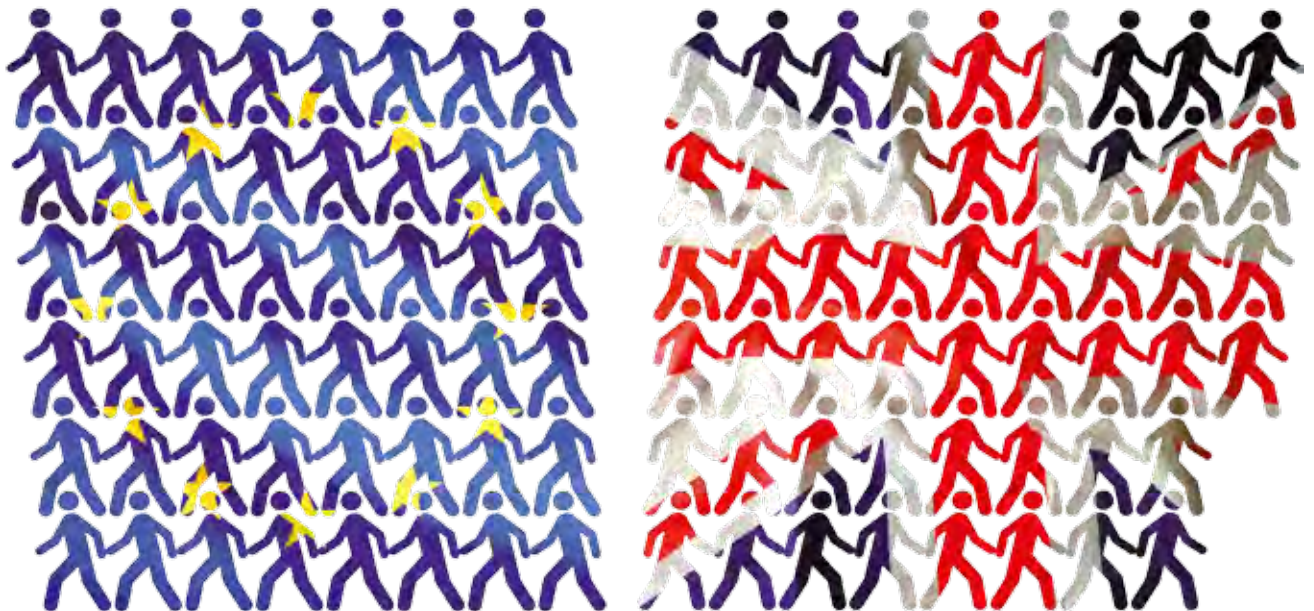




CSJ The Centre for
Social Justice

OCTOBER 2016



48:52

Healing a Divided Britain

48:52 HEALING A DIVIDED BRITAIN

ABOUT THE LEGATUM INSTITUTE

The Legatum Institute is an international think-tank and educational charity focused on understanding, measuring, and explaining the journey from poverty to prosperity for individuals, communities and nations. We believe true prosperity is as much about wellbeing as it is wealth, if all people are to flourish.

To support and promote this vision, our research programmes—the Economics of Prosperity, Transitions Forum, the Culture of Prosperity, and the Centre for Character and Values—seek to understand what drives and restrains national success and individual flourishing.

The Legatum Prosperity Index™, our signature publication, ranks 142 countries in terms of wealth and wellbeing.

The Institute, together with Foreign Policy magazine, co-publishes Democracy Lab, whose on-the-ground journalists report on political transitions around the world.

The Legatum Institute is based in London and is an independent charity within the Legatum Group, a private investment group with a 30-year heritage of global investment in businesses and programmes that promote sustainable human development.

ABOUT THE CENTRE FOR SOCIAL JUSTICE

Established in 2004, the Centre for Social Justice is an independent think-tank that studies the root causes of Britain's social problems and addresses them through recommending practical, workable policy interventions. The CSJ's vision is to give people in the UK who are experiencing the worst multiple disadvantage and injustice, every possible opportunity to reach their full potential.

Since its inception, the CSJ has changed the landscape of our political discourse by putting social justice at the heart of British politics. This has led to a transformation in government thinking and policy. The CSJ delivers empirical, practical, fully-funded policy solutions to address the scale of the social justice problems facing the UK. Our research is informed by expert working groups comprising prominent academics, practitioners, and policy-makers. Further, the CSJ Alliance is a unique group of charities, social enterprises, and other grass-roots organisations that have a proven track-record of reversing social breakdown across the UK.

The 11 years since the CSJ was founded has brought with it much success. But the social justice challenges facing Britain remain serious. Our response, therefore, must be equally serious. In 2016 and beyond, we will continue to advance the cause of social justice in this nation.

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EXECUTIVE SUMMARY

Our analysis digs beneath the surface and finds a huge swathe of British society that is concerned about their wages, the security of their home and access to public services

The story of 48:52 is not just one of European policy or tribal political discourse. The decision to leave the European Union was a bold and unequivocal statement for millions of people who wanted to change the political, economic, and social status quo. It was a moment in time, a rational choice, when those who had not felt heard by the establishment expressed their desire to take back control—control of their wages and of their public services.

The events of 23 June must therefore kick-start a national conversation aimed at understanding why, as our research has revealed, there are such deep divides in our nation. How can it be that two halves of the UK see the same country so completely differently, and what can we do about it?

Although this research brings many of the well-known Brexit themes to the fore—concern about immigration, a desire for sovereignty, and community alienation—our analysis also reveals a huge swathe of British society who are concerned about their wages, the security of their home and access to public services. While the blame for these was easily pinned on the EU and uncontrolled immigration during the referendum campaign, it does not follow that simply leaving the Union and gaining control of our borders will satisfy the disenfranchised. There is a deeper malaise to be treated.

In our view, the vote was a *cri de coeur* from millions of people who feel Westminster no longer knows, or even cares, how it feels to walk in their shoes. In light of this it is perhaps no surprise that the vote disregarded the dire warnings of the establishment including the Prime Minister, the leader of the Opposition, the Bank of England, the World Bank, the IMF, and President Obama. Their threats and warnings showed that the establishment understood little of the lives of the 52 percent that voted Leave.

VOTERS HAD NOTHING TO LOSE

Our analysis shows that poorer and less-well educated voters were more likely to back Leave. The majority of those not in work backed Leave. Those living in council housing and social housing tenants backed Leave. Those dependent on a state pension backed Leave. Those over the age of 44 backed Leave.

At every level of earning there is a direct correlation between household income and your likelihood to vote for leaving the EU—62 percent of those with income of less than £20,000 voted to leave, but that percentage falls in steady increments until, by an income of £60,000, that percentage was just 35 percent.

This trend was reinforced by further polling by Ashcroft polls, which found that 57 percent of voters in the more affluent 'AB' demographic group voted Remain, while only 36 percent of voters in the 'C2' and 'DE' groups voted Remain. It is perhaps the most significant figure that exemplifies this divide—that of the various income groups, AB, C1, C2, D and E, the only group to vote to remain in the EU was the AB group.

In short, the people with little or nothing to lose—as they saw it—backed Leave. The ones who had gained most from EU membership and globalisation backed Remain.

It would be wrong to make too many sweeping statements about the state of the nation based on one vote. But it would be far worse to ignore the clear message that underpins it.

THERE IS HOPE

The referendum result itself has given a voice to many of those who may have felt disenfranchised, and seeing their will enacted can bring them hope of a stake in the future. Changes to immigration, altering the trend of the past 15 years, will make it possible to address the immediate and damaging issues of low wages and public service pressures.

But if we are truly to change how people's lives feel to them at present, whilst leaving the EU is a critical first step, the vote must also trigger wider social reform and a better and clearer vision of social justice.

LEAVING THE EU IS ONLY THE BEGINNING

In light of the Brexit vote and what it has revealed about us as a nation, we have a once in a lifetime chance to reshape public policy so that it genuinely helps those who feel they have little stake in society and responds directly to the concerns that were surfaced in the referendum.

The clear link between stagnant, low wages and a vote to leave the EU demands that the government review employment and productivity, which has flatlined for too long. From schools that prepare people for work, to the training and development that help people on in their careers, we need to look at how individuals do not just remain employed but thrive in their work. The poor level of skills amongst low income groups is a long standing problem and one which has been exacerbated by access to cheap labour from the EU. From encouraging entrepreneurs to driving new industries and infrastructure, the productivity shortfall must be addressed.

One of our main findings was that many voters feel that public services no longer work for them. How can we reshape them? Are we giving parents the resources they need to access high quality childcare, organise their family lives as they see fit, and move back into the labour market? Have we got the right choice of schools in the right places? Are health services truly available to those that need them most?

When many individuals and communities feel so alienated, the Government must address ways of rebuilding relationships. We must look to strengthen the social fabric of the UK. This starts with a renewed commitment to strengthening families through marriage and relationship skills. It must look at how communities can be bound together in shared experience, tackling social problems without first calling on the state, but via social bonds, charity, and philanthropy. A lack of social capital and life chances characterise our most deprived communities. Addressing this situation must be the goal of the Prime Minister's social reform programme.

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The clear links between age and voting intention also point to an intergenerational sore that must be addressed. Initiatives such as the inquiry into intergenerational fairness that is being conducted by the Work and Pensions Select Committee are welcome, but they must be encouraged to find not just the size of the gap between generations' experiences but ask how it can be redressed. It is not enough for such inquiries to answer whether generations are experiencing variations in housing, wealth, public services, welfare and pension entitlements, without also asking for solutions to the split it drives in civil society.

A BETTER SOCIETY

In years to come, the EU referendum will be seen as a turning point in Britain's long history. Depending on what we do next, it could simply be remembered as the moment we triggered Article 50 and left the EU. A moment of political process, a technical adjustment to the UK's relationship with Europe. But if that is the case, then we will have failed. Instead, we must listen with compassion and humility to those who desperately wish for another way. For our political leaders, their duty is to provide the wisdom and courage required to allow us to move towards a new settlement for Britain, where there is prosperity and social justice for all.

This summer must go down as the moment when millions of people cried out for help, the Government heard, and offered a better, new and inclusive vision for society.

Baroness Stroud, CEO, Centre for Social Justice

Lord O'Shaughnessy, Senior Fellow, Legatum Institute

PART 1: STATE OF THE NATION

The vote of 23 June was a momentous occasion. To understand the context of the vote and to ask what lay behind the result of the EU referendum, we asked four polling companies to give us their view on two key questions:

- Who voted for Leave and Remain?
- Why did voters vote the way they did—what motivated them and how is this different from the general election just one year ago?

The Centre for Social Justice (CSJ) also conducted its own original research, of 300 interviews with people who voted for both Remain and Leave, to better understand the motivations behind individual voting preferences. 150 Leave and 150 Remain voters were picked at random to partake in a VoxPopMe.com poll. Respondents came from all parts of the country, young and old, male and female. The CSJ wanted to know why they voted the way they did and what the most important issues were for them.¹

UNDERSTANDING BREXIT

Gideon Skinner is Head of Political Research at Ipsos MORI

The UK's decision to leave the European Union flew in the face of warnings on jobs and the economy from organisations as varied as the Trades Union Congress and the Bank of England. The money in the betting markets was on a Remain victory, and even though the polls themselves were showing a tight race (especially in the last weeks), the public we interviewed were expecting Britain to vote to stay by a margin of two to one. So how did we end up here?

Throughout the campaign, there were signs that the Remain camp was losing the argument. Whilst the conventional wisdom had been that the decision would hinge on the economy, in actual fact we saw concern about immigration *increasing* in the month before the election, and Ipsos MORI's Political Monitor found that immigration was the single issue most likely to affect how people would vote. For Leave voters, the economy only scraped in as the third most important issue, a long way behind sovereignty (32 percent), with immigration way out in front at 54 percent.

The warnings about the economy were not, therefore, winning over hearts and minds, particularly when it came to the longer term and personal impact of leaving. In May, half of the public told us that leaving the EU would be worse for the economy in the short term. But when thinking about the economy over the next ten or 20 years, there was much less of a consensus—two in five (39 percent) said it would be better, compared with 35 percent who said it would be worse. And perhaps even more importantly, voters were not making a personal connection—46 percent thought their own standard of living would not be affected by Brexit.

While the conventional wisdom had been that the decision would hinge on the economy, in actual fact we saw concern about immigration increasing in the month before the election

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Meanwhile, the Leave campaign's messages were more believed: just under half agreed with their claims that Britain sends £350 million a week to the EU and that soon 75 million Turks would be given the right to free movement to the UK. On the other hand, only 17 percent trusted George Osborne that Brexit would leave UK households poorer to the tune of £4,300.

The result has also shone a light on deeper rifts in society, with the divisions in voting intentions by age, class, education, and so on even bigger than anything we saw in the general election. People who hadn't voted in 2015 did so in the Referendum, and when they did, they voted to leave by a big margin. But the attitudes underlying the groups who voted Leave (who David Willetts has called the "excluded and the insulated") were not new—our data shows that concern about immigration has been rising steadily since the start of the millennium—nor should the uneven recovery from the 2008 economic crash be overlooked. The presumed recovery was not felt by large swathes of the population; the proportion of the public who think the next generation will have a lower quality of life than their parents rose sharply between 2003 and 2011 (from 12 to 35 percent) and is still growing (standing at 54 percent in 2016). These findings are emblematic of a whole spectrum of deeper issues, as can be seen in work by Will Jennings and others, Eric Kaufmann's analysis of the importance of values and order versus openness, Matthew Goodwin and Rob Ford's research into the "left behind", and more.

Some 90 percent of Leave voters and 94 percent of Remain voters say they would vote the same way if there was another referendum

So we are a divided nation, and there is not much sign of any reconciliation—our post-referendum polling for BBC Newsnight found very little buyer's remorse on either side. Some 90 percent of Leave voters and 94 percent of Remain voters say they would vote the same way if there was another referendum. And there is a similar divide on the key issue facing the Brexit negotiators: two-thirds of Leave voters think freedom of movement should be curbed even at the expense of access to the single market, but the same proportion of Remain voters hold the exact opposite view.

The effect of the vote on economic optimism was swift, with Ipsos MORI registering in July 2016 the lowest measurement in four years. However, this was primarily due to Remain-leaning groups such as young people and the middle classes becoming more pessimistic, and it recovered in August. Furthermore, many people still do not foresee an immediate impact on their own personal finances—57 percent are expecting no change over the next six months.

