IV. Brexit: Economic Impact

A. Introduction

On June 23, 2016, after a decade-long debate in the United Kingdom (UK) surrounding its membership to the European Union (EU), 52 percent of British voters elected to leave the EU.[1] The vote, commonly known as Brexit, was a non-binding, advisory referendum to British Parliament.[2] Prime Minister David Cameron led the vote to stay.[3] Proponents of Brexit (Leave campaign) argued that leaving the EU would restore national sovereignty by returning legislative control to the UK.[4] The Leave campaign also cited "concerns about high levels of immigration to the UK" and argued that EU regulations burdened the UK economy.[5] Despite the vote's non-binding status, the UK government committed to having "a democratic duty to give effect to the electorate's decision."[6] The decision to leave will be governed by Article 50 of the Treaty of the European Union.[7]

This article discusses the negotiation process the UK will initiate, potential trade agreements, and the current and future state of Brexit's economic impact. First, Section B describes the withdrawal process by explaining the procedures and discussing the estimated time frame. Next, Section C explores possible trade deals between the EU and the UK with special attention paid to Norway's and Switzerland's models. Section D then explains the volatility of the economy in the aftermath of the June vote. Lastly, Section E considers Brexit's long-term effect on the economy.

---

[1] JAMES K. JACKSON, CONG. RESEARCH SERV., R44559, ECONOMIC IMPLICATIONS OF A UNITED KINGDOM EXIT FROM THE EUROPEAN UNION 3 (2016).
[2] *See id.*
[3] *See id.*
[4] *Id.* ("One of the central arguments made by the Leave campaign was that the EU had steadily eroded the UK's national sovereignty by shifting control over many areas of decisionmaking [sic] from Parliament to Brussels.").
[5] *See id.*
[6] SEC'Y OF STATE FOR FOREIGN AFFAIRS, THE PROCESS FOR WITHDRAWING FROM THE EUROPEAN UNION, 2016, Cm. 9216, at 7 (UK) (expressing the government's "democratic duty to give effect to the electorate's decision").
[7] *See* JACKSON, *supra* note 1, at 3 ("Under its treaty framework, a member country may withdraw from the EU by invoking Article 50 of the Treaty on European Union.").

B. The Withdrawal Process

Article 50 establishes procedural requirements for withdrawing from the EU.[8] There are no substantive requirements to withdraw.[9] To initiate the process, Article 50 first requires the withdrawing state (Britain) to notify the European Council of its intention.[10] There are no timing requirements for the notification and the UK can initiate informal negotiations prior to formal notification.[11] However, The European Council has refused to enter into informal negotiations until the UK triggers Article 50; the UK government has committed to triggering Article 50 by March 2017.[12] Once Britain notifies the EU, a two-year negotiation period begins, but British law *may* require a parliamentary vote on Brexit.[13] At the end of these two

---

[8] *See* EVA-MARIA POPTCHEVA, EUR. PARLIAMENTARY RESEARCH SERV., 2016, PE 577.971, ARTICLE 50 TEU: WITHDRAWAL OF A MEMBER STATE FROM THE EU at 4, http://www.europarl.europa.eu/RegData/etudes/BRIE/2016 /577971/EPRS_BRI(2016)577971_EN.pdf [https://perma.cc/S62Z-NC3V]; Consolidated Version of the Treaty on European Union, art. 50, Oct. 26, 2012, 2012 O.J. (C 326) 13, 43 http://eurlex.europa.eu/resource.html?uri=cellar:2bf140bf-a3f8-4ab2-b506fd71826e6da6.0023.02/DOC_1&format=PDF [https://perma.cc/3W4L-BE5F] [hereinafter Treaty on European Union].

[9] *See* POPTCHEVA, *supra* note 8, at 3; Treaty on European Union, *supra* note 8, at 41–43.

[10] POPTCHEVA, *supra* note 8, at 3; Treaty on European Union, *supra* note 8, at 43.

