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There remains something about the nature of the relationship between Europe and British prime ministers, particularly of the Conservative Party, that would suggest that the latter view any decisions concerning the former with the utmost caution. Europe, and the UK relationship with it, has been a veritable “graveyard” of British Conservative prime ministers’ reputations.¹

If we take a look back at history, we note that the Major government of 1992 - 7 ultimately came to grief on the back of internal party conflicts over the relationship with Europe²; Mrs Thatcher would fall in part due to her acrimonious relations with several of her Cabinet colleagues over Britain’s need for engagement with “Ever closer union”³; Macmillan’s own term of office essentially fizzled out in the wake of the veto by the then French President De Gaulle in January 1963 over Britain’s application for *membership* of the European Common Market project⁴. And so on. We might also refer to Eden’s secret collaboration with the French to launch the Suez adventure in Egypt in 1956; and perhaps even Chamberlain’s policies of appeasement of Nazi Germany which culminated in the 1938 Munich agreement that assigned a sovereign part of Czechoslovakia to Adolf Hitler.

Thus, by, say, a political form of *learning-by-doing*, it was incumbent on the Prime Minister to avoid entering into statements and actions which might lead to both unintended and uncontrollable consequences when it came to a decision concerning Europe; or to borrow from Harold Wilson, “a decision *delayed* is a decision *made*”.⁵

Mr Cameron’s Speculation

In the world of finance, there exist instruments called *options*. An option is a contract which gives the buyer (the owner or holder of the option) the right, but not the obligation, to buy or sell an underlying asset or instrument at a specified strike price on a specified date. For this option, the buyer pays a premium. If the underlying asset rises in value and the owner exercises his right, then the person can achieve a gain whose magnitude is only decreased by the premium paid. If the person does not exercise the option, he or she can but lose just the amount paid by the premium handed over at the onset. These options are regularly used in the real world for hedging purposes. But such options can also be highly speculative – particularly when engaged in what is called a *naked call*.

A naked call occurs when a speculator writes (sells) a call option on a security without ownership of that security. It is one of the riskiest options strategies because it carries unlimited risk. The risk of selling the call option is that risk is unlimited if the price of the stock goes up.

Back in the world of UK politics, in January 2013, the British Prime Minister, David Cameron, promised that, should his Conservative Party win a parliamentary majority at the 2015 general election, the UK Government would negotiate more favourable arrangements for continuing British membership of the EU, before holding a referendum on whether the UK should remain in or leave the EU.

This was in response to concerns within some parts of the Conservative Party over the growing success of the UK Independence Party in attracting certain elements of the Conservative supporter base. For reasons outlined in a lecture given at Kyiv Politechnic Institute,⁶ I believed (and still do) that UKIP was not fated to do well under the British parliamentary system of first-past-the-post as well as historical antecedents. This has

¹ As Hugo Young noted: “Harold Macmillan became the first in a long run of Conservative politicians whose careers were broken on the wheel of Europe”. H Young, *This Blessed Plot*, p144. See next paragraph re Macmillan.

² See p389-90, A Seldon, *Major: A Political Life*.

³ See chapter 17 titled “The Defenestration of Downing Street” in J Campbell, *Margaret Thatcher: Volume Two The Iron Lady*.

⁴ See p268, P Hennessey, *The Prime Minister: The Office and its Holders since 1945*. Macmillan is quoted as saying in a letter after the veto that “he could not remember going through a worse time since Suez” [the 1956 invasion of Egypt which led to his predecessor Eden resigning in 1957.]

⁵ UK Prime Minister from 1964 -70; and 1974 – 6.

