COMMENTARY

UK's Eighteenth Brumaire[1]

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Alt-Finance: How the City of London Bought Democracy, by Marlène Benquet and Théo Bourgeron, London, Pluto Press, 2022, 176 pp., £59.95 (hardback),
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Why could we see the Brexit series as Britain's 18th Brumaire? Not only because of Marx's famous quip that "all great world-historic facts and personages appear, so to speak, twice (…) the first time as tragedy, the second time as farce" ([1852] 1907). Indeed, the Brexit adventure had much more of the appeal of farce than Louis-Napoleon's bloody coup, which left more than a thousand republicans dead in Paris and southeastern France. In the end, it aired many farcically comic episodes: a failed Tory plebiscite nailed down by the Tory party itself, a competition for the most burlesque slogans ("Let's give our NHS the £350 million the EU takes every week"), Brexit leaders deliberately embracing the role of political clowns (even through their haircuts), a waltz of Tory prime ministers and parliamentary intrigues, and helpless gesticulations by the Speaker of the House of Commons. However, there is a more profound reason. In their provocative book *Alt-Finance*, Marlène Benquet and Théo Bourgeron reload one of Marx's most insightful intuitions: major political events in the bourgeois regime can be read as the result of conflicts between different factions of capital. During the first half of the 19th century, according to Marx, the French upper classes were divided into factions supporting different political regimes: pro-Bourbon landowners versus pro-Orleans industrial and financial bourgeoisie. Under the Second Republic, their disorderly reunification in a Party of Order paved the way for Louis-Napoleon's personal and populist adventure: he branded his name and sold illusions to various social groups, offering nothing but the old Napoleonic prosperity to small-holding peasants or myriad military jobs to the lumpen proletariat.

Alt-finance dives even deeper into the analysis of the factions of the upper classes. It is not just the bourgeoisie or capital that is divided so, but finance itself. The book makes a very provocative hypothesis here: finance is divided into two groups, two waves, and two functions: "First wave finance," a phase begun in the 1980s, includes (large) banks, insurance companies, institutional investors, and financial communications firms. The second wave of finance—

1 I am grateful to Myungji Yang for her comments and suggestions on an earlier version of this paper.

nicknamed "alt-finance"—includes (smaller) hedge funds, private equity, and other alternative funds which emerged in the 2000s. But the authors add that "differences between first-wave and second-wave financiers are not primarily differences of individual background and careers, education, economic beliefs, or differences in the technical and financial innovations they use. What distinguishes the two groups is where and how they invest, the kind of funding they raise and the type of investment management they pursue." (p. 38). In short, the first wave is listed-finance oriented, while the second wave is non-listed-finance oriented. This distinction holds true for their investments (listed bonds and stocks versus unlisted and OTC financial securities), their client relationships (market-based clients versus personal-tie clients), and their governance (public versus private firms).

One could discuss the degree of adequacy of this working distinction. But before doing so, we should invite the reader to adopt, for the time being, a positivist and instrumentalist stance (*à la* Milton Friedman, if you will): the realism of this hypothesis is less important than the quality of the predictions it enables. The book predicts a strong political divergence between first-wave and second-wave finance. The empirical evidence is quite remarkable! Let us combine Tables 10 and 11 into one (Table 1). We find one of the most striking 2×2 tables in social science. Second-wave finance directed 79% of its donations to the Leave campaign, while first-wave did so with only 19% of its donations. We are not talking about the 3 percentage point difference that econometricians discuss extensively in quantitative outlets, but a 60 percentage point difference (or an odds ratio of 16.4, if you prefer the latter metric) between the donation strategies of the two financial fractions. In short, first-wave finance funded the Remain campaign, while second-wave finance funded the Leave campaign.

Table 1. Donations to the Leave and Remain campaigns by first- and second-wave finance

Finance fraction	Leave	Remain	Total
First-wave finance	£664,051	£2,868,135	£3,532,186
	19%	81%	100%
Second-wave finance	£9,545,045	£2,506,779	£12,051,824
	79%	21%	100%

Note: First-wave donated £664,051 (19% of its referendum donations) to the leave campaign.

Having established this first solid fact, *Alt-Finance* proposes to unveil the ideological coherence of second-wave finance. The position of the financial fractions on Brexit is not just the result of a simple economic arbitrage on the relative benefits of keeping the EU passport and the costs of being subject to EU regulations. It is based on a coherent ideological paradigm. The opus proposes another provocative hypothesis: first-wave finance is neoliberal, while second-wave is libertarian-authoritarian. By libertarian-authoritarianism, they mean less a purely theoretical cathedral based on a reading of Nozick and Hayek than a practical construct based on a strong rejection of economic regulations, especially transnational ones, and an affinity for anti-democratic solutions and alternative truth narratives (especially climate denialism). Brexit, Trumpist and Bolsosnarist leaders, despite their differences, share this libertarian-authoritarian framework.

