

Handout

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Exhibit 1: Income losses after Brexit for average UK household, Structural Model

<u>Panel A: Optimistic Soft Brexit Scenario</u>	
<i>Total Welfare Change</i>	-1.34%
<i>Income change per household</i>	-£893
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<u>Panel B: Pessimistic Hard Brexit Scenario</u>	
<i>Total Welfare Change</i>	-2.66%
<i>Income change per household</i>	-£1,773

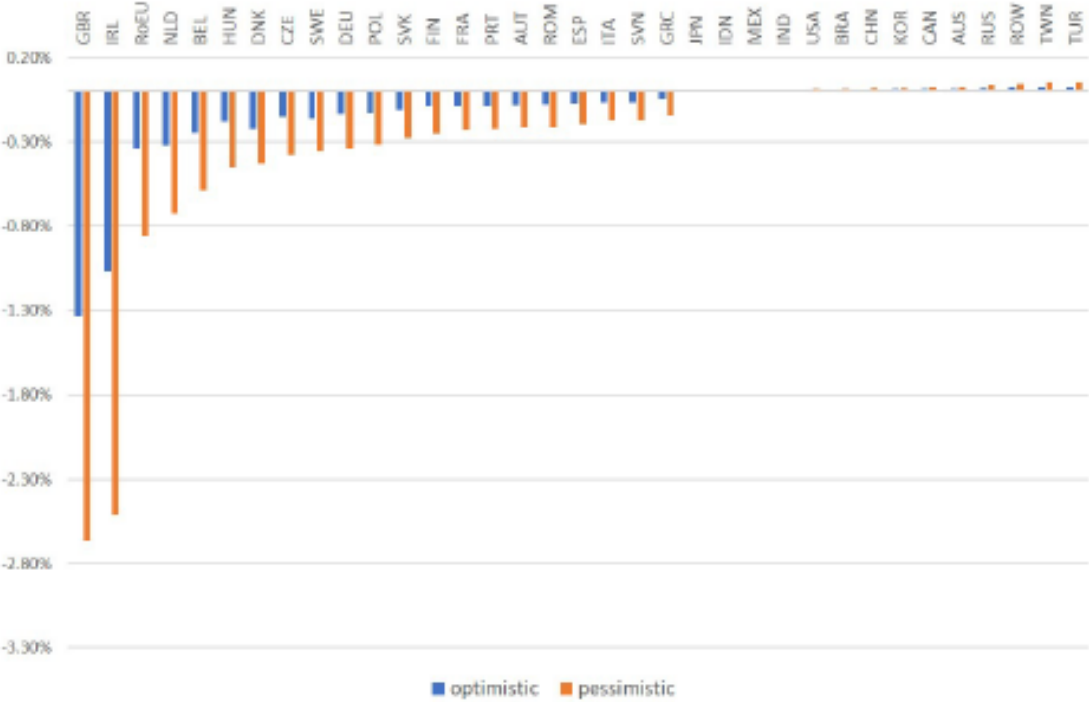
Notes: Counterfactuals changes in welfare, measured by consumption equivalent as specified by equation (5) with $\rho = 0.96$. Fiscal benefit information comes from HM Treasury (2013). EU is defined as EU 28 minus the UK and Croatia.

Panel A shows an optimistic scenario where UK could negotiate a deal like Norway and tariffs remain zero. But non-tariff barriers increase to 1/4th of the reducible barriers faced by US exporters to the EU (2.77% increase). Further, the UK does not benefit from further integration of EU where non-tariff barriers will fall 20% faster than in the rest of the world (5.63% lower in 10 years). For the fiscal effect, we assume that UK could save 17% from the fiscal contribution to the EU (same as Norway) which is 0.09% of UK GDP.

Panel B shows a pessimistic scenario where the UK and EU impose MFN tariffs on each other (see Table 1). Non-tariff barriers increase to 3/4th of the reducible barriers faced by US exporters to the EU (8.31% increase). Further, the UK is excluded from further integration of EU where non-tariff barriers will fall 40% faster than in the rest of the world (12.65% lower in 10 years). For the fiscal effect, we assume that the UK saves more on fiscal contribution to EU budget which is 0.31% of UK GDP.

