

Brexit: epitaph for a national trajectory now lost



Many developments in national histories also mark watersheds in the personal lives of their citizens, and for the economist [John Van Reenen](#) the advent of 'Brexit Day' is a case in point. In a personal essay he reflects both on the emotional colouring of this event, and on the economic costs implied for the United Kingdom.

As I write on 31 January 2020, Britain leaves the European Union (EU). The loss I feel is almost as much as when my father died, almost a quarter century ago. He was 16 when he came to Britain with my grandfather who was a South African political refugee. After completing his UK national service, he married the daughter of a Merseyside dockworker. They moved to Carlisle where I was born, to run a new community centre. Then later back to Liverpool where I started school.

My secondary education was in Kelsey Park Comprehensive School. When I started it had just converted from a Secondary Modern, schools for kids who failed their 11+ exams. It was in the late 1970s and early 1980s – a brutal place in a brutal time. I remember our class having a mock vote in the 1979 election. The most popular two parties for our boys were Mrs. Thatcher's Conservatives and the National Front, an overtly racist party promising to send foreigners 'back to where they came from'.

The lead up to and aftermath of the Brexit vote reminded me of the atmosphere of those times. [Hate crimes](#) boomed. Economic hardship meant that people wanted to find someone to blame. Many groups stoked up fear of immigrants 'sponging' on welfare – even though European [migrants](#) were young, educated and paid more in taxes than they used in public services, subsidising the British-born. If it is not immigrants, then it is all the fault of those foreign Brussels bureaucrats. Decades of anti-EU propaganda poured poison into English ears, leaving many people [woefully uninformed](#) on EU issues. A leader in the media tirade was the *Daily Telegraph's* Brussels correspondent, Boris Johnson.

I often wondered why the Leavers kept lying about the membership fee we pay to be in the EU. Everyone from the [head](#) of the Statistics Authority down called Johnson out on it. But then I began to recognize that it was all deliberate. First, every time it was shot down the figure was mentioned, and all people would remember was the lie, like an advertising jingle. Second, it was like Donald Trump: a deliberate strategy to show utter contempt for the truth. The populist right abetted by a supine media, now create a set of alternative facts, where you trust your tribe and are sick of [experts](#). So I was saddened, but not surprised, when Leave won the referendum vote. The blossoming of fear and erosion of reason gave me an awful sense of déjà vu from my school days.

Do not get me wrong: people in the UK have every right to be angry about many things. Average real [wages](#) are still lower than before the global financial crisis – making it the worst UK pay stagnation for centuries. The irony is that this has nothing to do with immigration or the EU, but much more to do with domestic policy failure. In particular, the Conservatives enthusiastically embraced extreme austerity in 2010, cutting public investment and keeping [productivity](#) growth in the economy miserably low. No surprise then that the areas hardest hit by [austerity](#) were the ones most likely to later vote for Brexit. Attacking the EU meant that the Conservatives were able to pretend it was not their cuts that meant you waited longer for your GP, or found it hard to get a place at the local school. It was the immigrants cutting in line. And many in the media merrily thumped the same beat.

The high economic price of Brexit

The worst aspect of Brexit is the political and moral damage it does to the nation. But the economic damage is also horrendous. The economic hurt from Brexit is easy to understand. Thousands of years of human history have taught us two lessons about trade. First, we trade most with countries that are [geographically](#) closest to us, and even in these days of low communication costs, distance seems to matter just as much as ever. The second lesson is that trade makes us more prosperous, especially when we exchange with wealthy countries like those in the EU, where there is little risk of increases in our domestic wage inequality (compared with a lower wage country like China).

Brexit will raise trade costs with our nearest neighbours. Even if we somehow manage to have a big beautiful trade deal with the EU and set all tariffs to zero, the non-tariff barriers of border checks and regulatory divergence will be much bigger barriers. These higher costs mean less trade and less trade will mean lower British incomes. It also means less foreign investment because the Japanese carmakers and American banks who come here do so, in large part, to get access to the EU, still the largest single market on the face of planet earth worth \$19 trillion and including half a billion people. Lowering trade and investment reduces productivity still further, pushing down wages.

The precise scale of the cost will depend on the type of Brexit. The independent think-tank, *UK in A Changing Europe* [estimate](#) that Johnson's deal will, in the medium run, cut average incomes by around 7.8% compared to remaining in the EU. Trading under WTO terms is worse (an 8.7% loss), but not much worse. These are pretty much the consensus estimates – even the government's own official estimates agree. These losses include the savings made from cutting our EU membership fee, but this fiscal transfer is trivial – 10 or 20 times smaller than the impact of higher trade costs. Some estimates of the Brexit losses (like my [own](#)) are bigger and others are smaller. But every credible estimate has shown that Brexit will make Britain poorer than remaining. For the masochistically inclined there is some more in this [post](#) on the economics or the excellent Centre for Economic Performance (CEP) series [here](#) and [here](#).

An 8% loss of income is truly awful. In human terms, it means fewer nurses and doctors, so that more people are left waiting in pain for healthcare, and more will die due to inadequate care. Fewer police mean that more people will be the victims of crime and fewer criminals will be brought to justice. Fewer teachers mean that kids will get a worse education and suffer worse outcomes for the rest of their lives. In plain terms, this is the Brexit legacy: a conscious choice to have more death, pain, violence and ignorance.

Ah, but don't economic forecasts always get it wrong? These are not forecasts trying to guess exactly where the economy will be. They are like a doctor's advice telling you not to take up a 20-a-day cigarette habit. The doctor cannot say at what date you will die or get lung cancer, but she can tell you for sure that the ciggies will be very, very bad for your health.