⁶ See *The Radical Right in Britain: The UK Independence Party – A New Force in Politics or a Political Soufflé?* as set out in talk at KPI on 27-28 November 2014.

since been proven correct in the high disconnect between European elections where low turnouts have favoured a party like UKIP which has aggressively campaigned on a single issue against the EU and the General Election results which have led to just one UKIP MP being elected. Indeed, if anything, the UKIP might be viewed as a bigger threat to the Labour Party rather than the Conservatives.⁷

Notwithstanding, there can arise in the world of politics, instances where the intrinsic merits of the case can be much outweighed by sentiments. Thus, even if the UKIP constituted no overall threat to the Conservatives, it *might* do, or at least to certain members who would seek to impress upon the Conservative leader that the gravity of the *perceived* threat to their own position warranted priority attention; and that action was needed.

By announcing a referendum, this would seek to defuse this perception and *appear* to be “doing something”. At the time, with the Conservative Party in government in coalition with the Liberal Party and an election to be held in mid 2015, there was, as the saying goes, “much to play for”. Shakespeare has written “of many a slip between the cup and the lip”; Harold Wilson had put it more tactically: “a week is a long time in politics”. Irrespective, Mr Cameron had, by his referendum announcement, entered into a *naked call* transaction in terms of British politics.

The Use and Risks of Referendum in Britain

Referendum in Britain are rare devices for taking decisions given that the country has a representative democracy. MPs are elected by their constituencies and are, at least in the rarefied air of political theory, sent to represent their electors' interests in the House of Commons and to vote on the decisions of the day. This, of course, ignores party whips, patronage and spoils of office, career opportunism and much else, but does contain a nugget of hard truth. The British parliament is, within certain constraints, such as that exercised by judges (both resident in the UK and without), of the “hard budgetary” variety and treaty obligations, sovereign in its decision making and still the primary determinant of the “laws of the land” by virtue of its elected members' status.

In 1972, it was the Labour Party that suffered a serious split in its ranks in the light of the forthcoming accession to the then Common Market, which took place in 1973. Following the Labour Party's return to power in 1974, the referendum on Britain remaining in power served less than a call upon the great British people to make their voices heard, than a device to maintain the Labour Party from splitting apart. Almost exactly the same events would be played out forty years later: a supposed *renegotiation* of terms with bemused European partners who saw the frequent comings and goings of British politicians as part *charade*, part harmless occasions for meeting their British counterparts, a figleaf agreement arrived at after hours of *apparently* long hard discussions with Continental counterparts; and the acclamation of the British people to this hard won triumph. In 1975, the British people voted in favour by 67%. The referendum had thus served its purpose.⁸

Up to June 2016, the most recent use of the referendum had been as a “tool” to settling the Scottish question of independence would run less smoothly.⁹ This was essentially a calculated (?) gamble by Mr Cameron that, in Scotland, he had the votes for Remain (as part of the UK) “in the bag”. The actual result of the “No” (to independence) with 2,001,926 (55.3%) voting against independence and 1,617,989 (44.7%) voting in favour, belied real concerns that the pro independence side might actually win in the later stages. Thus, “Project Fear” came into play with a hugely negative campaign run over the adverse consequences (political, economic, social and even familial) which would be faced by Scotland on exiting the union.¹⁰ A similar campaign would be deployed in the EU Referendum campaign in June 2016 with a less favourable outcome. The closeness of the outcome in Scotland would surely have raised doubts of the wisdom of

⁷ Indeed the General Election of 2015 showed that UKIP attracted more votes than the Scottish National Party: 3,881,099 against 1,454,436. But this translated into just one seat for UKIP against 56 for Scotland! See <http://www.bbc.com/news/election/2015/results>.

⁸ See H Young, *This Blessed Plot*, p275-8 with regard to the Labour Party split. Regarding the Labour government renegotiations held in 1974-5, note comments made by Michael Palliser, the UK's Ambassador to Brussels: “It soon became clear to me that whole object of the exercise was to keep Britain in, and get something that could be presented to the British as politically adequate”. Hugo Young then adds: “What was actually obtained mattered much less than the impression that, whatever it was, it was quite enough”. This would be repeated in Mr Cameron's peregrinations around the EU members in 2015-6.

