Why the UK should remain in the EU

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This note is written for the many friends who have asked for a reasoned view. It includes links to evidence from credible sources, none (with the essential exception of the Financial Times) behind a paywall. The quick read is the summary and/or text boxes 1-5.

Summary

Before setting out the arguments, some caveats.

- *We can’t predict the future with certainty.* The world faces major uncertainties — economic (another economic crisis?), political (instability in the Middle East), environmental (climate change), societal (population ageing) and technical (nuclear safety). Nobody can predict the future with certainty. Thus this note does not claim to be ‘right’, but rather to set out arguments that are based on respectable theory and evidence.

- *The EU hasn’t got it all right* — far from it. But that on its own is not an argument for leaving. As William Hague (Telegraph, 22 December 2015) puts it,

  > ‘I haven’t changed my view on the EU: I have often denounced how it works but never advocated withdrawal from it. This is one of many situations in life where finding many faults with something is different from thinking it best to leave it.’

The way to answer the question is to compare the costs and benefits of remaining or leaving for the economy, for foreign policy, and for effects on sovereignty.

ECONOMIC EFFECTS OF LEAVING (for a summary, see the short Financial Times video).

- There is near-unanimous agreement that leaving will create short-term losses, and widespread agreement that leaving will reduce economic growth over a longer time horizon, and that the loss could be large (paras. 8-12).

- The loss will be larger if the UK is outside the Single European Market (membership of which requires free movement) (para. 10).

- The economic losses will not fall evenly, but would have the greatest effect on particular regions (e.g. Cornwall), particular sectors (farming) and particular parts of the country (e.g. the locations of foreign-owned car plants) (para. 13).

- The argument that the UK will be able to negotiate good trade deals with the EU and the wider world is implausible (paras 14-18).

INTERNATIONAL EFFECTS (for a summary see William Hague in The Telegraph, 22 December 2015, 18 April and 9 May 2016).

- Leaving the EU risks destabilising the UK through the possibility of a second Scottish referendum and by causing problems for the Irish peace agreement (paras 20-21).

- Leaving also risks destabilising the EU economically and politically through a chain reaction, given growing nationalist movements across the EU (para. 22).

- If the UK and EU are weaker, the US is weaker. These pressures enact what has been Soviet or Russian foreign policy for sixty years – divide Western Europe and destabilise and weaken the EU (para. 23).

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SOVEREIGNTY. Two questions arise: how much would sovereignty increase if we were outside the EU; and what are the potential gains of additional sovereignty?

- **Economic sovereignty** (paras 25-30). There will be less extra sovereignty from leaving than is often claimed. Globalisation has reduced the independence of all countries. In addition, the UK shares sovereignty with the UN, NATO, the World Trade Organisation – 14,000 treaties in all (Financial Times, 3 May 2016). And within the UK, the Westminster government has ceded significant powers to the devolved regions and cities.

- **International reach** (paras 31-32). It is hard to see how leaving the EU could do other than reduce the UK’s international influence. The argument that the UK becomes a more powerful global actor by separating itself from its own continent is a tough one to sustain.

- **Migration**.
  - The evidence shows that immigration benefits the economy overall and that current immigrants are net fiscal contributors, though that does not rule out problems in particular localities if numbers increase rapidly – problems that need to be addressed (paras 33-38).
  - Even if the UK were outside the EU, reducing immigration would not be easy (para. 39).
  - The flip side of ‘gaining control of our borders’ is reducing the right of younger Brits to live and work in other EU countries and of older Brits to retire there (para. 40).

- **Security**. The UK has an opt-out on the border-free Schengen agreement, hence has passport control. Failures of security are largely domestic, including ill-advised self-inflicted cuts to Border Agency staff (para. 41).

- **Democracy**. There is a serious question about how well the European Parliament exerts democratic oversight over the activities of EU officials. However, the problem is recognised and shared by other member states, so pressure for change will come from multiple sources. Views will differ about whether the problem is a reason for leaving. For what it is worth, there are 55,000 EU civil servants; the UK has 393,000. (para. 42).

- **Regulation**. It is argued that the EU imposes heavy and unhelpful regulation.
  - OECD studies show that the UK has the second least-regulated product markets among industrial countries and the least-regulated labour markets in the EU, similar to the USA and Canada (para. 43).
  - Regulation provides co-ordination (e.g. an EU ‘kite mark’ for safety of electrical products) as a necessary part of a single market, facilitating trade. It also provides consumer protection, e.g. cheaper air fares, lower roaming charges, cleaner beaches (paras 44-46).