So for the moment the mood seems to be one of "keep calm and carry on", although there is much more concern among those who ended up on the losing side. But if Brexit does indeed mean Brexit, we may be in for a shock when it comes to negotiating the details. Our international study of reactions to Brexit found that most people in eight major European countries thought it was the wrong decision for the UK and the EU (although in places such as Russia and India, hopes were higher). And among our European neighbours, there are some very different expectations of the kinds of terms the UK should be offered in the separation. While 56 percent of Britons think the UK should be given beneficial terms to reduce the economic impact of Brexit, only 19 percent of the French and 25 percent of Germans agree. Over to you, Theresa May.

BREXIT ASKS THE BIG QUESTIONS

Peter Kellner is chairman designate of the National Council for Voluntary Organisations and former president of YouGov

At the heart of the UK's recent referendum is a mystery. Solving it tells us much about the state of Britain today, and the challenges we face in the years ahead.

The mystery is this. Opinion polls, reports from campaigners, and indeed plain common sense tell us that immigration was the issue above all others that troubled voters who favoured Brexit. Voters feared that immigrants kept down wages in unskilled jobs and made it harder for native-born Britons to access prompt NHS treatment, decent local schools, and social housing.

However, the places with the largest numbers of immigrants—and therefore where the pressures on jobs, homes, hospitals, and school places are greatest—voted heavily for the UK to remain in the EU. In contrast, the strongest pro-Brexit areas were generally those with the fewest immigrants.

How do we explain this paradox? The results and the opinion polls tell a clear story.

The typical Remain voter not only lived in a multicultural town or city; she also had a degree, a reasonably well-paid job, good health, and optimism for the future.

The typical Leave voter not only lived in a town or city with few immigrants; she also left school at 15 or 16, had a below-average income, fell ill more often than the average, and was pessimistic about the future.

Of course there were many individual exceptions to these stereotypes. But the correlations between these socioeconomic indicators and the way people voted in the referendum were remarkably strong.

Moreover, one striking feature of the referendum was the turnout pattern. Overall, turnout across the UK was up six points compared with last year's general election. But the sharpest rises were mostly in the strongest pro-Brexit areas. Almost three million men and women saw little point in choosing one party rather than another, but given the chance a year later to reject the political establishment as a whole, they seized the opportunity to vent their anger.

Immigration was the symptom rather than the root cause of this anger. Controlling immigration is unquestionably something that the public want. But if the larger aim is to address the causes of anger and alienation—and tackle the profound sense that Britain is far less fair than it used to be—then far bigger changes are needed.

My own belief is that no one group bears all the blame or has all the answers. We need more enterprising national government, more responsive local government, more socially responsible bankers and business leaders, a fairer, more intelligent tax and welfare system, and a more professional voluntary sector. Each of these sectors contains examples of both good and bad practice. Together, we need to root out the worst and insist on the best.

This report kick-starts that debate. It will not, and should not, be the last word. But it asks the big questions and challenges us all to think afresh about what has gone wrong and how to spread hope, prosperity, social cohesion, and genuinely equal opportunities to every community.

BREXIT AND THE BATTLE FOR HEARTS AND MINDS

Tom Mludzinski is Director of Political and Social Research at ComRes

Aristotle specified the “ingredients for persuasion” as *pathos* (emotion), *logos* (logic), and *ethos* (credibility), and the referendum certainly followed these lines.

With just 49 percent of Remain supporters saying they liked the EU and a plurality of voters being neutral, it was clear that Remain would not win on positive emotion.

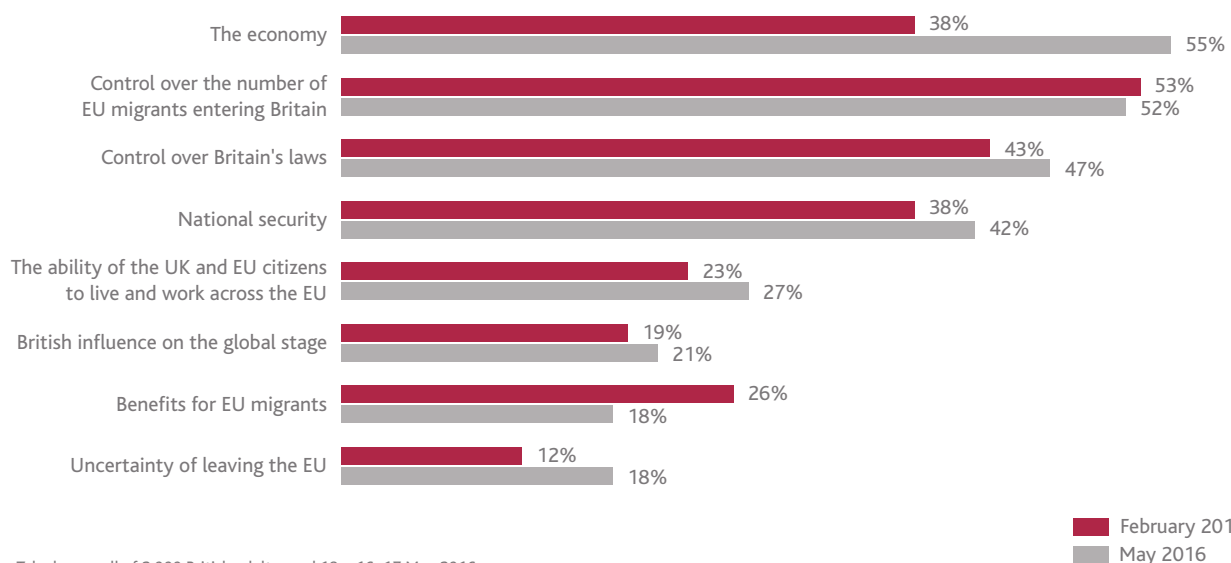
Perhaps it was inevitable then that Remain’s campaign would be focused on risk and fear of leaving the EU. Making a positive case may have just been too hard a sell. “Project Fear” was an attempt at winning over *ethos* and *logos*, banking on the credibility of the messengers, the much vaunted “experts”, and the backing of the prime minister and chancellor. At the

*Below: Economic Cut Through—
Most Important Issues to EU
Referendum Vote*

Source: ComRes

ECONOMIC CUT THROUGH: Most Important Issues to EU Referendum Vote

Thinking about the referendum on Britain’s membership in the EU, which three of the following will be the most important to you in deciding which way to vote?



Telephone poll of 2,000 British adults aged 18+, 16–17 May 2016

Perhaps the Remain campaign peaked too soon. The focus on the economy and risk was effective for a time, but ran out of steam weeks before polling day

outset of the campaign the economy lagged behind immigration and sovereignty as a key issue for voters. But after weeks of co-ordinated negative messaging, the economy jumped in importance by 17 points, leapfrogging immigration to be the most important issue for voters. This also seemed to pause the narrowing of the Remain–Leave poll gap, albeit it temporarily.

Perhaps the Remain campaign peaked too soon. The focus on the economy and risk was effective for a time, but ran out of steam weeks before polling day. Their key messenger and big asset—David Cameron—saw his own reputation and credibility take a knock. His ratings fell from 34 percent of voters saying he was important in helping them to decide how to vote in March to 26 percent in June. The *ethos* was flowing away from Remain.

Leave gained control of the agenda and shifted the debate onto the cost of the EU and domestic public services, immigration, and Turkey. The messaging was effective. A week before referendum day more people told us they thought it likely that Turkey would join the EU than that the UK would fall into recession if we left the EU. It is no coincidence that the same poll showed a momentous swing towards Leave, narrowing Remain’s lead from 11 points three weeks previously to just one point. As the debate shifted away from the economy, so public support shifted away from Remain.

As referendum day drew closer, the Leave messages were gaining greater cut-through—and therefore winning *logos*. The main Leave claim that “we can take back control” had the greatest impact, with 44 percent saying it made them more likely to vote Leave. Indeed, two other Leave promises (an Australian-style immigration system and saving £350 million a week) had more impact than the top Remain message we tested (that Brexit would lead to recession).

At the outset of the campaign Remain had two out of three of Aristotle’s ingredients in their grasp. They perhaps never thought they could win on *pathos*—that they could match the raw emotional appeal of “taking control”. What really sealed their fate was Leave’s victory on *logos* in the final weeks and the deterioration of Remain’s *ethos*.

Reasons for voting: when casting your vote, what was the most important issue in your decision? The impact on...

	ALL VOTERS	REMAIN VOTERS	LEAVE VOTERS
The economy	35%	67%	3%
The ability of Britain to make its own laws	27%	2%	53%
Immigration	19%	4%	34%
National security	4%	7%	1%
The NHS	4%	4%	3%
Other	9%	13%	5%
Don't know	2%	3%	1%

ComRes interviewed 1,069 British adults aged 18+ online on the 24th June 2016. Data were weighted to be representative of all UK adults aged 18+

WHAT BREXIT MEANS FOR BRITISH POLITICS

Rick Nye is Managing Director of Reputation and Strategy at Populus

The common criticism of the Remain campaign, that it lost the referendum because it failed to address the issue of immigration, is misplaced. The fact is that it had no cards to play on immigration. David Cameron was unable to secure any concessions on freedom of movement within the European Single Market, and without them concentrating on border control would simply have added salience to an issue that the Leave campaign owned—albeit because it set unrealistic expectations. There is a tendency to forget that Cameron had been here before. In the autumn of 2014, he made a major speech on immigration designed to defend the government's record since 2010 and to allay the fears of those who were flirting with UKIP. He succeeded only in moving immigration up the running order of news bulletins and dramatising the fact that established political parties seemed powerless to control its size or scope. Sensing this, Cameron followed the advice of political strategist Sir Lynton Crosby and changed tack as election year dawned in 2015. In a move pregnant with subsequent irony, he largely dropped the issue of immigration and reached out to UKIP waverers on the basis that only the Conservatives could deliver the promise of a referendum on the UK's EU membership and that Britain would face economic ruin under a Labour government.

The question now is where the division of opinion revealed by Brexit leaves Britain politically

This, then, was the backdrop to the referendum campaign as it unfolded. The strategic assumption that underlay the Remain campaign's focus on the economy was not a failure to understand the draw of national identity or the urge to "take back control"; rather, it was rooted in polling evidence which showed that the third of the population who might be described as being "in play" during the campaign could only be won over if they saw a direct, material threat to their economic wellbeing from the UK voting to leave the EU. The tone as well as the substance of the Remain campaign was dictated by this central fact. The longer it took swing voters to perceive the personal economic threats of Brexit, the more stridently they were repeated; and the more stridently they were repeated, the less credibility they seemed to have. By the end of the campaign, Leave had actually managed to reduce or eliminate many of the economic vulnerabilities associated with the case for Brexit.

The question now is where the division of opinion revealed by Brexit leaves Britain politically. Different political parties have of course reacted to Brexit differently. The Liberal Democrats sense revival in being committed to overturning it. Labour have used it as a pretext to try and dislodge Jeremy Corbyn before he costs them seats at a general election. The SNP seek to use Brexit as a pretext for a further referendum on Scotland's own future within the UK when the time is right. UKIP is hoping its new leader can do to Labour in former Northern and Midlands heartlands what the SNP did to it in Scotland. In other words, every party wants to use Brexit as a way of changing the pre-referendum status quo—every party, that is, except the party of government.

The Conservatives' challenge is different. Less than 18 months ago, David Cameron delivered the first Conservative majority government since 1992. It is no coincidence that he did so by assembling the broadest coalition of people prepared to vote Conservative since John Major. These people ranged from previous Liberal Democrat and Labour voters who preferred David Cameron to Ed Miliband as prime minister, or imagined that the Tories were more economically competent, to those who were tempted by or had flirted with UKIP but finally wanted a say on Britain's membership of the EU. To a much greater extent than the other parties, that 2015

Conservative vote was a mixture of what turned out to be Remainers and Leavers, and to win again in 2020 Theresa May needs to reassemble it or something like it.

This is what should interest business, for if there is one thing that unites many of those who voted for Britain to leave the EU with a large number of those who voted to remain—the graduates with the school-leavers, the young and the old and the socially liberal with the more socially conservative—it is likely to be this: that some of the human and environmental excesses of globalisation, the conduct of some businesses and business leaders, and the raw deal that some markets give consumers are no longer acceptable. The ends do not always justify the means, particularly when a sizeable proportion of the population feel they have not shared in the proceeds.

The limits of government established under Margaret Thatcher and John Major, broadly accepted by Tony Blair and Gordon Brown and latterly put on a more secure financial footing under David Cameron, are about to be tested by a prime minister who has pledged to be tough in negotiating Brexit but also tough on the causes of Brexit.

UNDERSTANDING THE DIVIDE

VoxPopMe

To better understand the motivations behind individual voting preferences 150 Leave and 150 Remain voters were picked at random to partake in a VoxPopMe.com poll. The CSJ wanted to know why they voted the way they did and what the most important issues were for them.²

We uncovered a deep divide between the two voting groups rooted in socio-cultural and economic outlook. Remain voters were proud of Britain's border arrangements and tolerance of inward migration, while Leave voters connected immigration with many of the daily problems they experienced (pressure on public services, jobs, and crime). Remain voters saw the EU as a guarantor of British security, while Leave voters felt it threatened sovereignty. The most striking aspect of this divide was the homogeneity of opinions within voting groups. In general, there was little variation in the responses among Leave or Remain voters.

Immigration as a Force for Good or Bad

Immigration was the most passionately argued topic for both voter groups.

Remain voters generally perceived immigration as a "good thing" and were passionate in their defence of its benefits. Many respondents were proud to identify as pro-immigration; one respondent said that deciding whether someone could come and live here based on their nationality was "ridiculous". Equally significant was the sense among Remain voters that voting to leave the EU was inherently anti-immigrant, which is in turn xenophobic and racist. One respondent said, "It feels really xenophobic and really wrong." Four out of five Remain voters in our poll felt being anti-immigration was akin to being racist. This deeply personal emotional reaction was symptomatic of the wider nature of the divide between the two groups.

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Remain voters also used the word “diversity” to illustrate their approval of immigration as a general theme. They also strongly endorsed a worldview that sees immigration as a provider of jobs to the UK and their local area. In some instances, Remain respondents referenced their own happy experiences working with European migrants.