⁹ In fact, the Labour government resorted to referendum in 1978 in respect of the devolution of powers to Scotland and Wales; in both countries there was insufficient support for the proposals. The Scottish nationalists were infuriated and they would later make their own contribution to the downfall of the Callaghan government which ushered in Mrs Thatcher in 1979 and a Conservative administration for the next 18 years.

¹⁰ The collapse in world oil prices had not quite taken effect. If it had, Project Fear would most probably not have been required in view of the salience of oil exports to the Scottish economy.

proffering a referendum in the UK - the Scottish referendum highlighted that the outcome was anything but determined.

Indeed, the holding of the referendum was dangerous from another perspective, namely that if it was held at the midterm of the next parliament – almost always a point in the political cycle when electors can reflect on what has happened so far and to give the ruling party a reminder of “electoral power”, it ran risks of losing the referendum for reasons of domestic governance rather than the intrinsic benefits of staying in the EU¹¹. But if the government was to go for an early referendum in the term, thereby avoiding the mid term problem, the success, or otherwise, was to “rely on the kindness of strangers”, - fellow 27 EU members with their own electoral cycles and interests etc. Anyone of these 27 could hold up the process to secure their own “deal”. A deal would have to be struck quickly and it would have to be a convincing “win” given the rhetoric of the Conservative Party and a “deal” that would not enter into “veto” territory, such as curbing EU immigrants, which was viewed as a “red line” by all. A key valuation aspect of an option is its duration to expiry which can add to its volatility in the price. This period of negotiating with the EU within sharply defined time periods and without causing a breakdown by either side would add to the risks of the *naked call*.

A final word regarding the run up to the 2016 referendum process. There remains a rather obvious statement in the real world that “to will the ends, one must will the means”. Thus, if we agree to carry out certain actions, we should do nothing to frustrate their being carried out or undermine our original intentions. Geoffrey Howe, who resigned from Mrs Thatcher’s government in 1990 and essentially set in motion the events which would unseat the long-serving “Iron Lady” said this in speech, which referred to Mrs Thatcher’s behaviour as she dispatched him to negotiate Britain’s stance on European Monetary Union, employing (of course) the (very British) simile of cricket: “It is rather like sending your opening batsmen to the crease, only for them to find, as the first balls are being bowled, that their bats have been broken before the game by the team captain”.¹²

The 2015 General Election: Mr Cameron’s Option comes to pass

I have already noted that the Conservative Party was in power from 2010 to 2015 in coalition with the Liberal Democratic Party. The latter was favourably disposed to the European project – indeed its very leader, Nick Clegg, had been an MEP in his early political career. The election however would be characterized by two quite significant tendencies:

- The disintegration of the Labour Party north of the border, as antipathy ensued over Labour’s involvement with the Conservatives in seeking to win the retention of the union in Scotland.
- The concentration of Conservative focus in the election on seats held by their erstwhile government partner, the Liberal Democrats.

The first was for all to see and, without Scotland, it was difficult to see how Labour could otherwise win the election; the second seemed to be incompatible with the need to avoid the referendum on the EU. To deny the Liberal Democrats the possibility of winning seats might possibly be viewed as denying them the possibility of joining Labour and the Scottish Nationalists in a post election line up. Events above the border essentially transferred Labour seats to the SNP – it would be difficult to see how that would translate into a coalition post election.¹³

The elimination of the Liberals would essentially allow the Conservatives to win office on their own and that would trigger the manifesto commitment to hold the Referendum, come what may. Mr Cameron’s naked call option had thus been triggered.

Sideways: Britain after the General Election and the run up to the Referendum

The ensuing thirteen months for the Conservatives governing alone, without their coalition partners, would be characterized by the expression, “in office, but not in power”;¹⁴ notwithstanding a near total absence of

¹¹ See Financial Times, 17 June 2016, “The dubious lure of taking on the elite”: “The dirty little secret of EU membership is that it has been an economic success story”. See also G Owen, *From Empire to Europe: The Decline and Revival of British Industry Since the Second World War*, 1999.