- **Sovereignty** is multidimensional (paras 47-48 and Box 5).

BENEFITS OF EU MEMBERSHIP. The argument is not only about the costs of leaving but also about the benefits of membership (paras. 49-53).

- Peace should not be underestimated because so few people are left who can remember the Second World War.
- Membership of the world’s largest economy creates large economic benefits.
- Membership gives greater control of the international environment (climate change, control of multinationals, action on tax havens).
- Free movement benefits the large numbers of Brits who live and work in other EU countries.

Comparing costs and benefits is not as exciting as a rousing political speech, but is the right way to approach a hugely important decision. For me the balance of arguments is clear: the economic and foreign policy costs of leaving are large, and on my reading the gains in sovereignty in today’s connected world are limited. The issue is not about the older generation’s past but about our children’s and grandchildren’s future. For those reasons, I shall vote Remain.
1 Some facts

1. UK OPT-OUTS. The UK is a member of the EU, but has a series of important opt-outs:
   - From ‘ever closer union’;
   - From the Euro;
   - From the border-free Schengen Agreement; and
   - From policies on asylum, migration, justice and internal security.

2. SIZE OF THE EU MARKET. ‘Since its formation … the European Union (EU) has become larger than any individual economy in the world’ (Office for National Statistics). UK gross domestic product (GDP) (i.e. the overall size of the economy) in 2013 was 14.9% of EU GDP. Thus the UK has access to a very large internal market.

3. TRADE WITH THE EU. ‘Less than 8% of EU exports come to the UK while 44% of UK exports go to the EU’ (HM Treasury 2016a, p. 11). Thus the EU is much more important for UK trade than the other way round. As Figure 1 shows, British trade with the EU is much larger than with our next largest trading partner, the USA. Trade with China is growing more rapidly than with the EU but from a very small base (2.9% of UK total trade). In round numbers, around 45% of UK trade is with the EU, 18% with the USA and 7.3% with the BRICS countries (Brazil, Russia, India, China, South Africa).

![Figure 1: Percentage of UK exports to other countries, 2014](source)

Source: UK Pink Book 2015, Table 9.1.

4. THE SINGLE EUROPEAN MARKET. Free-trade agreements are generally about goods (raw materials, cars, etc.) not services (banking, shipping, insurance). The Single European Market is about much more than free trade. It is also about harmonising regulations – less important for goods but essential for trade in services, where non-tariff barriers (e.g. different or incompatible regulations or restricted market access) interfere with trade even in the absence of customs duties. The difference between a free-trade area in goods and a single market is important because the UK has a large trade deficit with the EU on goods but a large surplus in services (Office for National Statistics 2015). If the UK is not in the single market, trade in services will be damaged, possibly badly; that matters because only 10% of UK output is in manufacturing.

5. Members of the European Economic Area (EEA) have access to the single market without being members of the EU, Norway being the best-known example. However, as a
former foreign minister of Norway explains, Norway must (a) accept free migration of EU citizens, (b) contribute to the EU budget (Norway pays 80% per head of what the UK pays), and (c) comply with all EU rules but with no say in making those rules.

Box 1: Who supports Remain?

‘Best friends from Washington to Wellington, Ottawa to Canberra and Tokyo to Delhi are unanimous that their relationships are tied to Britain’s place in Europe. Nato, the ultimate guarantor of British security, thinks the country would be disarming itself by quitting’ (Financial Times, 19 May 2016).

This list is intended to show the breadth and depth of support for remaining in the EU, and the range of different perspectives and motivations.

- The current and all living former UK Prime Ministers (David Cameron, Gordon Brown, Tony Blair, John Major).
- The leaders of the Conservative, Labour, Liberal Democrat, Green, Scottish Nationalist, Plaid Cymru, Sinn Féin, SDLP, and Alliance parties.
- The TUC.
- The National Farmers Union.
- The current and 5 former Secretaries General of NATO.
- The IMF.
- The Organisation for Economic Co-operation and Development (OECD).
- President Obama.
- 8 former US Treasury Secretaries (Democrat and Republican).
- The Prime Ministers of Australia, New Zealand and Japan.