Here, the book once again documents this provocative hypothesis with solid and striking facts. This time, the facts are qualitative. In the third chapter, they review nine Anglo-American think tanks – Institute of Economic Affairs, Legatum Institute, Initiative for Free Trade, Tax Payers' Alliance, Adam Smith Institute, Center for Policy Studies, Cobden Centre, Global Warming Policy Foundation, Economists for Free Trade. They find a coherent alignment of these institutes on three key issues: support for Brexit, promotion of an agenda hostile to taxes, regulation and state power, and anti-environmentalism, either through the dissemination of denialist narratives or the promotion of geoengineering.

Based on these two insightful hypotheses, properly supported by solid empirical elements, Benquet and Bourgeron are well equipped to write an insider/outsider chronicle of the sound and the fury of Brexit series: not only the referendum campaign, but also the hectic subsequent years of Brexit's chaotic implementation mirror the political polarization of finance. Oppositions between soft and hard Brexit, Theresa May and Boris Johnson, Rishi Shunak and Liz Truss owe much to Tory factions' connections to one or the other faction of finance. Hence, *Alt-Finance* walks in the footsteps of the *Eighteenth Brumaire*. It revives some of its key insights, and like Marx, combines the verve of a pamphlet with the solidity of research.

Of course, in this short, lively essay, the authors did not bother with nuances, nor did they detail all the intermediate steps of the demonstration. But to criticize this limitation would be unfair. As Kieran Healy famously wrote, "F-word Nuance!" (Healy 2017). A bold argument is necessary to bring fresh and clear ideas. Had they detailed and researched all the steps of the demonstration, the authors would not have been able to write this provocative work so quickly in the aftermath of Brexit and make it available to a wider audience. However, since the authors are also distinguished academics who write classic research books and articles, let us conclude with a few questions that their essay raises and that, as is often written, "future research will need to address."

While tentative, the hypothesis of a polarization of finance between first-wave and second-wave, or listed and unlisted, needs more social foundations to be more convincing. Indeed, in the early 2000s, the two financial sectors were very much intertwined, as most of the alt-finance firms were generally spin-offs of large banks (Godechot 2017). Large banks also had significant private equity departments and housed many subsidiaries that, while not fully independent, mimicked hedge funds and private equity boutiques. While private equity firms *de facto* specialize in unlisted financial companies (especially in the venture capital niche), they often make profits by taking companies from private to public. Moreover, hedge funds, such as LTCM, were heavily invested in listed markets (MacKenzie 2003). It is plausible that the combination of the global financial crisis and post-financial crisis regulation has led to de-intricate the two sectors, resulting in diverging interests and growing political polarization. However, there could also be another basis for the difference in political strategy during the Brexit adventure. The difference in size could also be a critical component of the political divide. Large firms such as banks, insurance companies or asset managers are highly diversified and cannot take the risk of the closure of the large European financial market. Hedge funds and private equity boutiques are generally small partnerships exploiting small niches, which would benefit greatly from escaping the EU's recent CRD3 and CRD4 financial regulations, which include stricter capital requirements and "outrageous" bonus caps (Godechot et al. 2022), without suffering much from the loss of the European passport.

While the massive involvement of second-wave finance in funding the Brexit campaign on the one hand, and the ideological coherence of pro-Brexit think tanks on the other, have been convincingly demonstrated in this essay, the social and ideological connections between these two facts need to be further explored. Is there an overlap, or even a causal relationship, between the two groups? Or do the groups coincidentally share the same policy goals for different reasons (economic for the former and ideological for the latter)? The book details the economic ties of the think tanks and finds links to alternative finance. But the tobacco and oil industries are no less present. A more systematic comparison of the respective involvement of mainstream and alternative finance, finance and other industries in the funding of pro-Brexit and pro-Remain think tanks could only strengthen the evidence.

Finally, the conceptual characterization of the two ideologies at play in the polar oppositions of the two financial factions could still be refined. Labeling Brexiters as opponents of neoliberalism might seem odd, since Brexiters also brandish neoliberal slogans of tax cuts, deregulation, market primacy, and the dismantling of the state. They notably target post-financial crisis re-regulations. In fact, it is not so much neoliberalism as ordoliberalism that characterizes the ideological construct of the EU and, consequently, the Remainers. Ordoliberals believe that the state must establish markets through strong coercive rules, and that regulation is still necessary to correct any deviation from the theoretical market ideal. In contrast, libertarians believe in the virtue of laissez-faire based on the supposed moral superiority of free, consensual agreements over nonconsensual external rules. Moreover, the libertarian-authoritarian paradigm pinpointed by the book remains a strange cockatrice, with a head of freedom and a tail of constraint, and faces internal contradictions: how could the advocates of freedom also argue for stronger protectionist rules and anti-migrant policies? Calling it instead a "propertarian" ideology (Piketty 2021) would help to avoid some of the contradictions at stake. Wealthy owners see countries as a club of owners dedicated to protecting their wealth from all sorts of threats, be it global climate regulations or consequences of global warming like climate refugees.

These final questions are meant to underscore not so much the book's limitations as the fruitfulness of the insights it develops. Read this book!

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