¹² See G Howe, *Conflict of Loyalty*, “Resignation Speech 13 November 1990”, on p702, Appendix II. Howe’s speech is well worth reading in the light of recent hyperbole of an overarching Federal state in the EU. Howe also firmly believed, alongside Macmillan, who he cites, that Britain should have joined the European project in the 1950s.

¹³ Labour lost 40 seats and the Liberal Democrats 10 seats, both to the SNP.

¹⁴ See N Lamont, *In Office*, “Resignation speech 7 June 1993”, p524. Lamont was the UK’s Chancellor of the Exchequer when the country was ejected from the Exchange Rate Mechanism, a predecessor institution to the Economic and Monetary Union. He was yet another Conservative politician whose reputation suffered due to the Europe issue.

any organized opposition. The independence vote had been won in Scotland and the Labour opposition party was in total disarray as a new successor, Jeremy Corbyn, took over the reins of leadership, and an intra party struggle broke out pitting the parliamentary Labour party against the unions and party activists.

Notwithstanding these propitious signs, the new Conservative government failed to dispatch its business as governing the country became supplanted by the need to hold the referendum; and to hold the referendum, required the government to enter into *negotiations* with its European partners. Such *apparent negotiations* constituted the basis of the referendum choice to be set before the British people.

The conduct of government business thus itself became centred around the process of negotiations, as the prime minister and senior cabinet ministers set aside their time (and possibly such accumulated political capital as they might have had) as well as diplomatic standing in travelling to the capitals of Europe to negotiate the basis for the UK remaining inside the EU. Electoral hubris was followed by parliamentary paralysis and eventually nemesis, as any mildly adverse policy was withdrawn in short order for fear of emboldening opponents, both inside the Conservative parliamentary members and without, to vote against EU membership.

UK's foreign policy was set to continue a state of suspended animation as all energies were concentrated on the lobbying of fellow EU states for the UK's enhanced renegotiation of its status ahead of a Referendum.¹⁵

It surely did not go unnoticed that the figleaf of such *negotiations* at their conclusion looked somewhat threadbare to one and all. The "brake" on immigration which would infringe upon one of the EU's most cherished achievements – the free movement of labour throughout the Union, was non negotiable (and most likely still is). Such agreement to a condition by Angela Merkel, Germany's Chancellor, who had separately accepted one million asylum seekers from war torn Syria in the face of much domestic opposition, let alone others from Central and Eastern Europe who had significant numbers of their citizens working in the UK, surely constituted a triumph of hope over experience.

The net result of the UK premier's travels would be a curtailment of certain, but by no means all, welfare benefits to working EU immigrants, which would "save" the UK's Exchequer a mere GBP 25 million, seemed triflingly small when compared to the vast efforts being pursued. Was the UK – the world's fifth largest economy with a GDP of GBP 1.6 trillion, really gambling on its future in the world's largest trading arrangement for such paltry sums?

The "agreement" for the UK not to contribute funds to any future Eurozone economic crisis both looked, and sounded, convincing for people who had come to believe that the EURO was all to blame for the UK's travails. But it was surely to ignore that the UK was one of the larger shareholders in the IMF which had become one of the members of the "Troika" set up to address the multiple crises that had enveloped the Eurozone such as in Greece, Portugal and Ireland, and finance the resultant bailouts. The UK would not be able to avoid having to contribute to such future crises - as it surely would have had to, notwithstanding this particular "sleight of hand".¹⁶

The pro EU referendum campaign was in many ways to mirror that of the Scottish independence vote with a sense on the Remain side that it being so self evident that Britain should remain a member, that it was not worth doing any real campaigning in favour, aside from a government backed leaflet publicizing the benefits thereof for each UK household. This translated into a dilemma that the Remain side had never really sought to resolve, namely: why, after having spent a considerable time criticizing the EU and tracing any malign or ill considered policy implemented to Brussels i.e. read *foreign*, and employing such bashing of the Continent etc, would anyone to vote for staying in the EU? The EU had proved to be a very good target for the British political class (ranging from all sides, left to right) to hide behind when passing unpopular decisions or avoiding explanations on how, even under Mrs Thatcher – the defender of Britain herself, had signed away much sovereignty in pursuit of more substantive British interests, or even pandering to anti foreigner sentiments. An appeal to higher ideals given all that had gone before was unlikely to elicit such feelings.¹⁷