2 Potential economic effects of leaving the EU

6. For an excellent summary, see the short video by Martin Wolf, chief economics commentator at the Financial Times and one of the most profound and respected thinkers about economics.

2.1 Effects on GDP

7. INTERNATIONAL TRADE. Trade matters greatly. There is near-universal agreement among economists that trade contributes to higher living standards, and that reducing restrictions on trade generally increases the gains. Thus the impact on trade is a central element in assessing the economic effects of leaving.

8. It is helpful to think about trade between EU member states and other countries in terms of three possible regimes: ‘Norway’, i.e. remaining in the Single European Market; ‘Canada’, i.e. a bilateral agreement with the EU; or on the basis of World Trade Organisation (WTO) rules without any specific agreement with the EU.

9. SHORT-RUN ECONOMIC EFFECTS. A report by the Treasury 2016b reported by the BBC 23 May 2016 on the short-run effects suggests a recession, a view confirmed by the respected independent Institute for Fiscal Studies who point to the resulting increase in the budget deficit.
and argue that ‘It is unlikely that government would respond with bigger spending cuts and tax rises in the short run. More likely “austerity” would be extended by another year (optimistic scenario) or another two years.’

10. **MEDIUM-TERM EFFECTS.** The consensus of analyses by the [Treasury 2016a](#), LSE’s [Centre for Economic Performance](#), the [National Institute of Economic and Social Research](#) and the [OECD](#) is that the overall effect in the medium term would be negative and could well be large. Assessments focus mainly on the effect of leaving on trade, and in particular on which type of post-exit trade agreement results.

   ‘Britain would face an invidious choice …. The EU would insist that in return for full access to the single market, the UK must continue to sign up to EU laws, pay budget contributions and accept the free movement of people. As Britain would have voted to escape these perceived burdens, higher barriers to trade with the EU are all but certain. The higher the barriers, the greater the damage to the British economy’ ([Centre for European Reform](#), 21 April 2016).

11. **Looking at analyses from sources outside domestic politics:**

   ‘[The OECD's] central estimate is that gross domestic product would be 5 per cent lower than if Britain remained in the EU, with a range of a 2.7 to a 7.5 per cent hit to GDP. These figures put the organisation very close to the Treasury’s estimate of a 6.2 per cent GDP reduction. They are higher than the forecasts from the CBI business lobby, and Oxford Economics and lower than the London School of Economics estimate of up to 9.5 per cent’ ([Financial Times](#), 27 April 2016).

   ‘The International Monetary Fund chief has said a vote by the UK to leave the European Union would have “pretty bad, to very, very bad” consequences’ ([BBC](#), 13 May 2016).

12. **Economists rarely agree, but in this case there is unusual consensus.** Nearly 200 economists in a [letter](#) to The Times (12 May 2016) wrote that,

   ‘Focusing entirely on the economics, we consider that it would be a major mistake for the UK to leave the European Union.

   ‘Leaving would entail significant long-term costs. The size of these costs would depend on the amount of control the UK chooses to exercise over such matters as free movement of labour …

   ‘The uncertainty over precisely what kind of relationship the UK would find itself in with the EU and the rest of the world would also weigh heavily for many years.’

13. **WHERE DO THE COSTS FALL?** What matters is not only the total loss but the very different way losses fall onto different groups. Leaving the EU would bear particularly on:

   - Regions receiving EU transfers, including the south-west and Northern Ireland.
   - Sectors such as farming, which benefit from agricultural subsidies.

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3 The only significant dissent ([Financial Times 28 April 2016](#)) estimates the effect of a regime based on WTO trade rules and dropping all customs duties. The estimates are based on analysis that makes two strong assumptions. First, the model does not use the conventional ‘gravity model’ of trade, hence assumes that it is as easy to trade with New Zealand as with the Netherlands. Second, it implicitly assumes that most regulation has little benefit, hence removing regulation is a benefit. I discuss regulation in the section on sovereignty, below.

4 The figure of 6.2% is the Treasury’s central estimate of their middle scenario (the Canada model).
- Parts of the country such as the north-east which have historically attracted significant foreign investment and may no longer attract new investment if the UK is no longer a bridge to the EU.
- Tax-financed public services such as the NHS if lower growth adds to fiscal pressures.

**Box 2: Do we really send £350 million per week to Brussels?**

The claim that membership costs £350 million per week, i.e. £18bn per year is often repeated but wrong.

