

BREXIT

Posted by NICHOLAS OULTON

Posted on 11/30/2019 12:25 PM

This article completely mis-characterises Brexit. It starts by saying “Economic nationalism ... has been at the core of euroskeptic campaigns such as Brexit.” A little later (page 130) it states that economic nationalism has “three key elements: (1) isolationism; (2) economic conservatism; and (3) a nationalistic narrative which is often centered on the goal of “taking back control” of the country.” Only the third of these is applicable to those who campaigned for Brexit who include the current leaders of the Conservative party. And even this is expressed in tendentious language (“nationalistic”).

The Leave campaign espoused free trade, not protectionism which Colantone and Stanig say is one element of economic conservatism. Leavers argued that once released from the shackles of the EU, Britain could conclude trade deals with other major economies (the US, Japan, and China) and also a free trade deal with the EU itself. It could be argued that this claim was unrealistic and that the advantages of frictionless trade with the EU could not be achieved without full membership. I have some sympathy with that view. But note that the problem here is protectionism on the part of the EU not of Britain. The EU is of course a protectionist organisation which discriminates in favour of its member states and against non-members such as the United States. The Leave campaign and the present government’s policies are also not isolationist. There is no suggestion that Britain should play a smaller role in NATO or other international organisations after Brexit.

On “taking back control”, I wonder if Colantone and Stanig would characterise any policy to control immigration as “nationalistic” (obviously a bad thing)? If so, then Canada and Australia which both strictly limit immigration particularly of unskilled workers would fall under this anathema. As would the United States even before the advent of President Trump. Must one be in favour of open borders to qualify as a liberal internationalist these days?

Colantone and Stanig seek to downplay the significance of immigration in the Brexit vote by in effect blaming China. In 1997 the foreign-born made up about 7% of the UK workforce. Today that percentage stands at 18%. This number is comparable to that of the United States which has always thought of itself as the land of immigration. Could this huge rise which on current policies is set to continue indefinitely really have no political implications? On this point Margalit’s argument in the same issue seems much more plausible to me.

However if one is seeking an economic explanation for rising hostility to immigration, there is one glaring economic fact not mentioned by Colantone and Stanig. This is that since 2007

productivity and real incomes in the UK have stagnated while the labour force has continued to increase at much the same rate as during the pre-crisis boom prior to 2007. Elsewhere I have argued that these two things are causally related: see my article in the International Productivity Monitor, Number 36, Spring 2019, pp. 110-141. (<http://www.csls.ca/ipm/36/Oulton.pdf>).

Nicholas Oulton

Centre for Macroeconomics. London School of Economics

“The UK and Western productivity puzzle: does Arthur Lewis hold the key?”