[11] POPTCHEVA, *supra* note 8, at 3 ("The timing of this notification is entirely in the hand of the Member States concerned . . . ."); Treaty on European Union, *supra* note 8 at 44.

[12] Laurence Norman, *Europe's Tusk: EU Can't Enter Into Side Talks Until U.K. Triggers Brexit,* WALL ST. J. (Nov. 29, 2016, 12:56 PM), http://www.wsj.com/articles/europes-tusk-eu-cant-enter-into-side-talks-until-u-k-triggers-brexit-1480442181 [https://perma.cc/L3BE-RVXX].

[13] POPTCHEVA, *supra* note 8, at 3. *See generally* Sarah Hagerman, *Parliament's Role in the Brexit Negotiations: Article 50 and Beyond*, THE LONDON SCH. ECON. & POL. SCI.: EUROPP BLOG (Nov. 12, 2016), http://blogs.lse.ac.uk/europpblog/2016/11/12/parliaments-role-in-the-brexit-negotiations-article-50-and-beyond/ [https://perma.cc/T5L3-MRWD] (discussing a court ruling currently being appealed that would require the UK Parliament to approve Brexit before triggering Article 50).

years, membership automatically terminates, unless the European Council and Britain jointly decide to extend the period.[14]

Observers speculate that reaching an agreement takes much longer than two years.[15] The only other state to leave the EU, Greenland, took six years to complete its exit negotiations.[16] If, at the end of the two-year negotiation period, the UK has failed to negotiate a deal, the Most Favored National Rules of the World Trade Organization (WTO) will govern trade relations between Britain and EU nations by default.[17] As a Most Favored Nation, Britain would lose access to the EU's single market and "[t]he UK would be free to retain, repeal or modify EU-based legislation."[18] Since negotiations may take more than two years, and at the end of those two years the trade relations will default to a standardized trade relationship, advocates are encouraging the UK to delay submitting formal withdrawal notification.[19]

Once negotiations begin, any deal struck requires multiple levels of approval.[20] The European Commission is the default negotiator, but Article 218(3) of the Treaty on the Functioning of the European Union (TEU) allows the European Council to "nominate a different Union negotiator."[21] Before any agreement can be formalized, the European Parliament must first consent, and then the

---

[14] POPTCHEVA, *supra* note 8, at 4; Treaty on European Union, *supra* note 8, at 44.

[15] *See* James C. Scoville et al., *Brexit's Effect on Financial and Insurance Regulations*, LAW360 (Apr. 8, 2016, 4:44 PM), http://www.law360.com/articles/781817/brexit-s-effect-on-financial-and-insurance-regulation [https://perma.cc/44JK-2KFR].

[16] *Id*. at 2.

[17] *Five models for post-Brexit UK trade*, BBC NEWS: EU REFERENDUM (June 27, 2016), http://www.bbc.com/news/uk-politics-eu-referendum-36639261 [https://perma.cc/AH54-6BN8].

[18] Scoville et al., *supra* note 15 (explaining that, where the UK's relationship with the EU is governed "only on the basis of the U.K.'s WTO membership," most favored status "would result in the current benefits of the U.K.'s participation in the EU single market falling away . . .").

[19] *See* JACKSON, *supra* note 1, at 3.

[20] *See* POPTCHEVA, *supra* note 8, at 4.

[21] *Id.*; Consolidated Version of the Treaty on Functioning of the European Union, art. 218, Oct. 26, 212, 2012 O.J. (C 326) 47, 144–46 http://eur-lex.europa.eu/resource.html?uri=cellar:2bf140bf-a3f8-4ab2-b506-fd71826e6da6.0023.02/DOC_2&format=PDF [https://perma.cc/CY7D-2LZY] (explaining negotiation procedures).

