify, Brexit is not a *necessary condition* to take action, but it will become a condition where it is *necessary to take action*. Even without Brexit many of the proposals could easily be adapted and adopted in other countries and other situations.

Brexit is our trigger event, so necessarily this book will seek to set a road map to make the United Kingdom the number one innovative economy globally in a Brexit context. In some respects, Brexit will help this journey and in some respects, it will hinder it, but that debate is for elsewhere. Our goal is to understand how we can seize the opportunity.

A narrative then, about how to transform the United Kingdom into becoming the next global luminary.

This achievement will not happen by turning back to dreams of Empire, it will not happen by letting ideology drive policy and it will not happen by ignoring reality, by mimicking the actions of King Canute. Brexit is going to disrupt, damage and alter trading relations with our nearest and most important trading partner, the European Union. Brexit is going to lead to the recasting of some international supply chains and it is going to lead to the decline of some industries. Challenge will abound, the question is how to transform this challenge into opportunity.

The Fourteen Propositions

Paradoxically, our narrative identifies 14 propositions (a further echo from 1919); that is, 14 opportunities to change frameworks to drive success. These propositions are derived from looking at past experience from past Brexits and combining this with today's landscape. Our readers will find this analysis to be a cumulative process throughout the book, starting with a highlight of 10 features from previous Brexits, that are then ranked by impact and used to offer solutions.

Our formal narrative finishes at the point where we then close the circle, by contrasting our proposals to what happened in the previous Brexits, in a summary that assesses relative success in each one in their adjustment to the new situation. This is followed by an Epilogue that suggests some implementation and change frameworks. For every reader, the detail may be different, the brushstrokes of different colour and intensity, but the pictures feel consistently familiar.

Rejuvenated Hephaestus and Athena or an Icarus rerun? The keys are in all our hands. Success will come from learning from our past, from the success of others and building frameworks that inspire and support the seizing of the opportunities.

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