There was also a strong sense among Remain voters of wanting to stay in the EU because “I like to travel” or “I won’t be able to travel as freely”. In general, for them the benefits of free movement far outweighed any of the perceived problems associated with immigration.

Leave voters identified immigration as a driver of many of the problems they experience daily: NHS waiting times, pressure on school places, unemployment, crime, and social dysfunction. Contrary to the accusation levelled by many Remain voters, this anti-immigration sentiment was not rooted in race-based prejudice and preferences, but was seen more as the result of pressure on public services. One respondent said:

I have seen where I live, such a strain on public services. For example, schools, hospitals, doctor’s surgeries, getting access to a GP and housing ... It’s nothing to do with where people come from. At some point you have to say enough is enough ... we can’t go on supporting people, several hundred thousand people who choose to come here every year.

By exiting the EU, they felt that the country could reclaim sovereignty, take back control of borders, and reduce pressure on public services and the jobs market.

The EU as a Shield Against the UK Government

Remain voters who were interviewed said the EU was a “shield” protecting the UK from potential cuts to employment rights and wider infringements of human rights by the UK government. For these voters, the EU protects Britain from itself—it is seen almost as a safety net, a second welfare state, and not a legislative or political entity. After immigration, the next most popular sentiment among Remain voters was the feeling that the EU was a political shield against a perceived threat of future cuts: “We get a lot of EU funding ... I’m not convinced that not paying into the EU will suddenly give us more money.”

It’s Good to Be in a Club

Remain respondents felt that it was simply common sense to be part of a bigger club, with some saying “I believe we are stronger together”, however unenthusiastic they might be about the club itself. This was a relational perspective on our role in the world: where the Leave respondents would recite their intention to put the Great back into Great Britain, Remain voters couldn’t understand why any country would voluntarily choose to sit outside a group of nations.

This “stronger together than apart” mentality was most pronounced among Remain voters when it came to terrorism and trade. In their view, being inside the EU reduced the risk of terrorism, whereas leaving the EU increased that risk. The same “it’s good to be in a club” mentality was apparent when it came to the economy, which was referred to in terms of trade and jobs. One respondent stated, “We’re better to be united as countries because we can support each other financially with jobs and products.” It made sense for Remain voters, from a trading standpoint, to be part of a network

rather than turning our back on it. Remain voters were typically averse to the idea of jeopardising long-standing trading relationships. Whether it is our trading relationships or our efforts to tackle terrorism, Remain voters saw the EU as an essential component.

It's Not My Town Anymore

As alluded to earlier, Leave voters' opposition to immigration is related to the perceived effect migration growth has on public services. A strong connection is made between uncontrolled immigration and pressure on local schools, hospitals, access to GPs, and other public services.

However, anti-immigration sentiment also manifested itself with regards to its effects on social cohesion. Where Remain voters talk of immigration only in positive terms, Leave voters referenced the influx of migrants to their area. Many Leave voters cited their work environment and local communities as places that have suffered from Britain's EU membership. Respondents talked in visual terms about the way their local area has changed: faces they do not recognise, languages they do not understand, shops that do not cater for them. There is a sense among Leave voters that all of this change is happening before their eyes and is not helping them. Again, most remarkable was the Leave voters' feeling that they no longer recognised the society they grew up in: "I can go for days without speaking to anyone who has English as a first language, and that's not right."

Putting the Great Back into Great Britain

The issue of sovereignty is very prominent, but Leave voters tended to phrase this issue in terms of control and express it through the imagery of the EU "dictating" to the UK. One respondent stated, "I was fed up with how Europe is dictating everything we do." Where Remain voters identify the EU as a safety net, Leave voters believe the EU prevents a once proud nation from governing itself. There is a patriotic sense of self-worth among many Leave voters. Where Remain voters see it as simple common sense to be part of a club, Leave voters identify it as a stifling influence on our ability to pass our own laws, control our own borders, and set our own rules. By "taking back control" and leaving the EU, Britain is addressing many of its social and economic problems.

Alongside a patriotic belief in running our own affairs, ownership of "our" money and what it is spent on was a strong theme and constantly referenced in conjunction with the NHS. For Leave voters, there was palpable discontent with the amount of money being "given" to the EU—money which could be better spent in the UK. For them the figure did not really matter at all; the very fact that money raised in the UK was given to a faraway cause was as baffling as it was maddening. One respondent said, "You see the money we spend sending the EU millions and millions of pounds, one day that millions and millions could be used to create a hospital to save my son's life."

The country may once have been split by social class, but now the dividing line between Leave and Remain voters could be drawn to reflect much more nuanced social, economic, and cultural outlooks. The EU is seen as either the problem or the solution to many, if not all, of the issues we currently face; the referendum may be over, but this new divide has only just begun to assert itself.

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PART 2: HEALING A DIVIDED BRITAIN

As we have seen from the polling, there is no one reason that the referendum went the way that it did. But three major themes around economic division, social division and political division have emerged. Part II takes each of these in turn to look at the underlying reasons people voted the way they did.

ECONOMIC DIVISION—AN ECONOMY THAT WORKS FOR EVERYONE

The table has tilted, folks. The game is rigged. And nobody seems to notice. Nobody seems to care. Good honest hard-working people—white collar, blue collar, it doesn't matter what colour shirt you have on.

George Carlin, 5 November, 2005

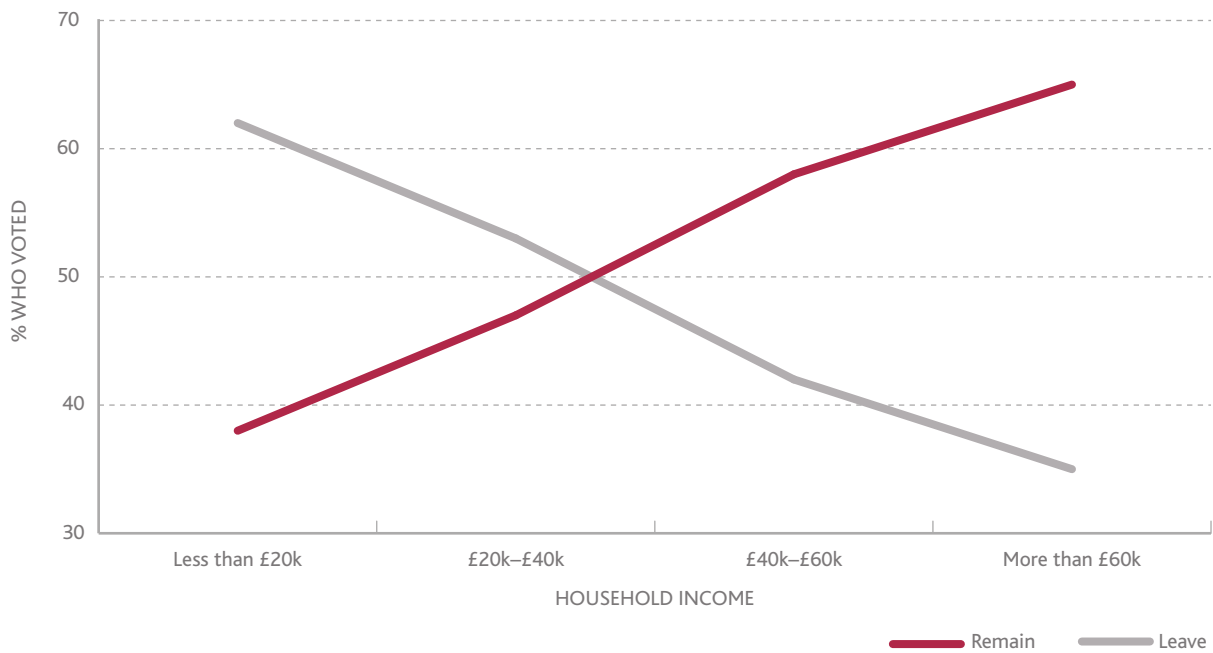
The waves of populism have finally crashed upon Britain's shores. Britain's vote to leave the European Union on 23 June 2016 exposed a sentiment and political narrative that have emerged across the Western world, with threads of nationalism, protectionism, nativism, and—perhaps most importantly—the feeling that “the game is rigged”. While the benefits of economic liberalisation over the last decades were supposed to lead to improvement in the lives of all people, many believe that the gains have been pocketed by big business and an increasingly powerful minority who have distorted markets in their favour.

George Carlin, renowned for his sharp wit and sharper tongue, delivered the above invective against “the game” in 2005, exposing the fear that we live in a society where not everyone can succeed—that the economy has been designed to keep some people in success and to push others away from it. This sentiment has been entrenched in the minds of many who have seen the government bail out the banks following the 2007/8 financial crisis but take a less interventionist approach to protect Port Talbot steel-workers and BHS pension-holders. The continued policy of the Bank of England to flood the economy with cheap debt amplifies this sense of unfairness, with those on low incomes, elderly savers, and renters suffering while the better-off and homeowners benefit. This sense of unfairness contributed to the Brexit vote, pitting the London elite against the rest of the country.

Economic Factors Behind the Leave Vote

A poll by Lord Ashcroft released in the aftermath of the Brexit vote found that Leave voters were more likely to believe globalisation and capitalism were “forces for ill”.³ 58 percent of these voters believe Britain is “worse today than it was 30 years ago”.⁴ Fundamentally, Leave voters were less likely than Remain voters to agree with the meritocratic sentiment that working hard, regardless of background, was a key ingredient for success in Britain.

LEAVE VS REMAIN by Household Income



Above: Leave vs Remain by Household Income

Source: YouGov

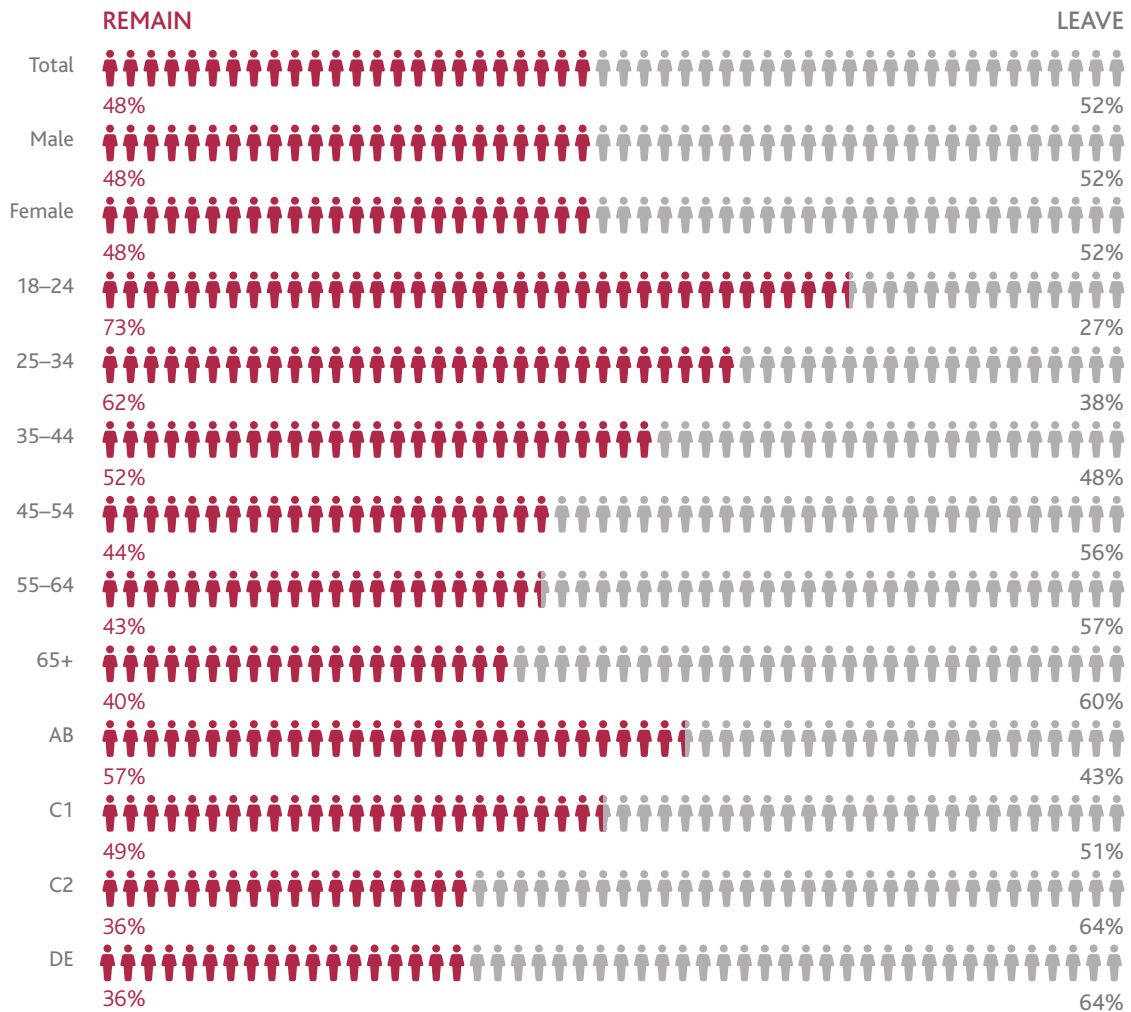
Polling from YouGov shows a strong correlation between levels of household income and how a person voted (see graph). In households with an annual income of less than £20,000, few (38 percent) voted to remain in the EU, while households with an income of more than £60,000 (65 percent) voted Remain. Put simply, poorer households voted strongly for Leave while richer households voted strongly for Remain.⁵

This trend was reinforced by further polling by Lord Ashcroft, which found that 57 percent of voters in the more affluent AB demographic group voted to Remain, while only 36 percent of voters in the C2 and DE groups voted to Remain.⁶

This trend extends to other economic issues beyond income. Data shows that the majority of people in work voted Remain (full-time 53 percent, part-time 51 percent), while the majority of those not in work voted Leave (57 percent). Private renters and those with mortgages voted Remain, while approximately two-thirds of council house tenants and housing association tenants voted Leave (68 and 64 percent, respectively). Interestingly, homeowners who owned their homes outright also voted

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How BRITAIN VOTED by Demographic



Above: How Britain Voted, by Demographic

Source: Lord Ashcroft Polls

Leave by 55 to 45 percent. Among retired respondents receiving a pension, over two-thirds with a state pension voted Leave (69 percent), while among retired respondents on a private pension the number dropped to 56 percent.⁷

To summarise, Remain voters can be characterised as those who have greater job security, greater housing security, and higher incomes than those who voted Leave. Leave voters, by contrast, tended to be more likely to face job insecurity and housing instability, and more likely to rely on public services to meet daily needs. Or to put it another way, Leave

voters felt they had not benefited from the political and economic changes of the past 40 years and thus voted to change it.