European Council must get approval from a super qualified majority.[22] A qualified majority is defined in Article 238(3)(b) of the TEU as "at least 72% of the members of the Council representing the participating Member States, comprising at least 65% of the population of these States."[23]

Negotiation discussions will consider "access to the single market, obligations to implement EU rules and regulations, opportunity to participate in EU decisionmaking [sic], and requirements to contribute to the EU's budget," as well as status of passport rights.[24] Michel Barnier, a European Commission Brexit negotiator, indicated that the commission will demand Britain contribute up to sixty billion euros to "unpaid budget commitments, pension liabilities, loan guarantees and spending on UK based projects."[25] Financial services make up "almost 80% of the UK economy."[26] As such, the UK will likely prioritize negotiating access to the single market for financial services.[27] Other non-EU countries' specially negotiated deals with the EU, serve as models for possible

---

[22] *See* POPTCHEVA, *supra* note 8, at 4.

[23] *See id*.; Consolidated Version of the Treaty on Functioning of the European Union, *supra* note 21, art. 238(3)(b) at 154.

[24] JACKSON, *supra* note 1, at 8, 11; Scoville et al., *supra* note 15 ("Currently U.K.- based financial service providers are not required to obtain parallel authorization in any other member states that they offer their services in. The so-called 'passport' scheme allows financial service firms incorporated in one EEA member state to establish a branch or provide services remotely in another member state on the basis of their authorization and supervision by their state of incorporation.").

[25] Alex Barker & Duncan Robinson, *UK Faces Brexit Bill of up to €60bn as Brussels Toughens Stance*, FIN. TIMES (Nov. 14, 2016), https://www.ft.com/content/480b4ae0-aa9e-11e6-9cb3-bb8207902122 [https://perma.cc/EPD3-53X6].

[26] *Five models for post-Brexit UK trade*, *supra* note 17.

[27] *Id.* (suggesting that the UK, whose economy relies heavily on the banking and financial sector, would seek to negotiate "full access to the single market for its banking sector and other parts of the service sector," unlike Switzerland which does not have full access).

Brexit negotiations.[28] Specifically, commentators look to Norway, Switzerland, and Turkey as potential models.[29]

C. Trade Models

1. Norway's Model

Norway's agreement with the EU includes membership to the European Economic Area (EEA) and "full access to the Single Market."[30] In exchange, Norway must implement most of the EU rules, regulations, and laws concerning free movement.[31] Membership to the EEA would give the UK access to the single market, but not full access for financial services.[32] Since the Leave Campaign cited EU regulations and free movement laws as leading concerns in its campaign, negotiating an agreement similar to Norway's, though possible, circumvents the ideology behind the Leave campaign.[33]

2. Switzerland's Model

In contrast, Switzerland's trade relationship consists of multiple bilateral agreements with the EU.[34] It has access to the single market for most, but not all, of its industries.[35] Specifically, Switzerland lacks access to EU's single market for its financial services, which is a priority for the UK.[36] Like Norway, Switzerland contributes financially to EU projects, but must abide by EU

---

[28] *See* JACKSON, *supra* note 1, at 11–12 ("[O]ther specialized arrangements exist for certain non-EU countries in Europe that could serve as models for the UK."); *Five models for post-Brexit UK trade*, *supra* note 17 (describing various models).
[29] *See* JACKSON, *supra* note 1, at 11–12. *See generally Five models for post-Brexit UK trade*, *supra* note 17.
[30] *See* JACKSON, *supra* note 1, at 11.
[31] *Id.*; *Five models for post-Brexit UK trade*, *supra* note 17 ("In return for that access to the single market, it pays contribution to the EU budget and has to sign up to all the rules of the club—including its common regulations and standards.").
[32] Scoville et al., *supra* note 15, at 1.
[33] *See* JACKSON, *supra* note 1, at 3; *Five models for post-Brexit UK trade*, *supra* note 17 (Norway's plan requires complying with EU standards).
[34] JACKSON, *supra* note 1, at 11.
[35] *Id.* at 11–12.
[36] *See id.* at 12.

regulations and free movement laws.[37] Because Switzerland does not have access to the single market for financial services, its deal lacks a key aspect of Britain's likely negotiation objective.[38]