Source: Dhingra et al (2017)

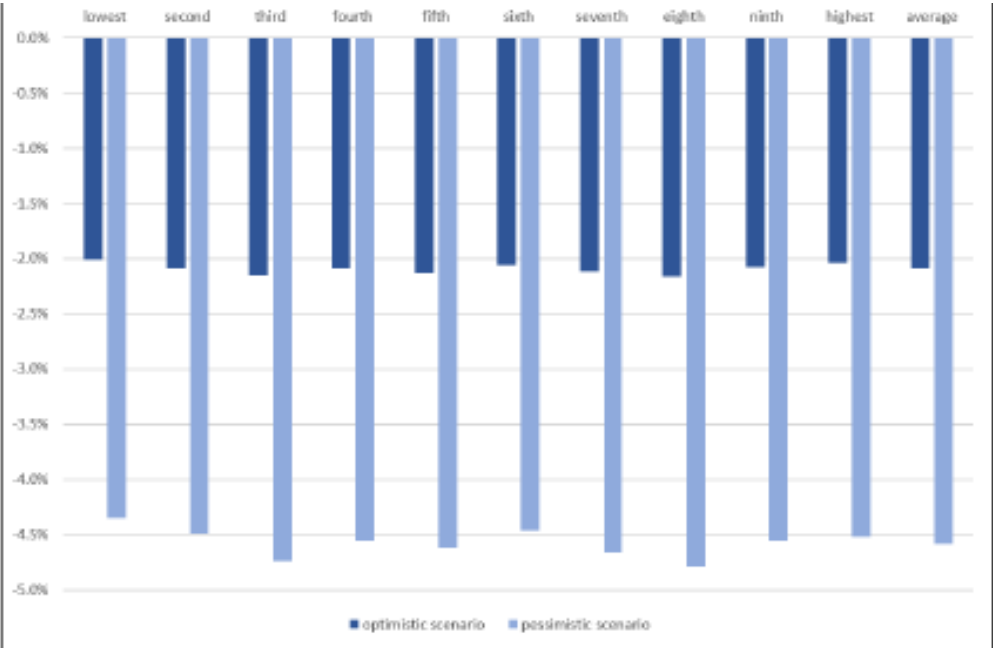
Exhibit 2: Income losses after Brexit for average household by country, Structural Model



Notes: The figure plots the welfare loss by country for the optimistic and pessimistic scenario. Assumptions are the same as the notes to Table 3. We assume that the other EU countries have to fill the budget hole left by the UK proportionally to their GDP. This brings them a net fiscal loss of 0.015% in the optimistic case and 0.051% in the pessimistic case. The list of countries can be found in Table A.1.

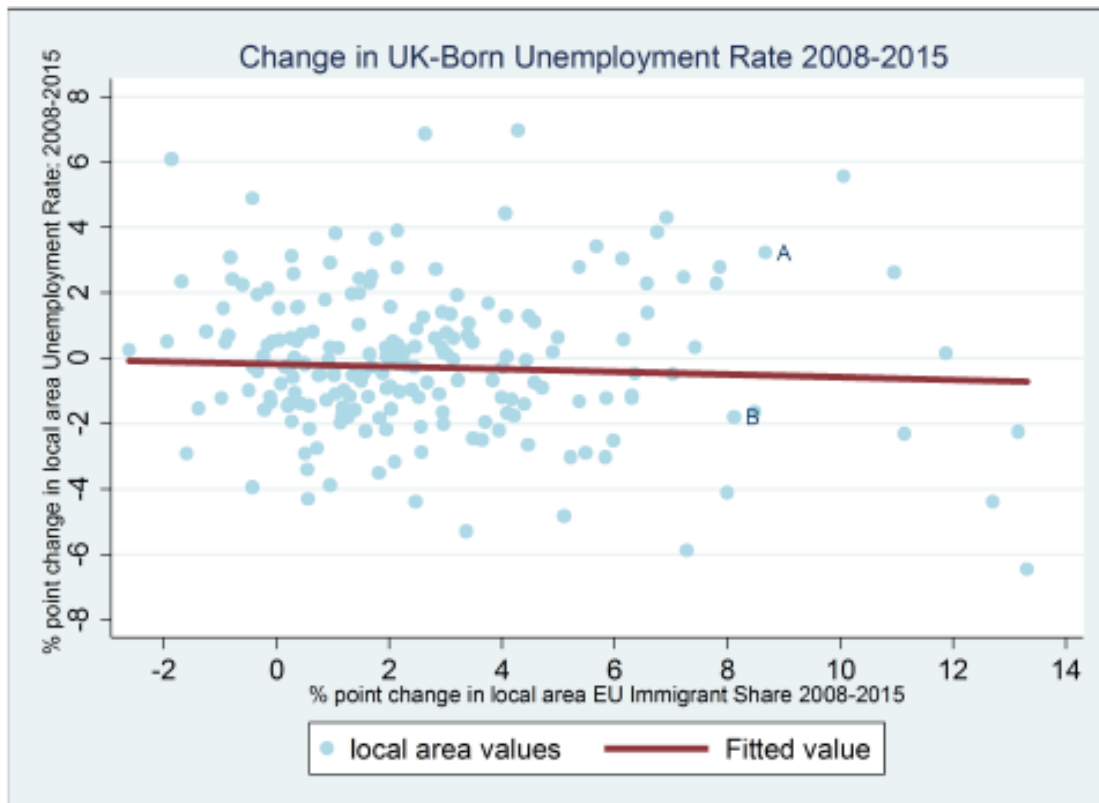
Source: Dhingra et al (2017)