This theory—of Leave voters feeling excluded from Britain’s prosperity—is confirmed in polling data from the Joseph Rowntree Foundation which found that:

- Leave voters are twice as likely as Remain voters to feel their local area does not get its fair share of Britain’s economic success (23 percent vs 11 percent), and that their local area has been neglected by politicians (27 percent vs 13 percent).
- Leave voters are also nearly twice as likely as Remain voters to believe that national government does not listen to their concerns (40 percent vs 23 percent).⁸

This sentiment was perhaps best conveyed by a Leave voter during a *The Guardian* interview when she said: “Something has got to change.”⁹

The EU: An Economic Drag Anchor

Rightly or wrongly, our membership of the EU came to be seen as amplifying the effects of the “rigged game”. The admirable economic foundations of the European project—free trade, free movement, and disciplines imposed on member states to prevent them engaging in distortionary practices against each other—began to symbolise everything that was wrong with the EU. Free trade exposed countries to distorted markets and led to the kind of results we saw in Port Talbot and Redcar, where state-subsidised over-capacity of steel from China led to the closure of UK plants with resultant unemployment and human costs. Free movement of people came to be synonymous with losing your job to low-skilled immigrants. And while joining the European Community in 1972 may have been seen as the only way to cure Britain’s “sick man” economy, by 2016 the argument no longer held.

The reasons for UK voters choosing to leave the EU are not simply economic, but there is no doubt that the EU’s poor economic performance removed one of the reasons for choosing to stay. According to World Bank data, global economic growth in 2015 was 2.5 percent.¹⁰ In the UK growth was slightly lower at 2.3 percent, while economic growth among EU countries stood at 1.9 percent (ranging from Greece at –0.2 percent and Ireland at 7.8 percent). Economic growth figures were used widely during the referendum campaign to make the case that the UK would be better off “unshackled” from the EU economy.

In an article for the *Daily Telegraph*, leading Leave campaigner Boris Johnson MP put it like this:

Since 2008 the US has seen gross domestic product go up by about 13 per cent; the EU’s has gone up by 3 per cent. The EU is a graveyard of low growth; the only continent with lower growth is currently Antarctica.¹¹

The EU’s poor economic performance was used by Leave campaigners to make the case that Britain would be better off economically if it was not tied to the EU. This connected with many voters who, suffering stagnating incomes and job insecurity in their own lives and with little to lose, were prepared to take their chances outside the EU.

While joining the European Community in 1972 may have been seen as the only way to cure Britain’s “sick man” economy, by 2016 the argument no longer held

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Theresa May tapped into this sentiment when she spoke outside 10 Downing Street on the day she became prime minister. In a direct appeal to those who feel disconnected, she addressed issues of insecurity:

You have a job but you don't always have job security. You have your own home, but you worry about paying a mortgage. You can just about manage but you worry about the cost of living and getting your kids into a good school.

We will do everything we can to give you more control over your lives. When we take the big calls, we'll think not of the powerful, but you. When we pass new laws, we'll listen not to the mighty but to you. When it comes to taxes, we'll prioritise not the wealthy, but you. When it comes to opportunity, we won't entrench the advantages of the fortunate few. We will do everything we can to help anybody, whatever your background, to go as far as your talents will take you.¹²

To make good on this promise and to make a success of Brexit, policy-makers first need to understand the global dynamics that have given rise to losses in the UK economy and then devise ways of correcting them. We believe that this should be done by following two principles:

- removing the distortive barriers—in particular, the cronyism that is the source of many people's anger—that prevent truly free markets from flourishing; and,
- promoting economic independence by investing in individuals' economic independence.

By focusing on these principles, the government can take steps against the "rigged game" and Britain can become a meritocratic society, where individuals and households have a real chance of work, reward, and success.

The Revolt Against Crony Capitalism

For many on the far right and far left of politics, capitalism is the bogeyman that has brought about the decline in the quality of life of so many citizens. This analysis is wrong. True capitalism, based on free trade, free markets, and competition, has been the most radically beneficial economic system ever invented, rescuing billions of people from the grind of absolute poverty and delivering investment in healthcare, education, housing, and other goods that people most value.

The proportion of people living in extreme poverty* across the world in 1820 stood at 94 percent.¹³ In 1950 the figure remained high at 72 percent. However, since then this figure has fallen to just 9.6 percent.¹⁴ This significant fall in the proportion of people living in poverty coincided with both the industrialisation of economic production after 1820 and the spread of free markets and capitalism that occurred in the second half of the 20th century. Investment in healthcare, education, and housing has resulted in a significant increase in quality of life and therefore life expectancy: a male born in 1841 would expect to live to just 40 years old, while a female would expect to live to 43; a child born in 2016 would expect to live to the age of 91 (boy) or 94 (girl).¹⁵

* Extreme poverty is defined as living at a consumption (or income) level below 1.9 international dollars per day.

The real villain of the piece is not capitalism, but crony capitalism, working hand in hand with government, which distorts free markets and bears the responsibility for the disenfranchisement of billions from the wealth of their nations. Cronyism occurs when governments and certain privileged elites conspire to produce laws and regulation that thwart the ordinary forces of competition. It is often characterised by an unhealthy nexus of business and government, the result of which is depressed competition, loss of jobs, and decreased consumer welfare. Licensing regimes, local content and distributor requirements, state-owned or state-supported enterprises, and lax or non-existent tax structures are just a few examples of the sort of anti-competitive market distortions which have escaped the path of liberalisation.

To understand how liberalisation failed in this way, we must first examine why and how modern-day liberalisation occurred in the first place. This begins with the Bretton Woods Conference in 1944. It produced most of the modern institutions that govern the global economy today, including the International Bank for Reconstruction and Development (which became the World Bank) and the International Monetary Fund. The General Agreement on Tariffs and Trade (GATT) emerged in 1947 from the failure at Bretton Woods to agree on the creation of the International Trade Organisation. The GATT system broke down many Depression-era tariffs, bolstering the global economy. As a result, between 1947 and 2000 global GDP grew by a factor of ten, largely thanks to this reduction of at-the-border barriers, which made goods and services cheaper and more accessible than ever before.

The 20th century saw huge reductions in absolute poverty throughout the West and gains in every quantifiable measure of human welfare—life expectancy, infant mortality, educational attainment, and food security, among others. Trade liberalisation delivered agency to nations and peoples in a manner unprecedented in human history. For the first time, the basic policy choices of a government defined the future of its people. We need only consider the cases of South Korea and the Democratic Republic of Congo, which had the same GDP per capita in 1960, to see how quickly and starkly paths diverge as a result of different governance models.

But success in addressing at-the-border barriers was mirrored by a failure to address behind-the-border barriers. No equivalent system to enforce competition policy was set up, the result of which was institutionalised crony capitalism. This failure produced national gatekeepers who were able to pocket the gains from trade liberalisation before they could reach the people.

We need only look at the Chinese state-owned enterprise system to realise that improving the lot of British voters will require much more than simply leaving the EU. There are 180,000 state-owned enterprises in China, each benefiting from a variety of distortions, most notably free provision of critical inputs such as electricity, water, and land, and a reduced cost of financing. State-owned enterprises also benefit from a more pernicious distortion that is difficult to quantify: regulatory favouritism. In combination with a weakened yuan, these distortions have cheapened Chinese exports with devastating effects for UK-based manufacturing. In the cases of Port Talbot and Redcar, where the local steel mills served as economic engines, cheap Chinese steel flooding the European market has resulted in depressed prices (rising at a much slower rate than inflation) and tighter revenues for UK steel-makers. Since 1995 annual UK crude steel production has decreased from 17.4 million tonnes annually to 10.9 million tonnes in 2015.¹⁶ The number of steel-workers employed in the UK has fallen from nearly 40,000 to just 15,700 in 2015.¹⁷ The effect this has had on communities in traditional steel-making towns cannot be underestimated.¹⁸

Britain's exit from the EU marks a juncture for policy-makers to reassess the role they play in empowering individuals to live more independent lives

Helping People Take Back Control

Britain's exit from the EU marks a juncture for policy-makers to reassess the role they play in empowering individuals to live more independent lives where, in the words of Leave campaigner Michael Gove, they have more chance of becoming the "authors of their own life story". Both the Coalition and Conservative governments made significant progress in reforming welfare and the education system. The national employment rate reached 74.54 percent in March–May of 2016, the highest on record.¹⁹ The economy recorded 2.2 percent growth in 2015, higher than the EU and G7 averages.²⁰ However, success at a macroeconomic level has not translated into a better economic situation at a grassroots level for many communities.

Higher employment rates have had little impact on average wages in the UK. A joint Institute for Fiscal Studies–Joseph Rowntree Foundation report found median income remained 2.4 percent below its 2009–10 peak.²¹ Household income has consistently grown at lower rates than GDP, and a recent report published by Shelter found that more than one in three families in England are unable to cover housing costs for more than a month if one partner loses their job.²² Housing cost inflation has been just one of the components of an increased squeeze on household budgets.

Poverty also remains a major problem in Britain. In 2015 the Centre for Social Justice published its report *Breakthrough Britain 2015*, which found that 1.6 million children grew up in households where no one worked.²³ Some neighbourhoods had more than 67 percent of the working-age population claiming out-of-work benefits. Intergenerational poverty is further entrenched by the fact that 40 percent of the poorest children leave primary school functionally illiterate and innumerate. The Joseph Rowntree Foundation estimated the annual cost to the taxpayer of poverty in the UK at around £78 billion.²⁴ Huge strides have been made to address long-term unemployment, but still too many children grow up in households where nobody works.

As well as reflecting distortions in the economy, the failure of economic growth to properly filter through to middle- and working-class households is partially due to a significant productivity problem in the UK. The UK economy has recorded flat productivity growth rates since the global financial crisis in 2007/8. Data from the Office for National Statistics²⁵ shows that average productivity growth prior to the 2007/8 recession was 1.9 percent. In contrast, average post-crisis productivity growth has been just 0.1 percent. In an international context, the UK has also performed poorly in terms of productivity: our productivity gap with the US is 31 percent, with Germany 28 percent, and with France 27 percent. If this lack of growth in productivity continues, the UK economy risks becoming increasingly inefficient, attracting less investment and generating lower growth rates. Office for Budget Responsibility estimates also show that stronger-than-expected productivity growth can add up to 3 percent to UK GDP and generate a budget surplus of 4.4 percent by 2019/20.²⁶

Conclusion

Reducing poverty and easing the squeeze on middle-class living standards does not require price caps, increased cash transfers, and job guarantees. It does, however, require an activist government that is prepared to take on vested interests and to invest in individuals' economic independence. The new prime minister should engage in a programme that reduces barriers to competition at home and abroad, incentivises work, makes work pay, increases job security, and stimulates business investment. Putting this at the heart of the government's plans will help ensure Brexit works for everyone, not just the privileged few.

SOCIAL DIVISION—THERE IS SUCH A THING AS SOCIETY

As well as an economic divide separating Leave and Remain voters, the referendum result exposed a deep-rooted fracture in our society. Data from the Electoral Commission shows that, while London and Scotland voted overwhelmingly to remain a member of the EU (by a margin of approximately 60 to 40), the rest of England and Wales voted Leave.²⁷ The divide extended beyond geographical differences and included socio-cultural views. Around 80 percent of Leave voters view multiculturalism, immigration, and social liberalism as “forces for ill”, while just below 80 percent of Remain voters view these three issues as “forces for good”.²⁸ The previous chapter found Leave and Remain voters taking diametrically opposed positions on some of the most pressing social issues facing policy-makers, most notably immigration.²⁹ The evidence is clear that British society has split along socio-cultural lines. The EU referendum result provides a clear case for the government to prioritise social unification during this time of uncertainty, healing divisions caused by the immediate outcome of the vote while further strengthening the institutions and bonds that hold our civil society together.

Immigration and the Cultural Divide

During the campaign, multiple polls showed that immigration was consistently one of the top issues motivating Leave voters.³⁰ That is confirmed by the evidence presented in the first section of this report. Moreover, immigration became increasingly important to voters as the referendum drew closer.