‘First, the rebate on Britain’s contributions means the annual contribution is expected to be £13bn in 2015. Of that money, another £4.5bn comes back to the UK as farming subsidies and regional development funds. Another £1.4bn comes back in grants to the private sector. These adjustments reduce the £350m a week to £136m.

‘The more important point is that if Brexit were a shock or boon to the UK economy, the effects on the public finances would dwarf these figures’ *(Financial Times, 1 April 2016).*

‘Claims that we would have an additional £350 million a week to spend are wrong. They imply that following a UK exit other EU countries would continue to pay a rebate to the UK on contributions it was not making. Such claims also imply we would simply stop all existing EU subsidies to farming and poorer regions (such as Cornwall and west Wales)* *(Institute for Fiscal Studies 25 May 2016).*

In everyday terms, the cost of EU membership is less than 30p per person per day, roughly the cost of a cheap mobile phone contract.

**2.2 Are good trade deals plausible?**

14. After leaving the EU, the UK would need to negotiate new trade deals with the EU and with all the countries outside the EU which currently have trade deals with the EU. The argument that that will be easy and fairly quick has a logical fallacy at its heart. It implicitly compares two steady states (1: UK a member of the EU; 2: UK never a member), when what is involved is a movement from one steady state (member) to another (not). If the UK had never joined the EU, the bilateral and multilateral agreements to which the Leave campaign points would have evolved, but it does not follow that, having left the EU, we can build good deals quickly. Indeed, the following sets of arguments suggest otherwise.

15. **TRADE WITH THE EU.** In considering whether the EU would offer a good trade deal,

‘[Article 50 of the Lisbon Treaty] Clause 4 says that after a country has decided to leave, the other EU members will decide the terms—and the country leaving cannot be in the room in those discussions. Repeat: we’d have no say at all on the terms on which we’d deal with the EU from then on, and no opportunity to reconsider’ *(Prospect Magazine, 10 December 2015).*

16. The EU offer will reflect, first, that the UK’s bargaining position is weak: threatening to leave will no longer be a card we can play; and, as noted, the EU is much more important as a trading partner to the UK than the other way round. Second, the offer will reflect the incentives facing a European Commission struggling to keep the Union together.

- Brexit risks a chain reaction. France and Germany have elections in 2017, and Marine Le Pen is already calling for a Frexit referendum, with a risk that populist parties in other countries, including Germany, the Netherlands and Denmark, could follow *(Financial Times, 26 February 2016).*
• Consider also the view of the Spanish government opposing Catalan independence.
• **Polls in Sweden** suggest that though most Swedes wish to remain, that view might change if the UK – a like-minded country in many ways – votes to leave.

In those circumstances, the remaining member states have powerful incentives to make a horrible example of the UK.

17. **TRADE DEALS OUTSIDE THE EU.** Here it is necessary to consider (a) how long such negotiations will take, particularly for trade in services, and (b) how good such deals will be. Peter Sutherland, the first Director-General of the World Trade Organisation ([Financial Times, 30 March 2016](http://www.ft.com)) sounds loud cautionary notes on both counts.

   ‘The trends are towards bloc-to-bloc negotiations. The US has confirmed that it would prefer to negotiate with the EU….

   ‘The reality is that losing access to the EU single market would be a big setback for the UK. Negotiating equivalent access appears in effect impossible.’

18. **Negotiations with the EU** offer countries like the USA and China access to a market of 500 million people. The UK is much smaller, hence less of a magnet.

   ‘The claim that the outcome will be fine because Britain is the fifth-largest economy in the world is technically wrong, a non sequitur and a fundamental misreading of history. It is hard to think of a worse argument’ (Chris Giles, Economics Editor, **Financial Times, 4 May 2016**).

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**Box 3: The economic argument in a nutshell**

The central argument is simple.

- The EU is by far the UK’s largest trading partner (Figure 1).
- Those who want to leave, do so to avoid (a) free movement, (b) budgetary contributions and (c) EU rules.
- Trade with the EU could continue broadly unchanged by adopting the Norway model, but that makes no sense because it removes none of the factors in the previous bullet.
- Thus, leaving implies a ‘Canada’ or WTO arrangement, i.e. less good trading access to an EU market of 500 million people.
- Making up that loss by building new trade relations will not be quick or easy. The EU has strong internal incentives to use the UK to demonstrate to other member states the high cost of leaving; and the priority of non-EU countries will be to build trade agreements with the much larger EU market.