Exhibit 3: The income losses after Brexit are not mainly born by richer households



Source: Breinlich, Dhingra, Sampson, and Van Reenen (2016), Labour Force Survey.
Notes: Predicted real income losses based on the present model, as calculated by Breinlich, Dhingra, Sampson, and Van Reenen (2016). See Table A2 in their paper in the Annex for the exact percentage changes for each income decile.

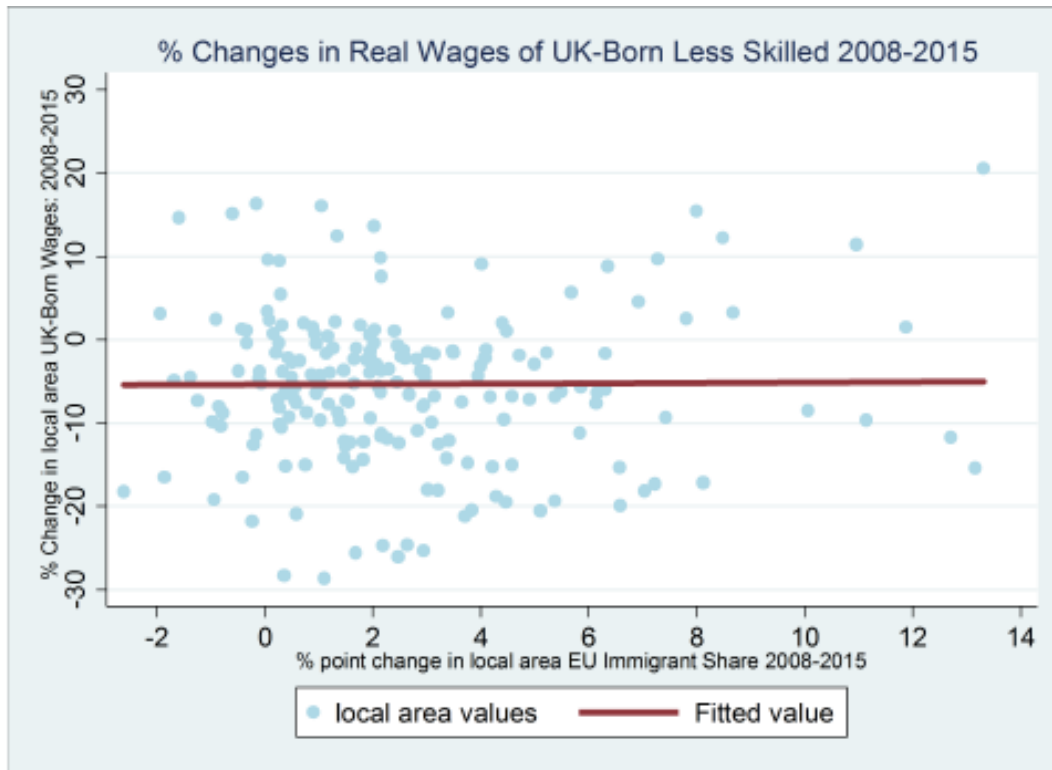
Exhibit 4: Large increases in EU immigration have not significantly harmed the jobs UK-born workers



Source: Wadsworth, Dhingra, Ottaviano, and Van Reenen (2016), Labour Force Survey.

Notes: Each dot represents a UK local authority. The solid line is the predicted “best fit” from a regression of changes in unemployment on the change in share of EU immigrants in each UK local authority. These are weighted by the sample population in each area. Slope of this line is -0.04 with standard error of 0.05, statistically insignificantly different from zero.

Exhibit 5: Large increases in EU immigration have not significantly harmed the wages of less skilled UK-born workers



Source: Wadsworth, Dhingra, Ottaviano, and Van Reenen (2016), Labour Force Survey.

Notes: Each dot represents a UK local authority. The solid line is the predicted "best fit" from a regression of local authority percentage changes in the wages of the less skilled on the change in share of EU immigrants. These are weighted by the sample population in each area. Slope of this line is 0.02 with standard error of 0.21, statistically insignificantly different from zero. Less skilled is defined by those who left school at 16 or earlier.