In the days leading up to the referendum, immigration surpassed the economy as the most important issue for voters. A poll conducted by Ipsos MORI between 11 and 14 June found that “one in three respondents mentioned immigration as one of their most important issues (up from 28 percent in May) compared with 28 percent saying the economy (down from 33 percent)” (see graph).³¹

Immigration was often cited by prominent Leave campaigners as an issue over which the British government had little control while it remained part of the EU. The official Leave campaign, *Vote Leave*, had listed the following on its website:

- EU membership stops us controlling who comes into our country, on what terms, and who can be removed. The system is out of control.
- We cannot stop criminals entering Britain from Europe while job creators from non-European countries are blocked.³²

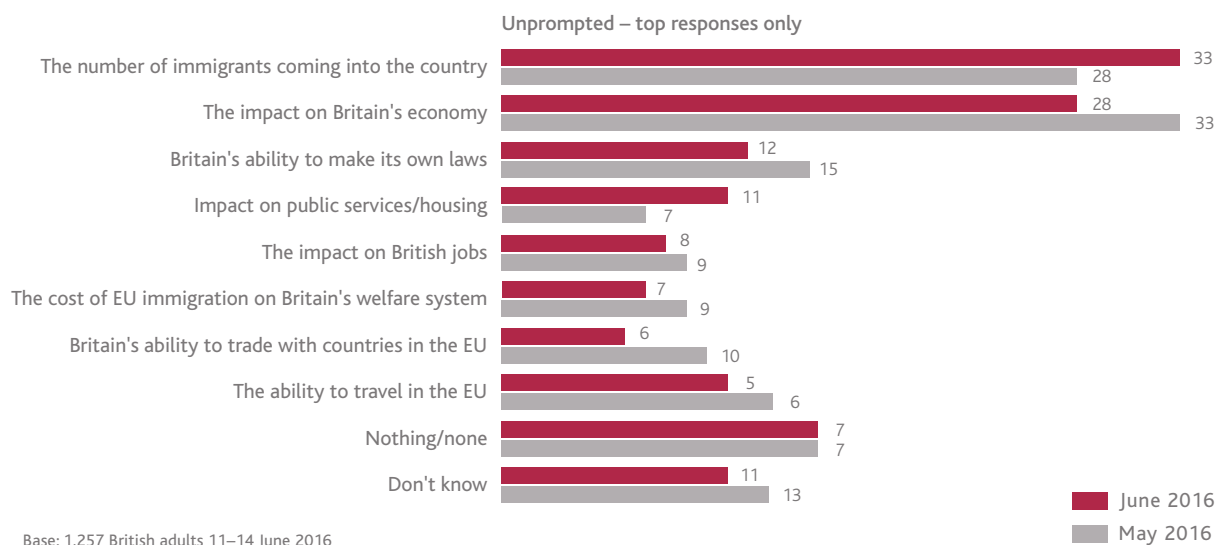
Immigration was often a controversial issue during the campaign, with accusations of xenophobia and racism made against some Leave campaigners. Controversy reached its peak when UKIP launched a campaign poster that depicted a long line of refugees under the headline “Breaking Point: the EU has failed us all”.³³

The message was clear: immigration is out of control, and only if we leave the EU can we control our borders. To advocates of this message, it did not seem to matter that the poster depicted Syrian refugees fleeing war to the Slovenian border. Even UKIP’s MP Douglas Carswell said that the poster was “morally indefensible” and “had nothing to do with Britain’s borders”.³⁴

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ISSUES IMPORTANT TO EU VOTING

Looking ahead to the referendum on Britain’s membership of the European Union on 23 June, which, if any, issues do you think will be very important to you in helping you decide which way to vote? And which of these issues, if any, that you mentioned is the most important to you in helping you decide which way to vote?



Above: Issues Important to EU Voting

Source: Ipsos MORI

But the message of that poster tapped into a growing unease about immigration—in particular, an unease that decisions about immigration do not have a direct impact on the “elites” who make them. As the then employment minister Priti Patel said during the campaign: “Indeed for many of those arguing for Remain, the day-to-day consequences of this loss of control are pretty much all gain and no pain: from inexpensive domestic help, willing tradesmen and convenient cheap travel.”³⁵ Using the recent example of Germany opening its borders to 800,000 immigrants, Peggy Noonan of the *Wall Street Journal* expanded this theory:

Ms. Merkel had put the entire burden of a huge cultural change not on herself and those like her but on regular people who live closer to the edge, who do not have the resources to meet the burden, who have no particular protection or money or connections. Ms. Merkel, her cabinet and government, the media and cultural apparatus that lauded her decision were not in the least affected by it and likely never would be.³⁶

This suggests a dual dimension of immigration in the minds of Leave voters: first, that immigration has a negative effect on society; and, second, that these effects are not felt by the politicians who make the decisions. Perhaps what is most interesting about Leave voters' views here is that it is not usually immigration in itself that is the problematic issue. When we say "immigration" in this context, what we really mean are the *effects* of immigration, real or perceived. In the case of the EU referendum campaign, the most commonly cited effects were increased demands placed on British public services including schools, the health service, demand for housing, and the displacement of labour. This is not simply a myth peddled by certain elements of the media. David Cameron, then Prime Minister, said in July 2013 that immigration was "a constant drain on public services".³⁷

The precise impact of immigration is not clear, although there is some evidence that it puts pressure on public services.³⁸ Be that as it may, there is a widespread *perception* that immigration has a negative effect on public services. A recent poll by Ipsos MORI surveyed respondents in 22 countries around the world, asking their views on immigration. The results were stark. Bobby Duffy, managing director of Ipsos MORI's Social Research Institute, concluded: "None of the 22 countries surveyed have a majority of people saying that immigration has had a positive impact on their country."³⁹

Education—School Places

In some cases, the perception that immigration places undue pressure on public services is substantiated by evidence. Official figures published in 2016 show that one in 15 pupils nationally has a parent who is a citizen of another European country (this number has more than doubled since 2007).⁴⁰ This figure includes children who moved to Britain, as well as those who were born here after one or both of their parents moved here. The *Daily Telegraph* reports that these numbers require approximately 100 new primary schools to be built to meet demand for school places.⁴¹

This issue resonates deeply with voters when it comes to applying for school places for their children. There is always competition for good local schools and most people understand that not everyone will get their first choice. In 2016, for example, following a 3 percent increase in applications compared to 2015 figures, one in six children did not get into their first-choice secondary school.⁴² Immigration increases competition for school places, and some feel this is unfair. Moreover, this pressure falls disproportionately on people within the lower socioeconomic groups and is not felt by the "elites".

The National Health Service

Most parts of the NHS are free to use by anyone, regardless of age, ethnicity, country of origin, citizenship, or anything else. To provide this health service, the government spends approximately £106 billion per year on the NHS, which will rise to £120 billion in 2020/21.⁴³ Maintaining the NHS currently requires 16 percent of total government spending.⁴⁴

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After a bold pledge about NHS spending had been put at the heart of the Leave campaign, for the government not to invest this money in public services would lead to a further decline in trust

Given the importance of the NHS in British national life and the expense of delivery, there is genuine concern over the pressures that the system faces from the effects of immigration. The government's own statistics estimate that the total cost to the NHS of visitors and temporary migrants is in the range of £1.5—1.9 billion per year.⁴⁵

It is essential to note that immigrants make up a substantial proportion of the NHS workforce: 24 percent of doctors and 12 percent of nurses were born abroad.⁴⁶ So, although immigration is putting a demand on NHS services, it is possible—even likely—that immigration's net contribution to the NHS is positive.⁴⁷ Periodically, even this can lead to perceptions that migrants are taking jobs that could otherwise be done by Britons, so a positive effect of immigration can come to be viewed negatively.

One of the Leave campaign's central proposals was to divert the money currently given to the EU into the NHS. It was claimed that this was £350 million per week (and this figure was boldly displayed on the side of a red bus), but the claim was widely scrutinised and criticised on the grounds that it was a gross figure that did not take account of the UK's rebate. After a bold pledge about NHS spending had been put at the heart of the Leave campaign, for the government not to invest this money in public services would lead to a further decline in trust and could represent a wilful act of defiance by the government against the wishes of the people. As one Leave voter told journalist Faisal Islam, "If this money doesn't go to the NHS, I will go mad."⁴⁸

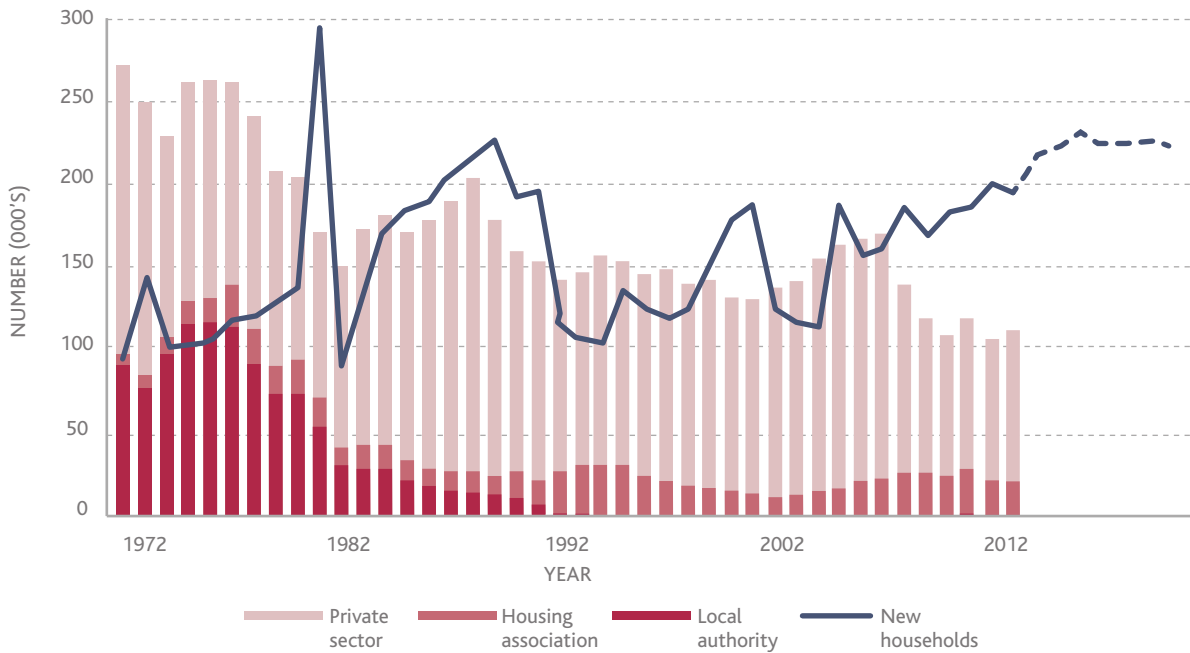
Housing

It is no secret that Britain faces a housing shortage. Some have gone further and called it a housing crisis.⁴⁹ For some time, housing supply has not kept pace with demand, but the issue has only come to national prominence in recent years following a boom in house prices coupled with declining wages.

A 2015 parliamentary report shows that the number of new households has exceeded the number of homes built in every year since 2008 (see graph).⁵⁰ It is not surprising, therefore, to learn that in November 2015 there were ten people hunting for every one available home.⁵¹

Reports of the effect of immigration on housing are mixed, with some concluding that immigration does not have a negative effect, while others find that it does.⁵² Office for National Statistics figures show that between 2000 and 2014 65.5 percent of new households created in the UK were headed by a person born abroad.⁵³ In the social housing sector, on the other hand, two recent House of Commons Briefing Papers found that non-UK nationals occupied just 9 percent of the social housing stock, and—contrary to many perceptions—new migrants to the UK made up a disproportionately small number of social housing tenants.⁵⁴ During the EU referendum campaign, however, the issue of housing was regularly used as an example of a negative effect of immigration that Britain would have more control over if it left the EU.

GAP BETWEEN NEW HOUSEHOLDS AND HOUSEBUILDING



Above: Gap Between New Households and Housebuilding

Source: <https://www.parliament.uk/business/publications/research/key-issues-parliament-2015/social-protection/housing-supply/>

Rebuilding Civil Society

There is an incomplete body of literature detailing the precise effect immigration has had on community and social cohesion. However, anecdotal evidence suggests that immigration without integration has weakened such cohesion. In Peterborough, for example, poor levels of integration of immigrant and indigenous communities have produced a weaker sense of society.⁵⁵ Peterborough voted by a margin of 61 percent to 39 in favour of leaving the EU,⁵⁶ so we may infer that the EU referendum result is a good measure of the extent to which immigration without integration has contributed to the weakening of social and civic bonds.

For more than 12 years the Centre for Social Justice has consistently argued for government to empower civic institutions and social enterprises in their efforts to rebuild civil society. Civil society traditionally embodies social institutions that sit outside the state: the church, voluntary organisations, charities, mutuals, and community

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groups. Such institutions are uniquely placed to effectively transform lives and tackle the root causes of social problems, as well as to act as a voice for our communities.

Civic institutions and social enterprises successfully engage with those who are hardest to reach because they are independent and foster trust in the community. These organisations are essential in binding together the fabric of our society, building cohesive, long-lasting, and transformative relationships between different groups and vocalising what our communities need to thrive and survive. Now that the EU referendum is over and the vast majority of people have had their say, it is time to invest in strengthening civil society, drawing heavily on the expertise of charities, voluntary organisations, and social enterprises in addressing social problems.

What Brexit Means for Civil Society

For more than 40 years Britain's civil society has been heavily reliant on the EU. It provides direct funding, establishes advocacy powers, governs public procurement, and exposes UK civil society to other EU members' voluntary sector models.⁵⁷ Now that Britain has voted to leave the EU, the government needs to decide which laws and practices it adopts and which it scraps so as to ensure that UK civil society flourishes. From this perspective, Brexit provides the government with a unique opportunity to fashion a uniquely supportive approach to its civil society strategy that can establish Britain as a leading country with respect to social sector provision.

The government needs to create a sustainable funding structure that allows the voluntary sector to unleash its potential and raise funds as independently as possible

The voluntary and charitable sector makes up a large part of our civil society. However, in 2014 EU funding of £200 million was given to just 249 of the total 165,965 registered UK charities, showing that EU voluntary sector funding is far from extensive.⁵⁸ Overall, total European and international statutory sources contribute approximately £0.8 billion in funding, just 6 percent of the UK's voluntary sector funding.⁵⁹ It is important to note that three-quarters of the UK's voluntary organisations do not receive any state funding.⁶⁰ So, regardless of whether Britain is a member of the EU or not, Britain's voluntary sector funding comes from a mixture of central government, local authorities, and individual donations.⁶¹ This means that the government needs to create a sustainable funding structure that allows the voluntary sector to unleash its potential and raise funds as independently as possible.

A problem frequently identified by the CSJ is that, despite there being thousands of solution-based models of excellence throughout the country, a majority struggle to spread or upscale their models more widely. There are two reasons for this: the ability to measure impact and the process of commissioning. Without clear impact measurements, funders and commissioners are not properly equipped to decide what to fund, and small charities with capacity issues fail to attract funding by not demonstrating their outcomes. According to the Social Research Unit, "less than four percent of the initial 240 applications to the [Big Lottery Fund's] Realising Ambition programme met the highest standards of evidence".⁶² Although there are a number of programmes and initiatives that help with measuring impact, including the Realising Ambition programme and Impetus-PEF's "venture philanthropy" model,^{63, 64} support for the development of outstanding replicable or scalable models remains limited.