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**3 Potential international effects**

19. For an excellent short summary of the arguments see the articles by William Hague in **The Telegraph, 22 December 2015, 18 April** and **9 May 2016**.

20. **POTENTIAL EFFECTS ON THE UK.** Someone misspoke on the radio, asking ‘Will you vote to stay in the UK?’ – but was right. A vote to leave risks breaking up the UK. On present polls, Scotland will vote to remain. If the UK votes to leave, it will be England that does so. The risk – only a risk, but a real one – is a second Scottish referendum ([Scotsman, 13 March 2016](http://www.scotsman.com)), with a different result from 2014.
There are also ramifications for the Ireland peace process (Financial Times, 28 April 2016). With the UK and Irish Republic both in the EU there is no border for goods and services; people shop on either side depending on movements in the exchange rate between sterling and the Euro; and the British mainland acts as a ‘landbridge’ between the continent and Northern Ireland and the Irish Republic. UK exit from the EU would unpick a key aspect of the peace process – demilitarising the border and increasing cross-border integration.

WIDER POTENTIAL EFFECTS. UK departure also risks destabilising the EU, both economically, given the uncertainty that exit would cause, and through the potential chain reaction already mentioned.

If the UK and EU are weaker, the US is weaker. These pressures enact what has been Soviet or Russian foreign policy for sixty years – divide Western Europe and destabilise and weaken the EU economically and politically – see the powerful article by Garry Kasparov, Guardian 13 May 2016. NATO may be more relevant for military protection, but the EU is directly relevant in economic and diplomatic terms to Russia’s strategic interests.

Box 4: The international argument in a nutshell

Alongside the potentially destabilising effects within the UK already noted, the international aspects are summarised in an article reporting some of the findings of the LSE Commission on Britain’s Future in Europe.

‘A “no” vote … will greatly extend the crises that the EU is already trying to manage. Geopolitically, a Brexit will weaken Europe’s ability to stand up to Putin’s aggression and the challenges of jihadism. The EU would lose a member that has one of its biggest military and diplomatic capacities, its main advocate of interventionism, and the strongest link with Washington. Brexit will threaten the global role of both the UK and the EU. Internally, a Brexit will rejuvenate fears of Germany hegemony, with France alone unable to be the counter-balance, with concerns revived in Europe’s east and south.’

4 Sovereignty

For some, the economic and international costs of leaving might be a price worth paying if it restored UK sovereignty. Two strategic questions arise:

- How much sovereignty does the UK have, and how much would it increase if we left the EU?
- What does the UK gain or lose by seeking such increased sovereignty?

4.1 Economic sovereignty

The Westminster government has less sovereignty than in the past for several reasons.

GLOBALISATION has two main aspects: capital mobility allows firms to locate production of goods and services where they like; and technical change, notably the internet, makes national boundaries more porous (music downloads, Netflix), making competition global and reducing the freedom of any country to have taxes and regulations too different from competing countries. In that respect, UK sovereignty – like that of other countries – is less than in the past. Figure 2, showing the interest rates set by the Bank of England, European Central Bank and US Federal Reserve over the past 10 years, illustrates how much the economic policy of individual countries is reduced by global forces.
27. Thus UK monetary sovereignty is limited by globalisation more than by EU membership. That said, the UK retains significant sovereignty over fiscal policy (taxation and government spending) because of the opt-out from the Euro.

Figure 2: Official interest rates, UK, USA, European Central Bank 2006-2014

![Graph showing official interest rates for UK, USA, and the European Central Bank from 2006 to 2014.]

Source: Interest rates and monetary policy, House of Commons Library 2016

28. UK CONSTITUTIONAL CHANGES over the past 20 years have reduced the powers of Westminster. Devolved governments in Scotland, Wales and Northern Ireland have powers over health care, education, housing, transport, policing and the like; and since 2011 there has been a devolution agenda to mayors and large cities like Manchester and Bristol.

29. POOLING SOVEREIGNTY OUTSIDE THE EU. The UK is part of the World Trade Organisation and many other international agreements. The pooling of sovereignty is not trivial. If another member of NATO is attacked we are obliged to come to its defence, but equally, if we are attacked, the other NATO members have to defend us. The argument is that by pooling sovereignty all members of NATO have greater security. I come back to the nature of sovereignty below (section 4.7).