3. Other Models

Turkey's trade agreement "gives it access to the Single Market for goods, but not for agricultural services."[39] Alternatively, the UK could adopt a unilateral free trade agreement like Singapore, but any such agreement would not guarantee full access for services and would not include full passport rights for banks.[40] Each agreement has trade-offs, but any agreement involving trade between the UK and EU would likely require the UK to adopt some of the EU's regulations.[41] While negotiations are ongoing, Brexit's long-term effects remain uncertain as different trade deals will have different economic consequences.[42]

D. Immediate Impacts of the Brexit Vote

While the long-term impact of Brexit remains unknown, the days following the June vote evidenced the economy's immediate

---

[37] *Five models for post-Brexit UK trade*, *supra* note 17; JACKSON, *supra* note 1, at 11 ("Switzerland is obligated to incorporate related EU regulations and directives into its legal framework.").

[38] *See* JACKSON, *supra* note 1, at 12 ("Switzerland and the EU do not have an agreement on services, including financial services."); *Five models for post-Brexit UK trade*, *supra* note 17 (suggesting that the UK, whose economy relies heavily on the banking and financial sector, would likely seek to negotiate "full access to the single market for its banking sector and other parts of the service sector").

[39] *Id.* at 12.

[40] *See Five models for post-Brexit UK trade*, *supra* note 17.

[41] *See* RAFAL KIERZENKOWSKI ET AL., OECD, THE ECONOMIC CONSEQUENCES OF BREXIT: A TAXING DECISION (OECD ECONOMIC POLICY PAPER NO. 16) 16–17 (Apr. 2016), https://www.oecd.org/eco/The-Economic-consequences-of-Brexit-27-april-2016.pdf [https://perma.cc/A2WP-GZW4] (describing all proposals with single market access as requiring compliance with EU regulations).

[42] *See Five models for post-Brexit UK trade, supra* note 17 (discussing how different plans would have different economic advantages).

response.[43] The pound dropped to its lowest level against the dollar in more than thirty years.[44] U.S. stocks fell 3.6 percent, British stocks were down 3.2 percent, and European shares dropped 8.6 percent.[45] "Demand for U.S. treasury securities . . . rose, pushing U.S. interests rates down."[46] Investors moved their money into more stable assets, thereby increasing the value of "American government debt and Japanese currency."[47] Despite initial losses, by early July 2016, most equity markets recovered and exchange rates stabilized.[48]

Predictions suggest that "financial markets likely will be volatile over the near term."[49] The UK service sector saw a record rise in August after an eighty-month low in July.[50] However, the pound hit a three-year record low on August 15, 2016.[51] While the lowered pound made travel to the UK more affordable thus increasing tourism, the decreased value of the pound raised import costs for British citizens.[52]

---

[43] Peter Goodman, *Turbulence and Uncertainty for the Market After "Brexit,"* N.Y. TIMES (June 23, 2016), http://www.nytimes.come/2016/06/25/business/international/brexit-financial-economic-impact-leave.html [https://perma.cc/HYM2-R9KN].

[44] Ian Tally, *Brexit Expected to Rattle U.S. Economy, Shake its Influence*, WALL ST. J. (June 24, 2016), http://www.wsj.com/articles/brexit-expected-to-rattle-u-s-economy-shake-its-influence-1466741275 [https://perma.cc/9JD2-URPE].

[45] Goodman, *supra* note 43.

[46] JACKSON, *supra* note 1, at 5.

[47] Goodman, *supra* note 43.

[48] *See* JACKSON, *supra* note 1, at 6.

[49] *Id.*

[50] *See* IHS MARKIT, UK SERVICES ECONOMY REBOUNDS IN AUGUST 1 (2016), https://www.markiteconomics.com/Survey/PressRelease.mvc/b2d9d18dacd14cb3a1c6b7836894b80f [https://perma.cc/WQ97-HW6S].