Promising and practical steps have been taken to address funding and measurement issues with the establishment of the social investment bank Big Society Capital, which provides support and funding to the social sector.⁶⁵ However, the government has not gone far enough in creating institutional change and unlocking the full potential of civil society. To address the above issues,

we recommend that the government should introduce an official government-led scheme based on the US Social Innovation Fund model. The model, a full outline of which can be found in the CSJ's *Social Solutions* report, "helps build the capacity and evidence base of the best interventions from the social sector".⁶⁶ This highly successful model works by making grants to philanthropic intermediaries, who match the government's contribution and then invest in selected impactful organisations, providing them with the support to upscale and replicate their work.⁶⁷ Following this approach, the government and philanthropic organisations could identify the UK's most innovative models and develop them into commissionable public services that transform lives and communities. As explained in the CSJ's *Social Solutions* report, the funding of a UK Social Innovation Fund could be made possible by going further than unlocking the £400 million in dormant bank accounts that helped kick-start Big Society Capital; it is suggested that the most promising available assets be tapped, such as dormant life insurance policies and pension funds, which are estimated at around £15 billion.⁶⁸

One of the major points thrown up by the EU referendum is the UK's geographical "cold spots", which exist where there is a disproportionately low level of funding for the voluntary and charitable sector. The government needs to map these cold spots and direct more funding to local charities which are uniquely placed to help such deprived communities. For example, commissioning a unified online mapping of social-sector activity and resourcing in relation to geographical spread will provide a full, transparent picture to help funders, commissioners, and the voluntary sector work more strategically in tackling community breakdown. There is also considerable scope for widening funding pots, for instance by bringing more philanthropic resources into these communities by informing funders and donors where their money is needed most.

The government should revisit the question of how reintroducing an enhanced contributory principle into the welfare state—including but not limited to social security—could rebuild a sense of fairness among British people

Conclusion

When they went to the polling booths on 23 June, those who were most likely to face housing insecurity, who most rely on public services like the NHS, and who are most dissatisfied with their school choices spoke up to change the status quo. This was a vote against the advice of the Prime Minister, the majority of government ministers, and the majority of economists; it was a vote against global and European institutions; and, it was a vote against what we might call "mainstream thinking". This was, in every respect, a seismic event in British political history.

In response, the government must listen to the concerns of the people and address them with tangible policy changes. Concern about immigration is a function of both pressure on public services (perceived and real) and poor levels of integration in deprived communities. The government must respond to this vote by supporting public services and rebuilding civil society in each of these communities. It must deliver on greater funding for the NHS and should focus its school policy on areas of low achievement—whether that is achieved through the Free School and Academies programme or through the mooted reintroduction of grammar schools.

Housing is the area most readily identified by Britons concerned by immigration, and the new Communities Secretary needs to confront the vested interests in his own party that mean that just a fraction of the homes we need of all tenures are being built.

As the government prepares to trigger Article 50 and begin the two-year process of Brexit negotiations, social unification is more pressing than ever before to mend the community fractures that are now so evident. By unlocking and harnessing the power of the grass roots, the government has a far greater chance of rebuilding communities and fostering cohesion. For so many voters, the referendum was about being heard by the political elites and airing frustrations. The only sector capable of continuing to raise the issues that affect our communities is our civil society.

CASE STUDY: BIRKENHEAD

Emma Wilkes was not surprised when dozens of Birkenhead residents queued for her “food bank” in 2015. When she had driven the van full of food donated by local supermarkets into the middle of a field, she posted the initiative on the “Feeding Birkenhead” Facebook page. She and her volunteers were taken aback, however, to see two tots in nappies, unaccompanied, toddling towards the van, asking for “anything to eat”.

The toddlers serve as a grim reminder of Birkenhead’s poverty. The town, in the Borough of Wirral, faces Liverpool across the River Mersey, but enjoys none of that city’s vibrancy. The average wage here is £19,173, which is £10,000 less than the average annual pay in Liverpool. A quarter of the population live in social housing; unemployment is above average, at 6.9 percent.

“Their grandfathers were dockers. Their fathers were dockers. They’ve seen that industry slump and now the media tells them that immigrants are coming to take the remaining jobs,” says Councillor Moira McLaughlin. “They are scared of the way things are changing.” The pace of change away from what they knew and what they valued prompted 85,000 residents of this town into another queue: the one to vote “out” of the EU on 23 June. It was the “poverty vote”, according to McLaughlin. While the rest of the Wirral perfectly reflected the way the nation voted—52 to 48 percent—Birkenhead voted overwhelmingly to leave.

Eve Barrett, community organiser, feels that immigration has become the flashpoint for other issues. She has been working with the North Birkenhead Development Trust for the past three years, and reckons that she and her colleague Terrie have knocked on the doors of 20,000 residents as part of their outreach programme. They ask householders to share their most pressing concerns—again and again, immigrants come up as a big concern. But Birkenhead, in fact, has a smaller proportion of immigrants than the rest of the country and is overwhelmingly white. Eve remembers a group of women coming to her saying, “We’re dead worried about all these immigrants.” But that was not what it was really about:

Then we talked a bit, and it turns out that what really worried them was “how can I heat my home?”, “what about my children’s future?”, “I don’t want my daughter getting pregnant and dropping out of school like I did ...” They don’t feel anyone listens to them. London and Westminster are so far away—in every sense. These people feel left behind.

Birkenhead boasts many of the ingredients that contribute to flourishing social capital. It is a tight-knit community where families have lived in the same place for generations. It is supported by a host of small but very active charities. Its MP, Frank Field, is devoted to eradicating poverty. Yet, residents are crippled by a lack of confidence.

Contributing to their insecurity are three factors: isolation, ignorance, and a fragmented provision of public services. Addressing these failures would involve policy changes at a government level. The reward would be enormous, though, for Birkenhead exemplifies the potential inherent in many areas around the country—and the obstacles to its realisation.

Isolation

Isolation in Birkenhead is both digital and physical, and these aspects are mutually reinforcing. “There are many houses around here without internet access. The problem is—how do you reach these people when social media is our best means of advertisement?” Ema Wilkes runs the “Feeding Birkenhead” programme that grew out of the *Feeding Britain* all-party parliamentary report.⁶⁹ She runs a breakfast club and drop-in centre which offers cooking courses as well as budgeting and debt advice.

Over at St James’s Centre, Eve Barrett calls Birkenhead “the insular peninsula”. The River Mersey presents a natural barrier between Birkenhead and the bustle of Liverpool, but there are other, invisible, fault lines. In neighbouring Hoylake, houses go for £2 million, while on the other side of the M53 homes are boarded up because of ongoing financial difficulties. Residents know that, for their children, a trip to Monkeyworld and Knowsley Safari, organised by the North Birkenhead Development Trust, may be the only time they experience the outside world.

Public transport is prohibitively expensive for many residents. A Merseyrail trip to Liverpool and back, on a family ticket, costs £10; on the Mersey Ferry, it costs £38. Sam, a regular at the Neo community centre, says she knows of a carer on the living wage who, in order to avoid the expensive bus fare, walks 19 miles a day to get to her job. Others agree that if you are on very low income, once you calculate the cost of travel, working doesn’t pay.

The digital divide is also felt. Although Eve has found that a lot of the homes she visits do not have Internet access, she believes the biggest barrier remains lack of digital skills rather than lack of digital access. This holds true beyond Birkenhead too: 12.6 million Britons have poor digital skills,⁷⁰ while 11 percent of households remain offline.⁷¹ Age, education, and income are predictors of Internet behavior, with the elderly, lowest-educated, and unemployed least likely to be online. Digital isolation compounds socioeconomic disadvantage; conversely, digital access and know-how can connect even the most far-flung members of a community.

Reflecting the national trend, which is seeing a steep decline in print media, Birkenhead’s newspapers are a shadow of their former selves. Only a few years ago, the *Liverpool Echo* had over 200,000 subscribers; today it is down to 44,000. The *Birkenhead News* closed down in 1985, as did the *Hoylake and West Kirby Advertiser*. As a consequence, as Phil McConnell, an ex-pat who came home to Birkenhead after 25 years in Singapore, points out: “public discussion is greatly diminished.”

Lack of Support

“I can feed a child on 77 pence a week. In a typical week, I’ll make 369 meals for the children who drop in.” Ema Wilkes, at the Neo community centre, has learned to keep a tight budget so that she can feed the dozens of children who come to her breakfast club; but she knows that financial illiteracy is another obstacle to a flourishing Birkenhead. It contributes to the

Households in difficult financial circumstances are turning to unregulated money lenders to help make ends meet

level of individual debt burdening residents, and is the reason why Frank Field MP has ensured that “Feeding Birkenhead” also offers free budgeting and debt advice services. This is crucial, according to Anne, a local volunteer who supports Ema’s work at Neo. She says it is routine for parents to get to Thursday or Friday and have to forego any food for themselves, because they haven’t been able to regulate their spending during the first half of the week.

In their failure to budget properly, Birkenhead residents reflect a dangerous pattern that is being repeated all over the country. Households in difficult financial circumstances are turning to unregulated money lenders to help make ends meet. As more and more Britons become self-employed and their earnings become more erratic, budgeting and saving offer a lifeline.

Together with financial illiteracy, Ema has found deep-seated ignorance about food and diet. She tries to tackle this when she takes the children who attend the breakfast club at Neo shopping for food. “I teach them to do ‘yellow sticker’ shopping: to buy the food that the supermarkets have to discount because technically it can no longer be called fresh—it’s perfectly good, and it saves a lot of money.”

Ignorance spreads to cooking too: Ema has found that few local residents know the difference between healthy eating and the fast-food diet most of them are familiar with. “I have told the children how to make vegetable soup or sauce from scratch. They tell their parents about it when they get home. When they find out that it is much cheaper than fried chicken or burgers, the parents want to come and learn beside their children.”

Fragmentation of Support Networks

The fence that girds the centre is painted in jaunty colours. Inside, cheerful bunting festoons the communal rooms—made from discarded clothes too torn or tatty to be picked up during the weekly clothes swap that Ema organises. When Neo came to its present quarters at Beaconsfield Court at the beginning of the summer, Ema and her team could rely on an army of volunteers to help with the move. “We had two people from the DWP and two from Tesco and we painted the fence in rainbow colours.” When she received three industrial-sized fridges as donations, a group of neighbourhood lads rolled up their sleeves to move the giant fridges into the centre.

Yet, Birkenhead is a “cold spot” in this as in so many other areas: Eve Barrett at St James’s Centre must raise her own (Living Wage) salary, and admits this is a challenge for her and her team as they do not know about all the funding streams available to charities. The EU had disbursed £200 million funds to the voluntary sector in Britain—St James’s Centre still bears a plaque proclaiming that it was established thanks to EU grant money. Now, this pot of funding will no longer be available, and Eve worries about the consequences for her work.

Ben Harrison, who owns the bustling Woodside Ferry café by the port, says Birkenhead residents can draw on a store of goodwill. This reflects Britain’s high social capital, which emerged in the Legatum Institute’s 2015 Prosperity Index, where the UK ranked 12th in the world in terms of charitable giving, volunteering, and reliance on family and friends. Birkenhead residents benefit from a host of volunteer groups and their efforts, but to scale these initiatives has proved a challenge. Harrison chairs the Tranmere Rovers Trust which launched the #SWA2 initiative last year, providing 2,500 local youngsters with tickets to a match.

Harrison came to the post in 2006, after 20-plus years spent in the voluntary sector when he ran the national youth charity Weston Spirit. He points out that Liverpool has the biggest number of start-ups in the UK, yet a dearth of social entrepreneurs. An initiative like #SWA2 unquestionably benefits the community it serves—giving children in Birkenhead the chance to enjoy fun time with their family and watch their local heroes in action, and all the while stoking their ambition by setting new benchmarks for them to aspire to. While in the US a comprehensive government scheme, the Social Innovation Fund, supports similar efforts, Britain's government adopts a more laissez-faire attitude. Moreover, it retains a bias towards big, well-established charities over micro, individual-stoked ones; the latter get overlooked while the former get hefty subsidies, with more than half of all funding from government destined for major organisations. Small organisations make up just 16 percent of their funding.

This compounds the effect of "Londonisation", as Councillor McLaughlin calls it. Over at the University of Liverpool, Professor Michael Parkinson has criticised Westminster's excessive centralisation, whereby the government fails to spread investment from London through the rest of the country. He contrasts this with the German model of investing heavily in places outside the capital city, spreading investment through decentralised decision-making bodies while educating and training individuals.

Conclusion

Like so many geographically neglected areas, Birkenhead voted to leave the EU. What Councillor McLaughlin calls the "poverty vote" was also a resentment vote—an expression of anger by citizens who felt left behind. As the familiar fades, and they increasingly feel disconnected and undervalued, Leavers like those in Birkenhead need to be given the opportunity to engage more socially, as well as economically. If the government is to contain, let alone dissipate, this resentment, it must introduce new policies that directly target key problem issues.

POLITICAL DIVISION—POLITICS IN CRISIS?

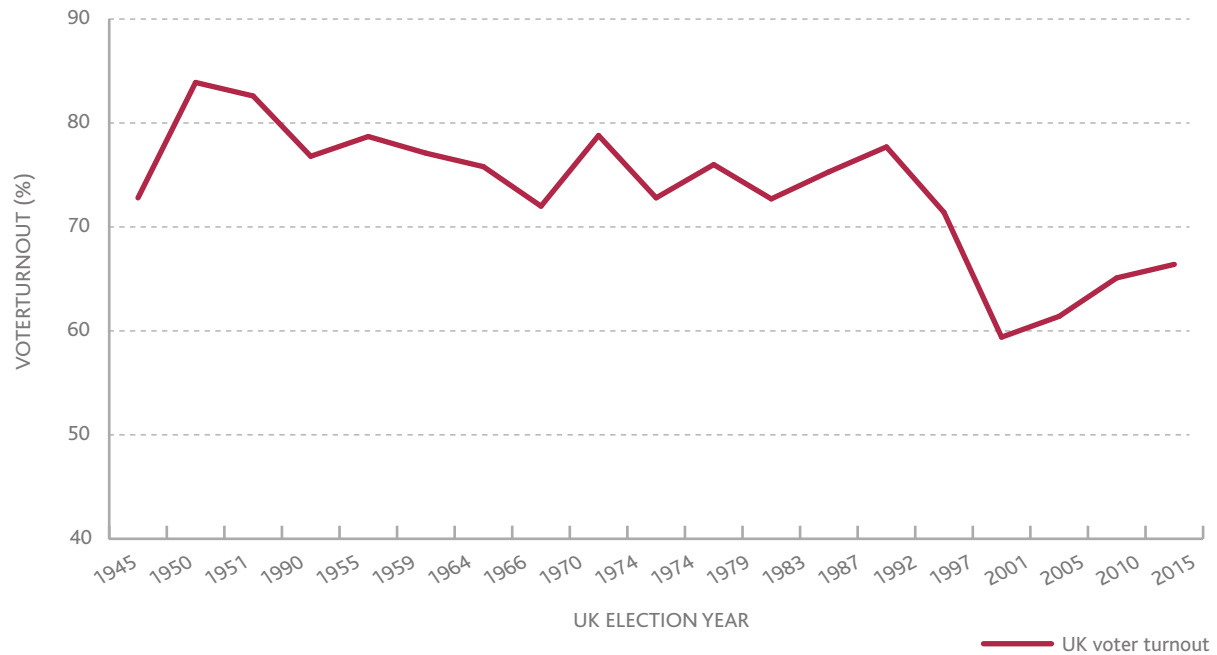
The outcome of the referendum on the UK's membership of the EU was a surprise to most of us. 70 percent of voters expected a Remain verdict, and even a majority of those who voted Leave did not expect victory.⁷² The result has prompted a bout of collective soul-searching—a wholesale evaluation of the status quo, from economic policy to the fabric of our society—as we try to learn more about the fractures that characterise modern Britain, and whether our political system can respond to a crisis that could engulf it.

