Introduction

On June 23rd, the British people will vote in a referendum over whether or not to remain in the European Union. It is the most important vote that most of us will have in our lifetimes. And one that will have major repercussions for our country and the rest of the world for decades, if not generations, to come.

Ever since David Cameron made his Bloomberg speech in January 2013 promising the Referendum, I knew that this was likely to become the major issue. I was lucky enough to be able to put a team together at the CEP of the world’s top researchers on international trade, labour markets and growth. We were able to develop the new methods, theories and data to address the deep and complex problem of the economic consequences of a decision to leave an alliance we had been a key member of for over 40 years.

We published several reports over the last three years on the Brexit debate, especially in the last three months, and this book is a selection of the fruits of our labour.

More information with the reports, blogs, and more technical details and so on can be found here http://cep.lse.ac.uk/BREXIT/

The reports are self-contained and we have not re-written them from the originals.

Our conclusions are quite clear. Leaving the EU will make Britain poorer than it would be were we to remain. There is simply no room for serious doubt.

The EU is far from perfect. It is over-bureaucratic and insufficiently democratic. However, the more our research progressed, the more compelling the case for Remain became and the more obvious it was that the Leave campaign had no coherent vision of life outside the EU.

In short, the UK will be poorer in the long-run from leaving because we will trade less with our closest neighbours, losing full access to the largest Single Market on the planet. We will have less foreign investment because of these weaker ties. And there will be an enormous increase in uncertainty as we spend many, many painful years renegotiating the relationship with Europe and the rest of the world.

The amount we save from paying less of an “entry fee” to Brussels is peanuts by comparison to these losses. We know the “£350m a week” is a lie with Britain’s true net contribution less than half of this. But this constitutes only about 0.4% of our national income, a trivial amount compared to the estimated loss of 6% to 9% Brexit induced loss of national income.

The economic pain of Brexit is shared pretty evenly across households – the poor certainly do not escape, although those on middle incomes are hit slightly harder than the rich.

The economic damage from Brexit can be reduced if we “do a Norway” and remain in the European Economic Area. But this will mean we will have to continue to pay most of what we currently do, and we will have to implement most of the Single Market rules without having any voting rights on what these rules are.
What makes this damage limitation exercise unlikely is that countries like Norway (and Switzerland) also have to allow free EU migration. Immigration has dominated the last weeks of the campaign, almost to the exclusion of all else.

Our research finds that EU immigration has benefited the UK. First, access to the Single Market “buys” a big increase in real wages through higher productivity. Second, because EU immigrants are more likely to be in work and are younger and better educated than the British born, they pay more in tax than they take out in welfare. So immigrants have helped subsidise the NHS and other public services for British people.

Finally, people born in the UK who live in areas of the country that have had big influxes of EU migrants have not suffered lower wages or job opportunities. The only group which seems to have a very small loss of wages from immigration are unskilled migrants.

To many people it seems obvious that migration is bad for jobs as we all know stories of how a friend has gone for a job and a migrant got it. But there isn’t a fixed lump of jobs. Migrants have to live, sleep, eat and drink so they increase demand and this increased expenditure creates new jobs. This means that the net effect of immigration in an area turns out to be zero.

Similarly with public services – it seems hard to get a place at a school or a doctors’ appointment because of EU migrants. But since migrants pay more in tax than they take out, there’s actually plenty of money to go around; it’s just that the government has not spent it wisely on expanding services in the places they are needed.

People have suffered over the last decade. Real wages fell by over 8% in the 6 years after 2008. But EU immigration was rising before 2008 and over the last two years when wages have turned around. The pay cuts were due to the global financial crisis and a tough austerity package – it was nothing to do with immigration. As with public services, EU migrants are part of the solution, not part of the problem.

Our book concludes with a critique of the work of others. We give some comments on the Treasury’s analysis of Brexit, which we think is overly cautious but comes to similar conclusions to us over the harm of Brexit. We also include our commentary on the only academic economist who has tried to make a semi-coherent case for Brexit, Professor Patrick Minford. His case calls for ‘unilateral free trade’, the elimination of manufacturing jobs and an enormous increase in wage inequality. His analysis is inconsistent with the most basic realities of modern trade.

I hope that you enjoy the work here, find it thought provoking and that it helps in your decision over the next few days.

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