

Regulatory Policy Institute Pathologies of Brexit

By Dr John Temple Lang

"I find that the advice of fools is worse, the more of them that there are"

- *Laxdaela Saga*

Brexit is an astonishing phenomenon, a huge change in trade policy not based on trade or economic considerations. In theory, Brexit could mean any one of a spectrum of economic arrangements, from something like EU membership to simple reliance on WTO rules. Broadly, the more like the EU, the less the new arrangements would please Leavers, and the less the harm to the UK economy. Brexit is irrational, in the sense that it is not even an example of selfish lobbying for protectionism for a particular interest group, or even on an incorrect or short-sighted view of the UK's economic weaknesses. Leavers had no concept in common of what they wanted, they did not even agree on what they disliked. Only one real economic advantage has been identified, the possibility of importing cheap food. This is not often mentioned by Leavers, since it would harm UK farmers.

Brexit is also astonishing for another reason : the UK government has sought to avoid or minimise the involvement of Parliament in the process

The basic "pathologies" of Brexit are political, not economic :

- deliberate disregard of economic facts
- adopting economic measures for non-economic reasons.

Two groups have been affected by these attitudes :

- politicians, who paid no attention to well-informed opinion
- economists who failed to warn

Leavers were influenced by prejudices :

- against immigrants (see the reaction to the Miller case)
- against the European Court of Justice
- insisting on "red lines"
- against anyone advocating caution or reluctance

Early failures

Bad planning of the referendum : no minimum majority required, and no consideration given to Scotland or Northern Ireland or the Ireland-UK "Good Friday" Agreement of 1998.

Failure of politicians to be aware of the widespread dissatisfaction of English people : politicians were not in touch with voters.

Failure to obtain, or to pay attention to, the assessments of the economic consequences.

Failure to develop and overall plan or strategy.

Failure of two governments and two Parliaments to take their responsibilities

Mrs May's interpretation of the referendum result as requiring the most economically damaging policy. Apparently without consultation, she decided to leave both the customs union and the single market, putting at risk the internal cohesion of the UK and the peace in Northern Ireland.

Errors, failures and "pathologies"

There have been both large and small scale economic errors. In no particular order :

- failure to consider the economic consequences of different courses of action, or to balance the advantages and disadvantages
- failure to assess the alternatives, so there is no consensus on which to choose (Leavers had different reasons, with different implications)
- failure to understand that the UK could not expect to get all or most of the economic advantages of EU membership without any of the obligations or constraints. The UK cannot expect to get access to the single market and, simultaneously, freedom to create competitive advantages.
- -failure to understand that nothing in the EU prevented the UK from exporting more to e.g. China.
- -there is no reason to believe that the UK could negotiate a better or more advantageous trade agreement with any non-EU country than the EU could negotiate, with its market of 550 million people. (the only identifiable advantage would be cheap food)
- -failure to realise that any close trade arrangement would have to include a dispute settlement mechanism and a tribunal.
- -failure to realise that the two objectives of leaving the customs union and avoiding an economic border between Northern Ireland and the rest of Ireland are mutually incompatible
- -failure to distinguish between leaving the customs union and leaving the single market
- -failure to realise that the UK has always been free to control immigration from non-EU countries
- failure to accept the "competences" reports
- allegedly, no economic assessment was made of the economic consequences of Brexit for particular industries. If this was true, it was extraordinarily unprofessional. If it was not true, it was dishonest to say that no assessment had been made. In fact, it seems likely that the conclusions of assessments were unfavourable to Brexit, and so were suppressed.
- many "factual" statements have been made that are clearly entirely untrue, and explicable only through ignorance, dishonesty, or reckless disregard for the facts.
- some suggestions e.g. two customs unions, were simply silly.

- -more generally, there is a failure to realise that the UK cannot obtain free trade or access to the single market in services without constraints on State aids and subsidies as well as legally binding arrangements to prevent lax regulation benefiting UK companies and to prevent discrimination by the UK against EU companies