Bucking the Trend: Turnout in the EU Referendum

The UK's drift towards political dissatisfaction seems clear. As the graph below illustrates, electoral turnout has declined since 1945. From the post-war fervour of the election in 1950, when 83 percent of voters cast their ballots, just 59 percent voted in the 2001 election. During the campaign for the latter election, 40 percent of voters switched TV channels deliberately to avoid election news,⁷³ and less than half could name their MP.⁷⁴ Turnouts climbed gently in

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UK GENERAL ELECTION VOTER TURNOUT (%)



Above: UK General Election Voter Turnout
Source: CSJ calculations

subsequent elections, but they are still low by historical standards and are considerably worse in local and European elections.

However, despite the general decline in voter turnout over the last six decades, 72.2 percent of the UK’s electorate decided to participate in the EU referendum,⁷⁵ a sizeable increase on the last four general elections. What does this spike reveal about people’s views on how we conduct our politics in the UK?⁷⁶

To understand the significance of higher voter turnout in the referendum, it is important to distinguish between political apathy and electoral disengagement. While political apathy indicates indifference towards politics, electoral disengagement suggests a more proactive decision to disconnect from the political world.

Counterintuitively, interest in politics has not waned over the past few decades. While 60 percent of the population had “some interest” in politics in 1986, this figure had risen to 63 percent by 2013.⁷⁷ Although participation in elections may have diminished, people demonstrate their interest in political issues in many other ways. In 2014, for instance,

83 percent of voters followed political news at least once a week, and 65 percent did so every day; only 7 percent said they did not follow political news at all.⁷⁸ In 2014, 50 percent of voters “often” or “sometimes” discussed politics with friends, relatives, or colleagues, a 6 percent rise compared with a decade earlier.⁷⁹

It is therefore wrong to assume that relatively low turnout in general elections simply reflects a lack of interest in politics. It is more likely that changing cultural and social norms, including a deliberate rejection of the standard political architecture, are to blame. The proportion of voters identifying with a political party has declined over time. In 1987, 46 percent of voters identified “very” or “fairly” with a political party. In 2010 this figure had dropped to 36 percent, and between 1987 and 2010 the number of people who said they did not support any party almost doubled, from 8 to 17 percent.⁸⁰

This, too, helps explain why voters are more disengaged with the political process than they used to be. There is, according to political scientists, a strong link between voters’ levels of engagement with political parties and their propensity to vote.⁸¹ The more people affiliate with political parties, the more likely they are to cast their ballots. This is because parties act as conduits for organising ideas about how society should function. They distil complex information into ideas that are more widely comprehensible, thereby providing the public with relatively straightforward choices. And they help outline major fault lines in the battle for ideas. As one commentator puts it, parties “turn a contest between two relatively unknown candidates into a broader contest of parties that relate to longstanding affective attachments in the electorate”.⁸²

National Governments Losing Power and Trust

The weakening of the British party structure goes back many years. All across Europe, and indeed all across the democratic world, power has been draining away from national governments. “Winning an election may be one of life’s great thrills, but the afterglow is dimming,” analyst Moises Naim wrote recently,⁸³ and he was right.

There are many reasons for this change. The spread of free trade means that decisions which can affect people in the UK may well be made in China, Texas, or Bahrain. The growth in international wealth, especially wealth in the developing world, means that fashion trends in Asia can shape manufacturing decisions in Britain. At the same time, the breakup of empires over the past century—the British empire, the French empire, the Soviet empire—means that New Delhi can affect London just as much as London can affect New Delhi.

The spread of ideas through the Internet and Hollywood movies means politicians are working in a much more crowded marketplace of information when it comes to reaching their constituents or shaping popular culture. Above all, the rise in the power of financial markets gives governments far less leeway than they once had in making economic decisions and in shaping the business climate in their own countries. The UK recession of 2008/9 was triggered by the US subprime housing market collapse of 2007/8. Successive Greek governments also found their political capital was linked to the capital markets’ willingness to lend the country money.

In each of these spheres—political, cultural, financial—the EU played an ambivalent role, adding some constraints to UK politicians but also expanding their power in other areas by giving Britain a role in shaping the decisions of other European leaders.

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The UK population's diminished enthusiasm for electoral politics may also be driven by increasing distrust of its politicians. In 1986, 38 percent of voters said they trusted governments "most of the time".⁸⁴ By 2013 this figure had dropped to 17 percent.⁸⁵ Voters also increasingly feel that politicians serve their own interests more than they do the public interest. In 1994, 52 percent of adults thought that politicians put their own interests ahead of anybody else's; in 2009 this figure had climbed to 62 percent.⁸⁶ There is some light at the end of the tunnel, however. Membership of all political parties has risen since the referendum, suggesting that the process of engaging the public in such major decisions is capable of reigniting interest in politics.

It is too easy for voters to look at those in power and believe that they are the privileged benefactors of a political system rigged in their favour. In this context, it is not hard to see why politicians like Nigel Farage were so successful in courting popular support in the referendum. He shrewdly presented himself as familiar and accessible; somebody who would listen to the qualms of the forgotten. And in doing so, he orchestrated an effective platform from which to rally support.

Voters' Feeling of Powerlessness

At the same time as national governments have been losing power, voters increasingly feel that they do not have proper influence over those that govern them. In 2007, for example, just 13 percent of adults agreed with the statement that they were able to influence the government's policies.⁸⁷ In 2010 only 4 percent of adults believed strongly that they could change the way the UK is run by getting involved in politics.⁸⁸ And in 2010 just 1 percent of adults were "very satisfied" with the way that Parliament works.⁸⁹

Leave voters were more than twice as likely as Remain voters to feel that their local areas did not receive their fair share of the UK's economic success and that their local areas had been neglected by politicians

Voters in the UK could be forgiven for thinking that their votes do not matter. Of the UK's 650 parliamentary constituencies, 380 returned majorities in excess of 20 percent in the last general election.⁹⁰ To put this another way, in almost 60 percent of all parliamentary seats there is very little prospect of alternative party representation. A referendum profoundly changes that dynamic. It removes geography and party affiliations as determinants of political outcomes; each vote carries as much weight as the next one. This is an empowering prospect for somebody who previously felt cut off from the political process and who felt that politicians were not addressing his or her concerns.

Polling following the EU referendum supports this notion. Leave voters were more than twice as likely as Remain voters to feel that their local areas did not receive their fair share of the UK's economic success and that their local areas had been neglected by politicians.⁹¹ Leave voters were also almost twice as likely as Remain voters to believe that national government did not listen to their concerns.⁹² It seems clear, therefore, that many Leave voters were galvanised by a unique opportunity to redress politicians' neglect of their concerns and used the referendum to do just that.

How Media Culture Undermines Confidence in Politics

Voters mainly rely on the mainstream media to inform their political choices. During the 2015 general election campaign, 62 percent of voters said they had been influenced by TV coverage when deciding how to vote, while 25 percent said the same about newspapers. These two sources were more influential than any other in informing voters' decisions.⁹³

Faced with the recurring possibility that their statements will be taken out of context, politicians often resort to soundbite politics, which further erodes confidence by fuelling the impression that political figures are inaccessible

Given that many voters rely on the media to steer their political views, a healthy democratic process relies on people receiving sound information from the media about political parties and their policy proposals. While good-quality journalism does exist in the UK, our mainstream media is often predisposed to quick turnarounds and the relentless churn of articles, which compromises the quality and depth of news coverage.

To understand this, it is important to understand the context in which the traditional media is now operating. Readership and viewing figures have plummeted across all traditional outlets in recent years. Advertising income of all forms is significantly reduced and the emergence of digital and social media has eviscerated the industry of the past. Redundancy rounds and newspaper closures are commonplace and, increasingly, the sole currency of the individual journalist is website hits. This has been a huge driver in the trend for mass-produced but low-quality journalism ("churnalism") and the need for increasingly spectacular headlines ("clickbait"). The results of these financial pressures were seen very clearly in the run-up to the EU referendum with the end of the print edition of the *Independent* newspaper and Trinity Mirror launching *New Day* in spring 2016 and then closing it just two months later.

Furthermore, major media outlets now have to compete for their audience with independent bloggers, vloggers, and social media. These new media do not require the financial investment of newspapers and television channels, and although they are theoretically subject to the law they are far harder to regulate and control.

News content published in major tabloid and broadsheet outlets must compete with this, and as a result such content is often condensed and simplified. There is less time, resulting in less emphasis on substantiating news content with verified facts and figures. In his report⁹⁴ on the culture and practices of the British press, Lord Justice Leveson said of its accuracy that "the press must take care not to publish inaccurate, misleading or distorted information", citing evidence of "fabrication" and "misleading headlines".

The inevitable consequence of unyieldingly sensational news coverage is that confidence in politicians is undermined. Moreover, faced with the recurring possibility that their statements will be taken out of context, politicians often resort to soundbite politics, which further erodes confidence by fuelling the impression that political figures are inaccessible.

Reports show that young people are ill equipped to spot the kind of falsehoods described by Lord Leveson. At the end of the spectrum, young individuals are at risk of developing extreme attitudes towards religions, social norms, and ethnic groups. In less extreme instances, widespread disengagement with both politics and democracy increases.

The Challenge to Hold the Centre Ground

As both major parties in the UK shifted to the centre, dissatisfied groups remained on the fringes. The Labour Party acquired an angry far-left caucus which schemed to take over the leadership and finally did so in 2015, despite only a small minority of its MPs backing Jeremy Corbyn. A part of the Conservative Party accepted Cameron's modernisation as an unfortunate necessity, but went on disliking it. Some protested by joining the UK Independence Party. Though they have many obvious differences, it is important to note that many of the members of these "far-left" and "far-right" groups oppose some of the same things: centrist politics, global trade, immigration, and the EU.

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Other factors specific to the UK also helped draw power away from Westminster and the traditional parties. The first was the devolution of UK politics under the previous Labour governments, which created new centres of power in Cardiff, Belfast, and above all Edinburgh. The second was the transformation of Britain's European elections into "protest votes". In part because the British media, unlike some of its continental counterparts, never took EU elections seriously, and in part because neither did the British people, voters felt comfortable sending fringe parties to the European Parliament.

How the Referendum Has Changed the Political Landscape

By calling the EU referendum, David Cameron hoped to end an age-old question over Britain's membership of the EU. But the 48:52 result has left the UK party structure more skewed than ever. The Conservative Party is now dedicated to the Leave agenda; the Labour Party, on the other hand, while still very pro-EU in its parliamentary representation, is dominated by a Eurosceptic and anti-trade hard-left leadership. This leaves a part of the population—including most of those who voted Remain—with a sense that they are no longer represented in Parliament.

The referendum result will undoubtedly cause a period of uncertainty in Westminster as the government negotiates its exit and a new trading relationship with the EU. This period of uncertainty may antagonise Leave voters. On the one hand, Britain outside the EU will certainly be able to claim that its parliament has more control over a wide range of issues and decisions inside the country. On the other hand, the early days of Britain outside the EU will be spent redesigning our legal, regulatory, and trading frameworks. Despite commitments being made to sustain agricultural subsidies until 2020 after Britain leaves the EU, there will be pressure for similar commitments in all areas of EU spending.

Remain voters worry that exiting the EU will leave British politicians with less influence and less impact on the rest of the world. By definition they will no longer help shape EU foreign and trade policy, EU regulation, or EU decisions on justice, security, and borders. The EU will remain the UK's major trading partner, but the country will be unrepresented by MEPs in the European Parliament and absent from meetings of the European Council, where Europe's heads of government take joint decisions on a huge range of issues.

In summary, despite the result, the EU referendum is unlikely to settle that age-old European question immediately, as David Cameron had hoped.

Conclusion

Britain's exit from the EU presents the government with an opportunity to reinvigorate UK politics and democracy. From online town halls through to easier online voting, the UK needs to look at the experience of such e-advanced countries as Estonia for inspiration. Ultimately, we should ask how central and local government can involve people so they become active in solving the challenges we all face—so that people can practically "take back control". One way of achieving this would be to prompt greater citizen engagement in local decision-making. Local authorities could establish digital platforms for online referenda on selected local issues. Electoral registration officers could raise awareness of this new online facility, leveraging the contact they have with

voters when conducting “annual canvasses”: under the Electoral Administration Act 2006, these officers have a duty to take appropriate steps to encourage voter turnout, and they could use this platform to promote online engagement.

A healthy democracy relies on good-quality information about political parties’ stances— information that is widely accessible and, indeed, widely accessed. Leaders’ debates provide parties with clear platforms from which to communicate their policies to the public directly. In this context, parties are able to put forward their policy priorities, rather than leaving it to the media to decide what to publicise. The electorate is also well placed to compare parties’ policies on major issues and to gain further insight into some of the qualities of their potential leaders.

Furthermore, TV coverage is widely accessible, and there is clearly an appetite for sourcing political news from TV, including leaders’ debates. We know from polling data, for instance, that 62 percent of voters in the 2015 general election had been influenced by TV coverage when deciding how to vote, and more than a third of voters were influenced by the televised leaders’ debates. There are, therefore, valid reasons for further promoting these democratically invigorating events, so that they become a standard part of our political process in every major election.