¹⁵ Indeed, the UK demonstrated this attitude in spades when it came to its own position on Ukraine, despite it being an original signatory of the 1992 Bucharest Agreement. Thus, notwithstanding its half hearted and parsimonious approach to the sanctions levied against Russia, it remained conspicuous in its absence in terms of the aggression both before and after the May 2015 General Election. The UK has also been "absent without leave" in Central Europe on democratic backsliding by both Hungary and Poland. Again, the Referendum "tail" appeared to be "wagging" the "dog" in terms of the UK's foreign policy stances and policies.

¹⁶ The UK was an original signatory of the Bretton Woods Agreement establishing, inter alia, the IMF. It has 4.05 % of the votes and 4.5% of the quota arrangement.

¹⁷ See Financial Times, 14 June 2016, "EU Referendum": "A harsher truth is that even those British politicians who have always declared themselves pro – European have been deeply reluctant to make anything that amounts to a pro – EU case." The article drew attention to Mrs Thatcher who had campaigned vigorously in the 1975 referendum for

Indeed, a quite substantial part of the British media, notwithstanding a decline in newspaper sales, was on hand to provide negative content on the EU – as fed to them by UK politicians, and, with very few exceptions, to provide remarkably little substantive questioning of what was to come if those supporting Brexit won.

A particular obfuscation was that the UK *appeared* to be suffering from heavy EU regulations. This had found its way into press discourses on the iniquity of even not having straight bananas! And yet, according to the OECD, out of its members, Britain had the least – regulated labour market (by choice rather than EU design) and the second least – regulated product market in Europe¹⁸. Interviews with small and medium businessmen regularly evoked claims that without such regulations they would be able to sell more goods, even to Europe. How this Panglossian¹⁹ view on future prospects squared with product rules required by Europe itself was little queried by the press and media.

Significant parts of the press itself appeared to follow Baldwin's admonition of them in a speech in 1931 when he said: "What the proprietorship of those papers is aiming at is power, and power without responsibility – the prerogative of the harlot through the ages". The alignment of the press,²⁰ such as the Daily Mail and Daily Express today (also with the Murdoch owned "The Sun") with a return to Britain of the days of Empire and trading arrangements being proffered by the anti EU oddly appeared to mirror those by the same newspapers in 1931. It was surely no coincidence that 1931 was also a time of austerity politics and world economic uncertainty.

Thus, Project Fear was to be unleashed again. If people would not be motivated by higher reasons i.e. peace and prosperity in Europe for as long a period as most people's memories at least correlated with the founding of the European project, if not wholly caused by it i.e. Marshall Aid, NATO, US involvement in defence etc, and appeals to Enlightenment reason, then a more direct and abrasive set of reasons for remaining would be thus raised with all the fearful consequences. One of the Brexit leaders, Michael Gove, perfectly summed up this latent anti reason feeling when he remarked: "People in this country have had enough of experts."²¹

The work of Kahneman and Tversky should not be ignored in underpinning such a recourse. In their research experiments, it was often found that people were more likely to want to preserve what they had and enjoyed greater utility of "the bird in the hand rather than the two in the bush".

But both had also noted the concept of Anchoring or focalism. This is a cognitive bias that describes the common human tendency to rely too heavily on the first piece of information offered (the "anchor") when making decisions. During decision making, anchoring occurs when individuals use an initial piece of information to make subsequent judgments.