[51] *Brexit Britain: What has actually happened so far?*, BBC NEWS (Sept. 5, 2016), http://www.bbc.com/news/business-36956418 [https://perma.cc/2EQ5-2DMW] (stating that the value of the pound plunged and has remained at significantly lower levels, "hitting a three year low of $1.2869 on 15 August").

[52] *See id.* (observing that a weaker pound makes Britain a "cheaper destination for overseas tourists. The Travel Analytics firm ForwardKeys says flight bookings to the UK rose 7.1 percent after the vote" and suggesting that the fallen the value of the pound has "increased import cost for manufacturers").

Brexit also raised concerns regarding UK employment, especially within the financial sector.[53] Haken Enver, operations director at Morgan McKinley, an employment recruitment agency, noted that "[h]iring slowed as institutions found themselves in post-Brexit limbo, but the impact of the referendum was not as aggressive as we expected."[54] Data suggests hiring has dramatically slowed in response to the uncertainty of Brexit.[55] Adzuna, a job search website, observed that in the first week of July "there were one-quarter fewer jobs than in the first week of June" before the vote, with part-time positions most acutely impacted.[56] In sum, the economic impact has, to this point, been somewhat limited, [57] but such uncertainty has its own consequences.

In line with predictions, financial markets have been volatile.[58] The UK economy has seen a drop in confidence with depreciation value of the pound down and an increased demand for stable foreign investments.[59] In July, the Purchasing Management Index (PMI) fell sharply to its lowest level since 2009, signifying low confidence in the private sector after the Brexit vote.[60] Merger and acquisition agreements have also slowed compared to their pre-Brexit rates.[61] Some high-profile deals manufactured the appearance that investors

---

[53] *See* Gils Turner, *What is the Early Impact of Brexit?*, WALL ST. J.: MONEYBEAT (Aug. 12, 2016, 8:25 AM), http://blogs.wsj.com/moneybeat/2016/08/12/what-is-the-early-impact-of-brexit/ [https://perma.cc/WS2U-WFYU].

[54] *Id.*

[55] *See id.* ("Across the U.K., firms are more unnerved. A bank of England hiring survey of 270 businesses in the month after the referendum found employers scaling back with 'contacts now expecting flat employment over the next six months,' and a net 27% said it would cut back in its plans to recruit.").

[56] *Straws in the Wind: The Economic Impacts of Brexit*, ECONOMIST (June 16, 2016), http://www.economist.com/node/21702225/print [https://perma.cc/556W-7PMV].

[57] *See Brexit Britain: What has actually happened so far?*, *supra* note 51.

[58] JACKSON, *supra* note 1, at 6.

[59] *Id.* at 5.

[60] Turner, *supra* note 53.

[61] Guy Faulconbridge et al., *Brexit chills M&A activity despite some big deals, data shows*, REUTERS (Sept. 13, 2016), http://uk.reuters.com/article/uk-britain-eu-m-a-insight-idUKKCN11I25V [https://perma.cc/QS5C-2YUX] ("Britain's shock vote to leave the European Union chilled deal making activity involving British companies to the lowest level in at least two decades.").

remain confident, but the number of deals with UK companies dramatically fell to 707, the lowest in the eleven weeks preceding the Brexit vote.[62] Contrasted with the 1,060 deals struck last year over the same period, the decrease is significant.[63] Some London-based banks even reconsidered their UK presence due to the post-Brexit volatility.[64]

These better-than-expected results have caused the Organization for Economic Co-operation and Development (OECD) to back off its harsh warning leading up to the Brexit vote.[65] While the short-term consequences of Brexit have proven less severe than predicted, economists remain concerned about the long-term effects of Brexit on the UK economy.[66]

E. Long-Term Effects for the British Economy

Long-term economic effects of Brexit critically depend on the trade relationships the UK negotiates.[67] A Congressional Research Services report noted that "[g]iven the range of plausible alternative arrangements with the EU, the number of channels by which countries could be affected, and the uncertainty that a vote for exit could generate, the range of possible effects on the UK and other economies is broad."[68] The OECD maintains that although spillover effects have been modest so far, "GDP is projected to slow to 1% in 2017, well below the pace in recent years and forecasts prior to the referendum."[69]

---

62 *See id.*

63 *Id.*

64 *See* Goodman, *supra* note 43 ("Prominent banks including JP Morgan Chase and Citigroup warned during the campaign that an exit would cause them to transfer some operations elsewhere.").