PART 3: A STRATEGY FOR BREXIT

Healing a divided nation will require a commitment to addressing the economic, social and political gulf that the referendum has exposed. It is an opportunity to reshape our public services in a way that genuinely helps those who feel they have no stake in society. This will require laser-like focus from this and future governments.

But the first step in healing the divide that exists will be to enact the vote of the British people. This chapter proposes a practical way forward for Britain to leave the EU.

THE NEXT STEPS FOR BREXIT

To maximise the opportunities presented by the decision to leave the EU and to minimise the potential damage, Britain must put in place concurrent political and economic strategies that will manage its extraction from the EU

To maximise the opportunities presented by the decision to leave the EU and to minimise the potential damage, Britain must put in place concurrent political and economic strategies that will manage its extraction from the EU. A political strategy focuses on the repeal of the European Communities Act 1972 ensuring legislative support for British withdrawal from the EU. By repealing the ECA 1972, Britain will no longer be bound by European law governing free movement, and will be able to fulfil the Vote Leave promise to 'Take Back Control'. From an economic perspective, Britain must raise its international trading profile and bolster its domestic competitiveness. To this end, the economic strategy should be pursued following a three-pronged approach: (1) a carefully managed negotiation with the EU to ensure continued free trade in British goods and services outside of the single market, (2) amplified bilateral and multilateral trade negotiation efforts with non-EU countries; and (3) a post-Brexit budget that focuses on improving infrastructure, skills and communications, whilst boosting domestic confidence and competitiveness.

Political Strategy

The British government's negotiation with the European Commission must be supported by an effective political strategy that provides legislative support. Leaving the EU requires the repeal of the European Communities Act (ECA) 1972. The ECA 1972 was an act of voluntary consent by the UK parliament to implement accession treaties and all subsequent treaties up to and including Lisbon. To effectively repeal the ECA requires more than amendment; it necessitates the enactment of a new bill: The European Union (UK Withdrawal from Membership) Bill, or Repeal Bill for short. While this could be enacted in 2017, the new Act would not become effective until the conclusion of the Withdrawal Agreement (which follows triggering of Article 50) and signing of the Free Trade Agreement (FTA) with the EU. In reality, the government is likely to implement a Repeal Bill once Article 50 has been triggered and the UK is on the verge of completing its legal withdrawal from the EU.

Until repeal takes effect, the UK remains bound by the ECA and remains a member of the EU in law if not in intent. The new bill should provide for all EU law to be adopted as British law, ensuring continuity for both the legal system and the wider public. Fundamentally, however, the Repeal

Bill reserves authority for the government to subsequently repeal or amend any enactment which has been a consequence of the ECA. As the process moves forward, the UK should consider those specific areas of economic regulation such as trade remedies, competition, and standard-setting where the UK could transition to its own regulatory system without accepting EU economic regulation as UK economic regulation. These specific areas should be considered now because changing existing laws in the economic regulation area has proved exceptionally difficult.

With regard to the triggering of Article 50, the Repeal Bill sits concurrently with any negotiation strategy. Article 50 is the only formal means of withdrawing from the EU. Failure to trigger Article 50 in a timely and responsible manner puts at risk the goodwill among the UK's negotiating partners and risks damaging the government's credibility with the part of the general public who voted in favour of leaving the EU. The Repeal Bill should ideally be put forward for a first reading after the triggering of Article 50.

Negotiating with the European Union

We recommend that the UK negotiate as a sovereign nation with the EU and European Free Trade Area (EFTA). We envisage that there will be a withdrawal agreement, and then an FTA with the Council of Ministers. This differs from the pure EFTA model in one crucial respect: a bespoke UK–EU FTA would allow the UK to negotiate terms of trade with the EU that include not only tariff provisions but also contestability. Such an agreement would go beyond the Comprehensive Economic and Trade Agreement (CETA) and the Transatlantic Trade and Investment Partnership (TTIP) in terms of the elimination of anti-competitive market distortions, which do so much to harm productivity and promote crony capitalism.

Britain's negotiation with the EU will be built on the shared interests of key EU member states. As the German business group BDI noted on the day after the Brexit vote, "Imposing trade barriers, imposing protectionist measures between our two countries would be a very, very foolish thing to do in the 21st Century".⁹⁵ It would also be immensely damaging to French and German business interests not to move forward with a comprehensive FTA with the UK and conclude it as soon as possible. Supply chains will demand no less.

EEA Option

The UK could seek to be part of the European Economic Area (EEA). Such an arrangement would preclude it from negotiating trade agreements with third countries as a sovereign nation. An attempt to remain in the EEA would likely come with an immovable demand for free movement of persons and a large budgetary contribution. It would be similar to the situation now, except that the UK would become a taker of EEA rules and not a maker of them. This option has a lot of downside and not much upside.

EFTA Option

The UK could join EFTA in order to make sure it has access to the EFTA countries themselves. While the UK would be able to negotiate separate trade deals as an EFTA member, these trade deals would have limited scope as the UK would be unable to negotiate any regulatory chapters. This limitation is due to the nature of EFTA members as "takers", and not "makers", of EU regulation. As a result,

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many EFTA agreements with third countries are quite basic (Canada–EFTA is goods only, and the Swiss–China deal gives immediate market access to the Chinese and a 15-year wait for the Swiss). EFTA agreements tend not to deal with real regulatory barriers and behind-the-border trade issues like standards, which are particularly important to the UK economy.

FTA Plus Option—Preferred Option

Finally, the UK could negotiate an FTA with the EU as a sovereign nation (along the lines of EU–Mexico, EU–South Korea, etc.). This may produce a more favourable deal, as EFTA countries have limited services access, and services access would be front and centre of any UK–EU agreement. This agreement would have to go beyond tariffs on goods, and include comprehensive schedules in services and on domestic regulation, and some deal on financial services access for the City of London.

Under the General Agreement on Trade in Services (GATS) Article V, no services sector can be excluded from coverage for an FTA to pass muster under Article XXIV of GATT 1947. Given that there will be a financial services deal, it should simply allow maximum coverage (all four modes under GATS with no exemptions to MFN and national treatment). There will also have to be a deal that delivers financial services access to UK firms, as well as free access to key European markets for UK services providers. Given the importance of services to the UK's export market, and the especially pernicious effect that trade barriers have on services, it will be vital for the UK's negotiators to preserve services as a primary offensive interest.

UK Negotiation with the WTO

The UK will have to engage in a World Trade Organization (WTO) renegotiation, although it should be noted at the outset that the UK is a WTO member now and was a founding member of the GATT. This will consist of an agricultural negotiation in terms of the reallocation of EU agricultural quotas, as well as a review of the services schedule. In cases where the UK can put forward a better schedule than the EU schedule, it should do so, as this would encourage support for a faster process from other WTO members.

Negotiating with Other Countries

We advocate a multi-tiered approach with third-country negotiations. The UK will not be able to sign any third-country agreements until the negotiations with the EU are concluded, but in order to maintain the strongest possible negotiating position, the UK must begin to negotiate with third countries now.

Prosperity Zone

A new Prosperity Zone would assemble a group of like-minded countries prepared to move beyond traditional trade provisions towards a reduction of anti-competitive market distortions. This would be an agreement among countries that are disposed to the foundational pillars of classical liberalism: property rights protection, open trade at the border, and competition on the merits inside it. These countries could agree among themselves a set of rules that optimised the economic environment inside their borders by reducing barriers between them and market distortions and

ensuring full protection of property rights. The zone would also include rules that dealt with third-country issues, for example distortions in other markets that have a negative impact on firm activity inside the zone. Potential members include the US, Australia, New Zealand, UK, Canada, Singapore, and possibly Hong Kong.

Commonwealth Free Trade Zone

The UK, unencumbered by the Common Agricultural Policy (CAP) and the Common Fisheries Policy (CFP), would be in a position to lead discussions towards a Commonwealth Free Trade Zone. The Commonwealth Heads of Government meeting is set for 2018 in London, which would be a perfect time to announce progress on such an initiative.

This would bring development NGOs onside, as they have been targeting the damage the CAP and CFP have done to poor agricultural producer countries for many years. The possibility of a European country without significant agricultural protectionism could be a boon to the rural poor in developing countries all over the world.

Existing EU Agreements

An inventory should be done of the existing EU FTAs, as grandfathering of these arrangements would be desirable where the UK could not quickly negotiate a better deal as a sovereign nation. In other cases, such as EU–Mexico and possibly EU–Chile, it may be that the UK could quickly achieve a better deal for both parties. This expanded latitude would derive from the UK's new-found ability to negotiate on agricultural products. Where the EU is currently involved in an ongoing trade negotiation which has not been ratified into law (such as the Comprehensive Economic and Trade Agreement, or the India negotiation), the UK should be free to initiate its own negotiation.

Enhancing Domestic Competitiveness

Post EU negotiations, the UK can do many things to implement a better internal regulatory system that will deliver competition on the merits as an organising economic principle. There is a host of economic regulation, such as anti-dumping and competition law, that the UK will have to adopt. It has a choice of simply transposing EU law, or of using a wealth of research on how to promote pro-competitive rules in these areas to craft ground-breaking legislation and regulation that promotes trade but also protects UK interests from the impact of distortions in foreign markets.

EU law and regulation have filled many gaps in UK law since its accession in 1973. Lord Denning famously said of EU law in 1974:

It flows into the estuaries and up the rivers. It cannot be held back, Parliament has decreed that the Treaty is henceforward to be part of our law. It is equal in force to any statute.⁹⁶

It is presently impossible to extract EU law out of English law. However, no parliament can bind its successor, so the UK can, after the UK–EU negotiation concludes, start to change its laws. But in the intervening time, there is a massive volume of EU directives and laws that are part of English law. We believe that, while harmonisation of some of this law will be necessary to ensure there are

While harmonisation of some of this law will be necessary to ensure there are no gaps in UK law and practice going forward, there could be exceptions where a well-developed economic regulation can replace it

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no gaps in UK law and practice going forward, there could be exceptions where a well-developed economic regulation can replace it. We list below (non-exhaustively) where these might apply.

Financial Services Regulation

It is critical that the UK maintains an open financial services market. The UK is required to fully implement European regulations around investment banks' trading activities (MIFID 2 and MIFIR), which means that at the conclusion of the negotiation the UK's financial services regulatory environment will be identical to the European system (not just equivalent). After the EU negotiations are concluded, the pursuit of alternative financial services regulation should be considered. Ultimately this is a decision that the City of London and its financial institutions will have to take based on where the most attractive savings pools are in the world.

Anti-Dumping and Countervailing Duties

The UK will need to revise its anti-dumping/countervailing duty laws when it transitions out of the EU. This presents the UK with an opportunity to have a more pro-competitive law that actually protects its domestic producers from market distortions in other markets, and is not simply a price-based mechanism that discriminates against efficient producers in other markets.

Modification of anti-dumping laws to incorporate more of an antitrust predatory pricing standard would strengthen the national economy and benefit consumers, while precluding any truly predatory dumping designed to destroy domestic industries and monopolise industrial sectors.

In addition to dealing with predatory activity, the new UK anti-dumping/countervailing duty law should deal with market distortions in other countries where producers receive artificial cost advantages from the government or government actors (for example, free electricity or water supply). This would ensure that UK industry is protected from distortions in other countries and that the preconditions that gave rise to Port Talbot and Redcar are not repeated.

Competition

Clearer, simpler rules in competition policy, particularly as regards to single-firm conduct, should be developed. It should seek to avoid second-guessing innovative and novel contractual arrangements by high-tech firms, which may be key to boosting innovation and economic growth. European rules on collective dominance and abuse of dominance should be avoided and an empirically based market power test should be used instead.

Technical Barriers and Health and Safety Issues

There are many examples of EU regulation that go well beyond what is necessary to promote the regulatory goal, which is generally to promote health and safety. Examples, to name just a few, include the Renewable Energy Directive, Transport Fuel Directive, and Trucks Maximum Authorized Dimensions Directive. It is most important for the UK to categorically reject the precautionary principle as a basis for its regulatory promulgation. These rules have led to the increased cost of energy in the UK, which has a disproportionate effect on the poor as energy is a key input of every product.

Standards

The UK should embrace voluntary standard-setting and allow private standard-setting organisations to be involved in this process. If UK manufacturers wish to access the EU market, they will have to produce products that satisfy EU requirements (subject to whatever is agreed in the UK–EU agreement itself to ensure these standards are not barriers against UK exports).

Regulatory Promulgation Process

The UK should embrace a regulatory promulgation process where competition on the merits is the organising principle. It should test the impact of the regulatory proposal on the market as well as on consumer welfare. Regulation should only be undertaken in ways that minimise the market impact, consistent with the regulatory goal. This would apply to all regulation and legislation, and act as a world-leading gold standard.

CONCLUSION

Contrary to the opinion of many commentators, Britain's decision to leave the EU on 23 June, 2016 need not leave the country isolated or leaderless. Presented here is a roadmap that manages our exit from the EU and promotes Britain as the autonomous, outward-looking, and great trading nation it has always been. The process of managing our exit from the EU will require delicate political and diplomatic work, preserving an agreed set of principles for Britain outside the EU while maintaining a constructive relationship with our European counterparts. The Repeal Bill ensures parliamentary sovereignty, while the negotiation strategy lays the foundation for a new trade policy agenda.

In the 21st century, trade policy, trade negotiations, and domestic regulatory policy are inextricably linked. To separate them is to invite economic disaster. Post Brexit, the UK has a narrow window of opportunity to implement systems that will foster economic growth rather than contraction. The "one at a time" approach which has been floated by some is untenable, as EU negotiations in a vacuum are likely to lead to a bad outcome for the UK. Similarly, an approach which assumes that all large markets (for example, the US and China) have the same foundational moorings is naïve and doomed to failure. The UK must move forward with a multi-tiered approach which resembles a three-dimensional game of chess. Simultaneously addressing negotiations to exit the EU, negotiations with third countries, and domestic competitiveness offers the best hope of a prosperous future for the UK post Brexit.

Post Brexit, the UK has a narrow window of opportunity to implement systems that will foster economic growth rather than contraction

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