If we look at the UK, anchoring, or the focus, of a significant proportion of the population had been reflected in anti EU sentiments. The older segment of the electorate, who remembered Britain before its accession and who had been brought up in a period when the UK was still (to borrow from Dean Acheson) "losing its Empire but had not yet found a role" (which Macmillan had sought to before the French veto and Edward Heath would accomplish in 1973) contrasted that of today with the "imagined community" of yesterday.²²

There would be little questioning by that segment of what exactly was on offer – there surely could be no thought that there was a Plan B to be unfurled by the EU remain camp after losing the vote, or even, when said and done after the vote, returning to the *status quo ante*. A New Britain, according to this *belief*, was to emerge Venus- like from the English Channel, engaging in free trade with all and sundry, but with a sign

staying in the then Common Market but later: "Sadly such sentiments were forgotten by the Lady once she was given the chance to swing her handbag in Brussels". Of course, Mrs Thatcher was undone, in large part, due to her attitude to her Cabinet members over the EU.

¹⁸ See The Economist, 28 May – 3 June 2016, "Brexit brief: Yes, we have no straight bananas."

¹⁹ From Dr. Pangloss, a character in Voltaire's *Candide*, meaning unreasonably or naively optimistic.

²⁰ According to the Reuters Institute, 45% of newspaper articles were for leave; and 27 % for remain.

²¹ This was, of course, a dig at all those, including economists and bodies such as the IMF, who had missed the origins of the 2008 Financial Crisis, but it perhaps also tapped into a wider mistrust of academics and experts in Britain.

²² Imagined community as per B Anderson. But of more interest is the imagined past versus history which sharply diverges in the UK. Myths still propagate that Britain stood alone in 1940 whilst the rest of Europe fell to Hitler. But Britain had a substantial Empire which manifestly ensured the country was able to continue; until deals were struck were the USA. The vast majority of the 25 barons who forced King John in 1215 to sign the Magna Carta – which is invested with great majesty as part of Britain's holding monarchs to account – were, in fact, Norman French. The Bill of Rights of 1689 – again a milestone in circumscribing the monarchy and a foundation of the constitutional monarchy of today – came about from the Dutch invasion of the same year by William of Orange; 20,000 Dutch troops were quartered in London for eighteen months. The Bank of England of 1692 was heavily influenced by the Dutch creation. And so on. Britain's existing institutions have marked and significant European influences.

nearby that “No foreigners permitted”. There is, as the saying goes, no limit to the investment in ignorance when the need for illusion is deep.

The UK Financial Sector

One example might serve to elucidate some of the dilemmas to be faced by the UK. It concerns a sector viewed much malignly by most people in the UK even eight years after the banking and financial crisis that engulfed the UK and the world in 2008: the financial sector.

Arrighi has noted how the UK was able to supersede other countries, such as The Netherlands, to become the financial capital of the world from the eighteenth to the twentieth century.²³ The UK is one of the three leading financial centres of the world. Indeed, its position in the EU has most likely furthered this role, due to its longstanding institutions, legal and regulatory system and its accumulated “learning by doing” acquired over the centuries, as well as its location in the EU common market. The UK’s share of global financial markets stands at almost 50% for interest rate and OTC derivatives and 40% of foreign exchange turnover. Despite the 2008 Financial Crisis, the government bailout of banks and politician’s talk of “rebalancing” the economy, the fact remains that the financial and related professional services (lawyers, accountants, etc) still account for 11.8 % of the UK’s economic output (as well as accounting for a significant share of taxes and foreign earnings) and employed 2.2 million people – two-thirds outside London.