65 *Global growth warning: Weak Trade, financial distortions*, INTERIM ECONOMIC OUTLOOK (OECD, Paris, Fr.) Sep. 21, 2016, at 2, http://www.oecd.org/eco/outlook/OECD-Interim-Economic-Outlook-September-2016-handout.pdf [https://perma.cc/N6UN-AT97] [hereinafter OECD] ("Developments to date are broadly consistent with the more moderate scenarios set out prior to the referendum . . . .").

66 *See id.* at 2.

67 *See id.* at 2–3.

68 JACKSON, *supra* note 1, at 7.

69 OECD, *supra* note 65, at 2.

A failure to negotiate access to the single market will negatively impact the British economy.[70] Financial Services make up 80 percent of the UK economy,[71] and currently UK-based financial services enjoy parallel authorizations in other member states.[72] Since the UK gained access to the single market in the early 1990s, its financial service trade rose much faster than the OECD average.[73] The EU is the UK's largest trade partner and losing access to the single market would increase tariffs for the UK.[74] Access to the single market has attracted foreign investors to UK stock, accounting for 57 percent of its GDP.[75] The International Monetary Fund (IMF) noted that "inward FDI [foreign direct investment] has been important for the UK economy."[76] With a loss of access to the single market, the UK loses foreign investor appeal.[77]

Further, foreign companies express concern over their presence in Britain.[78] Currently passport rights allow service firms incorporated in the UK to establish a branch in other states without parallel authorization.[79] These passport rights are lucrative for foreign companies because foreign banks can gain access to the EU market without establishing a subsidiary in the mainland EU.[80] UK firms have taken "advantage of the passport rights."[81] Without passport rights, businesses wanting to continue offering financial services in the EU

---

[70] IMF, *United Kingdom Selected Issues*, IMF Country Rep., No. 16/169, at 29 (2016) ("Reduced trade access would lower returns to capital, causing firms to reduce investments and lower real wages.").
[71] *Five models for post-Brexit UK trade*, *supra* note 17 (stating that financial markets make up almost 80 percent of the UK economy).
[72] JACKSON, *supra* note 1, at 8 (indicating that the UK's passport rights allow firms to operate unhindered throughout the EU).
[73] IMF, *supra* note 70, at 14.
[74] *Id.* at 14, 16.
[75] *Id.* at 16–17.
[76] *Id.* at 17.
[77] *See* Goodman, *supra* note 43.
[78] KIERZENKOWSKI ET AL., *supra* note 41, at 19 ("[T]he ending of the EU wide passporting rights of UK-based financial services companies would be a considerable extra obstacle."); *see* Goodman, *supra* note 43.
[79] Scoville et al., *supra* note 15.
[80] *See* Jean-Pierre Douglas-Henry et al., *Brexit: what impact might leaving the EU have on the UK's financial Service industry?*, DLA PIPER (June 27, 2016), https://www.dlapiper.com/en/uk/insights/publications/2015/10/banking-disputes-quarterly/brexit/ [https://perma.cc/MZ3E-HKTP].
[81] IMF, *supra* note 70, at 5.

will have to establish a new subsidiary inside the mainland EU.[82] During the campaign leading up to the vote, prominent U.S. banks, JPMorgan Chase and Citigroup, threatened that an exit would cause them to transfer operations outside of the UK.[83]