30. These elements would all continue if the UK left the EU, so leaving would increase economic sovereignty (the claimed benefit) less than is often claimed. The economic cost of leaving is reduced access to the world’s largest economy.

4.2 International reach

31. EU membership restricts UK powers in areas such as making trade deals – sovereignty that would be regained if we left the EU. The cost of leaving concerns the effect on UK influence outside the EU. Though there is room for disagreement about how strong the effect would be, the argument that the UK becomes a more powerful global actor by separating itself from its own continent is a tough one to sustain. In a letter to The Times, 10 May 2016, a cross-party group of thirteen former US Secretaries of State and Defense Secretaries wrote that they,

‘…are concerned that should the UK choose to leave the European Union, the UK’s place and influence in the world would be diminished and Europe … dangerously weakened.

‘In our globalised environment it is critical to have size and weight … The special relationship between our countries would not compensate for the loss of influence and

Nicholas Barr 9 Ver. 4 27 May 2016
clout the UK would suffer if it was no longer part of the EU … with 500 million inhabitants which is the largest economic bloc in the world.’

32. Polly Toynbee (Guardian 21 April 2016) eloquently overstates the argument to bring out the potential extent of risk:

‘If on 23 June we vote to leave, future US presidents may bypass shrunken little tin-pot England …, ignoring a Ruritania whose empty ceremonial strutting will look yet more comical when stripped of its present influence. Scotland gone, struggling with the economic fallout from our own folly – why stop here? Instead presidents will head straight for the German chancellery.’

4.3 Migration

33. For many, this issue – the number of immigrants and their concentration in some localities – is the crux. The question is not whether the issue is real (it is) but the choice of policies to address it.

34. In 2015, ‘Net migration of EU citizens was estimated to be 184,000 (compared with 174,000 in YE December 2014; change not statistically significant). Non-EU net migration was 188,000 a similar level compared with the previous year (194,000)’ (Office for National Statistics 26 May 2016). The government has secured agreement with the EU for an ‘emergency brake’ procedure under which the UK can pay lower in-work benefits to immigrants for the first four years after they arrive (for an assessment, see Open Europe, 21 February 2016).

35. What are the Effects of Immigration? Immigration has costs as well as benefits, but it is mistaken to look only at the costs. Historically there have been great benefits from immigration, from the Huguenots to today’s NHS workers. The best available evidence shows that current immigrants are net fiscal contributors and ‘[t]he contributions of those who stay in Britain may well increase. It is a new form of foreign direct investment’ (Economist, 8 November 2014). For an overview, see Martin Wolf’s article in the Financial Times, 29 April 2016).

36. Research by Christian Dustmann, a leading expert in a leading economic journal, finds that, ‘For immigrants that arrived since 2000, contributions have been positive throughout, and particularly so for immigrants from EEA countries. Notable is the strong positive contribution made by immigrants from countries that joined the EU in 2004’ (Dustmann and Frattini, 2014).

37. Recent research by LSE’s Centre for Economic Performance (summarised in the Independent, 12 May 2016) finds that immigration from the EU has no negative impact on wages, jobs or public services. The view that there is a fixed number of jobs, and hence that immigration reduces the number of jobs for Brits, is widely believed, but mistaken.

‘Economists call it the “lump of labor fallacy” … the idea that there is a fixed amount of work to be done, so any increase in the amount each worker can produce reduces the number of available jobs. (A famous example: those dire warnings in the 1950’s that automation would lead to mass unemployment)” (Nobel economist Paul Krugman, New York Times 7 October 2003).

The reality is that immigrants to the UK add to domestic demand for goods and services which helps to generate employment.
38. However, those findings do not rule out local problems if numbers increase rapidly. The question for policy is how to reap the benefits of immigration while addressing the genuine issues that arise in specific localities from changes that exceed local absorptive capacity in the short run. The case for targeted action is strong; it does not follow that leaving the EU is a good answer.

39. **How much could immigration be reduced if the UK left the EU?** As discussed, the outcome depends on whether the UK is part of the single European market or, instead, stays outside and negotiates a deal on the basis of World Trade Organisation (WTO) rules. But even with a WTO arrangement, reducing immigration would not be as easy as often portrayed.