The UK has, as a member of the EU, managed to curtail some of the more aggressive regulatory designs emanating from other members. Through “passporting rights”, British banks have been able to conduct business in Europe by virtue of the open market in existence. The Brexit decision may inflict considerable damage on a sector that has been a generator of taxes, jobs and foreign currency – the UK will be commensurately the poorer for such a decision.²⁴

Conclusion: “all is for the best in this “best of all possible worlds”²⁵

On a 72.2 % turnout, 17.4 million (or 52.1 %) voted in favour of exiting the EU against 16.1 million people voting to remain in the EU.²⁶

Of interest is that despite the 52% vote in favour of the exit from the EU, around two-thirds of parliament remained in favour of staying in the EU.²⁷ This disconnect between the electorate and the parliamentary representatives may have, in some minds, reflected a widening of the gaps between the political elite and the people; but equally it also pointed to one of the advantages highlighted for parliamentary democracy versus plebiscitary democracy. That complex matters could be discussed and deliberated upon in both Houses of Parliament. But it also drew attention to the absence of many voices when it came to setting out the case for remaining in the EU. Politicians were more comfortable debating among themselves rather than seeking to put the case to their electorate. This was a sorry state of affairs in a day and age that prided itself on politicians mastering the arts of communication in times of social media. It might also have suggested that politicians saw little merit in arguing for something that many people had long made their minds up on.

One of the first decisions arising from this was the resignation of David Cameron as Prime Minister. There is a well known concept of *path dependency* that a set of decisions one faces for any given circumstance is limited by the decisions one has made in the past, even though past circumstances may no longer be relevant. This concept appears to embody the fact that “history matters”. The decision by Cameron to announce the referendum was a troubling decision from the onset given its previous usage had by no means been a sure mechanism to arrive at a longlasting outcome. In point of fact, the 1975 Referendum had shown that a majority could be reversed over time.

It might be argued that there were a number of contingencies – events and circumstances that might have diverted Cameron from his path: the Referendum result in Scotland; the avoidance of an election manifesto commitment; the retention of the Liberal Democrats in coalition; the recourse to parliament for the ultimate decision. The granting of the referendum, instead, served to act as a naked option – which if events flowed in a certain manner, Cameron would be called to pay the price.

Of interest is that Cameron’s actions served to deflect those contingencies noted such that the decision could not otherwise be avoided. The decision to grant a referendum after the election must surely have led to consideration of how the government’s fortunes would be hopelessly compromised as all attention focused on achieving the result.

²³ See G Arrighi, *The Long Twentieth Century: Money, Power and the Origins of Our Time*, 2009.

²⁴ See International New York Times, 1 July 2016, “Which city is going to be the London of the future”.

²⁵ Again, Voltaire, *Candide* – see above.

²⁶ See http://www.bbc.com/news/politics/eu_referendum/results

²⁷ See *The Economist*, 18 – 24 June 2016, “What if?”

Human agency was to ensure that the referendum was held in the most propitious of circumstances. The 1975 Referendum might have been won by a sleight of hand but forty years on, the terms of debate had changed and *impressions* were no longer sufficient to secure a majority.

This was compounded by years of framing the EU as a “liability” to the country even among those politicians who overall knew that it was a core interest for Britain’s interests.

Much has been suggested that the vote against remaining reflected the consequences of anti globalization and distrust of the elite. There may be some merit but that would not explain the size of the vote.

The vote to leave was heavily influenced by the old vote – there was an 81 % turnout of the 55-64 age group and 83 % of the over 65s. (But only 36 % turnout of the 18-24 year olds). The old voted heavily in favour of leaving the EU.

Whilst the austerity measures may have had impact, the antiglobalisation line seemed difficult to square with the line being pursued by the Brexiteers that the country would be free to secure free trade agreements with whomever we liked in a post exit world.

Furthermore, rather than a humbling of the elites, - a latterday “revolt of the masses”, it looked very much to those voting that the Brexiteers would find a way to square their words with the new reality. This demonstrated a rather touching faith in a political class that had hitherto not displayed such virtues in the past. The appointment of Teresa May to leadership of the Conservative party and thereby the premiership despite a poor record of controlling immigration in her time as Home Secretary lent weight to that point of view.

Indeed, the Referendum appeared to demonstrate less the concept of “bounded rationality” and more “boundless irrationality” as people declined to measure the attendant costs and benefits of leaving versus remaining; and opted for a “leap into the unknown”.

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