What has happened to the economy since the vote?

The major damage of Brexit will happen after we find out what deal is struck with the EU. But the fact that we will be poorer in the future is already having an impact. For example, sterling [crashed](#) in the hours after the first referendum results came in, which drove up UK prices over the next few years. Weaker demand has also caused big falls in [investment](#) in capital and training. Most [estimates](#) suggest 2-3% has already been knocked off national income whether we compare Britain to other countries, to counter-factual economic models (what would growth have been without Brexit and the referendum?) or to pre-referendum forecasts. 'Project Fear' has turned out to be Project Reality.

I was Director of the CEP at LSE for 13 years. Almost immediately after Cameron's 2013 speech promising a referendum on the EU, I put a team together to analyse the likely impact of leaving. The reward for the careful work and reports on Brexit we produced over the next few years was ongoing vilification by Brexiters. My personal nadir was when Michael Gove told us that we were like '[Nazi scientists](#)' persecuting Einstein with our pesky facts and reason. Well, when the Minister of Justice calls you a Nazi, you know it's time to get out of town. So, I did my own personal Brexit and took a job at MIT.

Democracy under attack

I came back last year to fight for a People's Vote. In my view, allowing Britain a chance to vote on what the terms were for leaving the EU was a democratic and moral imperative. The idea that the UK would flounce off the Single Market and Customs Union under Johnson's hard Brexit was *not* on the 2016 ballot paper. The country was split down the middle by the vote with two of the four nations of the UK voting to remain. [Polling](#) from 2017 to late 2019 consistently put Remain ahead of any sort of Leave, let alone its extreme form. This was hardly surprising as the public is now more aware of what Brexit actually means.

I strongly felt that now we know what Brexit is, surely the only democratic thing was to put it back to the people? Let us be honest. No one fully understood what Brexit meant in 2016 – I certainly did not and I have spent much of my adult life studying trade and the EU. We *do* know that the vote was corrupted by manipulation on [social media](#), the [illegality](#) of the Leave campaigns and Russian money (and we would know more, if the government would release the suppressed [report](#)). Talking up the ‘biggest democratic vote’ ever is palpable nonsense, when the UK population is the largest it has ever been! It seems crazy that we can have a violent constitutional rupture of a near 50-year marriage based on the view of 25% of the population, or 37% of the eligible voters, in a contest where a 2% swing would have changed the result.

The electoral victory of the Conservatives in 2019 was no vindication of Brexit – most people voted for parties that did not want to leave today. The chief enabler of the Conservative win was [Jeremy Corbyn](#), who refused to vigorously campaign against a Brexit that will impoverish the working class. His ambivalence helped Leave win in 2016 and his irrational choice of voting for an election he was certain to lose seems a perfect example of the hard left’s refusal to ever look reality square in the face. Johnson’s majority reflects the failings of Corbyn’s unpopular manifesto policies and feeble leadership of the Opposition.

How did we get here?

The EU has been a force for peace between nations that until recently were at war for centuries. It has enabled these warring tribes to trade and grow closer. European countries now fight each other over fishing quotas instead of bloody fields. This accomplishment was achieved without blood and battles, but through a growing club who realised that our mutual self-interest lay in cooperation instead of conflict. Britain has been a later but proud member of this club, helping build the single market and guiding the club’s expansion to help bring prosperity and stability to countries formerly under the yoke of fascist regimes in southern Europe and communism in eastern Europe.

Many Brexiters are the vanguard of the populist nationalists who hate the EU, because it promotes a rules-based order rather than a tribally-based struggle for power. Unsurprisingly it is apparent that Trump and Putin love a weakened Europe, one that they can bend to their will. They undermine the international cooperation, which is our only hope to deal with the global challenges humanity faces. No wonder these authoritarians reject policies to tackle [climate change](#). They reject reason, facts and [experts](#). They want to return to a nativist world based on gut instinct, where civility is overruled by the mob, manipulated of course by the iron fist of demagogues.

Where do we go from here?

It is easy to fall into despair in these dark times, but from where we are we must look to the future. First, the main opposition party needs to be re-built. Corbyn was a disaster as leader – a dinosaur of the Eurosceptic left who regard the EU as a capitalist conspiracy to thwart socialism in one country. By contrast, the election of a credible pro-European leader like Keir Starmer would be the first step towards renewal.

Second, it is vital for people to know their enemy. From Trump to Bolsonaro, the populist *modus operandi* is to stoke nationalism and blame foreigners. Johnson illegally [suspended](#) parliament rather than let MPs hold him to account. His government seems likely to continue an assault on facts and reason. If it follows the populist playbook it will soon attempt to corrupt and corrode independent institutions like the judiciary, university and the media. We must prepare to fight tooth and nail to defend key institutions against any such onslaught.

Third, we need to find stronger alternative policies and much better professional and economic narratives to deal with the real social and economic problems that caused the Brexit spasm. This needs new economic [models](#) and [fresh](#) thinking .

Finally, the project for us, our children and grandchildren must be to rejoin the EU – or whatever successor form it evolves into. The challenges that we face as a species are global, whether it is healthcare pandemics, climate change, AI-enabled military threats, the dominance of [superstar](#) multinational firms, or dealing with the emerging giant states in China and India, each commanding a sixth of the world’s population. Reverting to a petty UK nationalism does not solve these problems – it just makes them worse. One day we will rejoin and rejoice. Today we mourn, but tomorrow the fightback starts.

Note: The author's original article included this dedication: 'Dedicated to the memory of Jo Cox.'

About the Author



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