   ‘Migrationwatch [a respected think tank arguing for less immigration] has estimated that applying the current non-EU migration rules to EU nationals would reduce the current 323,000 net migration total by about 100,000’ ([National Institute Economic Review, May 2016](https://www.nationalinstitute.co.uk/), p. 20, citing [Migration Watch](https://migrationwatch.co.uk), quoted in the [Guardian, 10 May 2016](https://www.theguardian.com/)

40. In sum, reducing immigration is possible but difficult, and the extent of reduction should not be over-estimated. Second, the flip side of ‘gaining control of our borders’ is **reducing the right of younger people to live and work in other EU countries**.

   ‘A lot would depend on the kind of deal the UK agreed with the EU after exit. If it remained within the single market, it would almost certainly retain free movement rights allowing UK citizens to work in the EU and vice versa. If the government opted to impose work permit restrictions, as UKIP wants, then other countries could reciprocate, meaning Britons would have to apply for visas to work’ ([BBC, 12 May 2016](https://www.bbc.co.uk/)).

4.4 Security

41. The argument that free movement allows criminals to enter the UK should not be overstated. Driving from Brussels to Amsterdam the only evidence of a border is the sign ‘Nederland’, like ‘Welcome to Somerset’. Such borders within the Schengen zone offer no security against terrorists or criminals. But the UK is not part of Schengen and thus retains responsibility for its own borders. Failures of security are largely domestic, including self-inflicted cuts to Border Agency staff.

   ‘It was not freedom of movement that allowed the criminals into Britain, but the UK Border Agency. European law allows Britain to refuse entry to people “on grounds of public policy, public security or public health”. [T]he UK border force has translated that law into [guidelines for officials](https://www.gov.uk/government/publications) suggesting everyone who has served a prison sentence over a year in another EU country should be prevented from entering. The more important point is that a lack of cooperation between EU states can prevent UK officials from knowing about the criminal past of people entering the country. This situation is unlikely to be improved by leaving the EU’ ([Financial Times 1 April 2016](https://www.ft.com/)).

4.5 Democracy

42. The argument about ‘unelected bureaucrats’ is spurious. We never get to vote for Treasury or Home Office officials. The real questions are:

   - Is there a democratic deficit in the EU, i.e. does the European Parliament exert sufficiently powerful democratic oversight over the activities of EU officials? There are legitimate doubts whether that is so.
• How likely is it that the problem will be addressed? There are grounds for optimism: the problem is recognised and other member states share UK concerns, so pressure for change will come from multiple sources.

• Is this issue a reason for leaving? Clearly views can differ. Mine is the same as William Hague’s in the quote at the start of the Summary.

For what it is worth, there are 55,000 EU civil servants; the UK has 393,000 (BBC, 13 May 2016).

4.6 Regulation

43. The EU, it is argued, imposes considerable regulation on the UK, which could be discarded if we left. Two arguments are involved: that the UK is heavily regulated, and that the regulations are bad. On the first, an OECD study of industrialised countries finds that the UK has the second-least regulated product markets after the Netherlands. Another OECD study shows that labour-market regulation in the UK is similar to that in the USA, Canada and Australia, and considerably lower than in the continental EU countries.

44. Second, much (though not all) regulation is beneficial.

• Co-ordination: regulation of product standards (e.g. common safety standards for electrical products), is a necessary supporting element in the single market (Guardian 11 May 2016) and thus, by facilitating trade, contributes to economic growth.

• Consumer protection: other regulations benefit consumers directly, for example, EU competition law has led to cheaper air fares and the reduction and, from 2017, elimination of mobile phone roaming charges; and EU regulation has also led to cleaner beaches.

• Arguably the most burdensome regulations – planning – are self-inflicted.

45. Several points follow: much EU regulation is introduced with UK support; and if we dropped that regulation would have to replace much of it with domestic regulation.

46. For all these reasons, leaving the EU would not reduce regulation substantially. The real issue is not regulation as a whole, but specific regulations that are (a) unnecessary and/or (b) badly-designed and/or (c) against UK interests. Such regulation (both EU and UK) undoubtedly exists and, where it does, should be removed or revised. That is a highly worthwhile task, but not a reason for leaving.

4.7 What does sovereignty mean?

47. Finally, the UK remains a sovereign country in the sense that we can at any time decide to leave the EU. However, it cannot as easily decide to rejoin. The UK opt-outs described earlier were negotiated when the UK was a member state with veto power. Were the UK to leave and later to reapply, the opt outs would no longer be on offer.