British households will also feel the effects of Brexit.[84] If foreign investors continue to avoid the UK market, UK households may have to finance UK investments, thereby reducing UK consumption.[85] The OECD reported that Brexit "could shave off over three percentage points" from the UK Gross Domestic Product (GDP) by year 2020.[86] As GDP falls in response to Brexit, household incomes will decrease.[87] Estimates put yearly income loss between 600 and 5,200 pounds per household.[88] If the pound and euro stay low compared to the dollar, costs of U.S. goods and services will increase, thus hurting U.S. export business.[89]

As the UK closes its borders to the EU, it stands to suffer the loss of migrant contribution.[90] EU citizens are a huge portion of the UK's migration flow, accounting for half of net migration in the UK in 2014.[91] "EU migrants have high employment rates," even higher than UK natives.[92] However, these migrants do not appear to be replacing

---

[82] *See* Jean-Pierre Douglas-Henry et al., *supra* note 80.
[83] *See* Goodman, *supra* note 43.
[84] *See* JACKSON, *supra* note 1, at 1.
[85] IMF, *supra* note 70, at 17 (opining that increased FDI "likely allowed higher consumption in the UK than if UK households themselves were to have provided the savings to finance such investment . . .").
[86] KIERZENKOWSKI ET AL., *supra* note 41, at 21.
[87] *See* IMF, *supra* note 70, at 34 ("Assuming no change in the composition of households, household incomes would decrease in line with GDP, possibly more so in the short term.").
[88] JACKSON, *supra* note 1, at 1.
[89] *See* Armstrong Williams, *America to feel economic, political and security effects from Brexit*, WASH. TIMES (July 3, 2016), http://www.washingtontimes.com/news/2016/jul/3/brexits-us-effects-economic-political/ [https://perma.cc/3K5K-JC9L] ("A weakness in the British pound could trigger an effect on the euro. As a result, the cost of American products and services would increase and thus soften demands.").
[90] *See* KIERZENKOWSKI ET AL., *supra* note 41, at 6 ("Curbs to the free movement of labour from the EU and, more importantly, a weaker UK economy after exit, would gradually reduce the incentives for economic migration to the UK and would be a cost to the economy.").
[91] IMF, *supra* note 70, at 17.
[92] *Id.* at 19.

UK natives' jobs.[93] Rather, migrants entered predominantly lower-paid jobs, which allowed the UK to better match workers to skill.[94] The OECD reported that "[i]mmigration accounts for one half of UK GDP growth since 2005."[95] The IMF reported that "a 50 percent decrease in the net migration rate would be associated with a 0.3 percentage point decrease in productivity."[96]

F. Conclusion

While the economic effects of Brexit have initially seemed mild compared to predictions, economists maintain that the UK will feel the long-term effects of its vote.[97] The degree of these effects, however, is highly dependent on impending negotiations with the EU.[98] Since these negotiations will take a minimum of two years, predictions remain speculative.[99] Nonetheless, even the most conservative estimates predict Brexit negatively impacting the economy to some degree.[100]

Roseanna Loring[101]

---

[93] *Id.* ("[T]here is little evidence that EU immigrants have caused job losses and lower wages for UK citizens.").
[94] *Id.*
[95] KIERZENKOWSKI ET AL., *supra* note 41, at 6.
[96] IMF, *supra* note 70, at 20.
[97] *See, e.g.,* OECD, *supra* note 65, at 2 ("Developments to date are broadly consistent with more moderate scenarios set out prior to the referendum and reflect prompt action by the Bank of England in August. However, GDP is projected to slow to 1% in 2017, well below the pace in recent years and forecasts prior to the referendum.").
[98] *See* IMF, *supra* note 70, at 3.
[99] *See* Scoville et al., *supra* note 15 ("[T]he future application of EU based legislation to the banking, financial services and insurance industries will ultimately depend on how the U.K. renegotiates its relationship with the EU.").
[100] *See* IMF, *supra* note 70, at 3 ("While theoretically possible, in practice the effects on output are unlikely to be sufficiently large to make the net economic impact of exiting the EU positive.").
[101] Student, Boston University School of Law (J.D. 2018).