Box 5: What does sovereignty mean?

It is worth quoting Martin Wolf at length (Financial Times, 3 May 2016).

‘If Britain were to vote to leave the EU in June would it regain the sovereignty that those in favour of leaving argue it has lost? The answer is no. The very fact that the UK is holding this vote proves that it remains sovereign…. ’
States exist to serve the interests of their citizens. They can achieve that objective only through co-operation with other states. For this reason, the UK has signed 14,000 treaties. Legally, the UK could withdraw from them all... Treaties do not undermine sovereignty, but express it. They constrain the exercise of sovereignty, with the intention of making it more effective. They do so by delegating powers. Some of these powers are matters of life and death. The UK is a member of Nato, for example, because it believes, rightly, that it enhances the security of its citizens. 

The question then is whether membership of the EU is an appropriate exercise of UK sovereignty. Yes, we can identify difficulties over accountability. Yet we also see huge gains in effective exercise of power. 

Membership gives the UK a say in the future of the European continent. It gives it a potent voice in the positions on global affairs of one of the world’s most powerful actors. 

It magnifies the UK’s ability to influence global developments that are of vital interest to the welfare of its citizens, such as over climate. It gives it, not least, favourable terms of access to its biggest market. 

‘Should we seek substantial further delegation of powers to the EU? Definitely not. But the benefits of what the UK now has — most of the advantages with few of the disadvantages — seem not just evident, but truly substantial.’

48. Looking to the future, the recently-acquired opt out from the goal of ‘ever closer union’ a highly significant. In many ways that concession is explicit acceptance by member states that the one-size-fits-all approach that made sense for the original six member states is the wrong model for a much larger and diverse entity, a point made forcibly in an article by Anatole Kaletsky.

5 Benefits of the EU

49. The argument is not just about the costs of leaving. Alongside the benefits of membership just mentioned, with direct effects on our daily lives, are much wider ones. 

50. PEACE. The very elderly people who parade past the Cenotaph each year are among the few still alive who lived through the horrors of war in Europe. It is important to try to imagine what war in Europe was like. While NATO keeps peace at the borders of Europe, the EU keeps peace within. The EU has been described as the largest ever conflict resolution mechanism. The EU has also helped to consolidate democracy in Greece, Spain and Portugal formerly under military dictatorships, and in former-communist countries in Central and Eastern Europe. That these are imperfect does not contradict the beneficial direction of travel.

51. MEMBERSHIP OF THE WORLD’S LARGEST ECONOMY. The benefits of free-trade – in services as well as goods – have already been stressed. Those benefits are possible without membership if the UK joins the European Economic Area, like Norway but, as noted, that solution requires free movement while denying the UK a say in how the EU is run.

52. MORE CONTROL OF THE INTERNATIONAL ENVIRONMENT. Membership of a bloc of 500 million gives powerful leverage.

- Climate change is too big a problem for national action alone.
- Multinational firms are largely beyond the power of individual countries – think Amazon, Facebook, Google, Starbucks. It is necessary to have a multi-country entity to contain them – think EU competition regulation and Microsoft.
• Action on tax havens, again, requires international action. The current UK efforts are strengthened because the pressure is EU-wide.
• International sanctions: EU sanctions on Russia, have much greater effect than anything the UK can do on its own.

53. **FREE MOVEMENT.** Migration is two-way: about as many Brits live in other EU countries as vice versa, including many younger people who live and work in other EU countries for part of their career and older people who retire to warmer climes.

54. **IN SUM.** The analysis suggests that leaving would leave the UK poorer and with less international influence, while gains in sovereignty in today’s connected world would be limited. The issue is not about the older generation’s past but about our children’s and grandchildren’s future. For those reasons, I shall vote Remain.

**A minimal reading list**

On factual matters, see the BBC reality check, [www.bbc.co.uk/realitycheck](http://www.bbc.co.uk/realitycheck)

On economics, see the short video by Martin Wolf, chief economics commentator of the *Financial Times*.

On international aspects, see the articles by William Hague in *The Telegraph*, 22 December 2015, 18 April and 9 May 2016

On sovereignty, see Martin Wolf, *Financial Times*, 3 May 2016.

*LSE Commission on Britain’s Future in Europe*

*LSE Centre for Economic Performance*