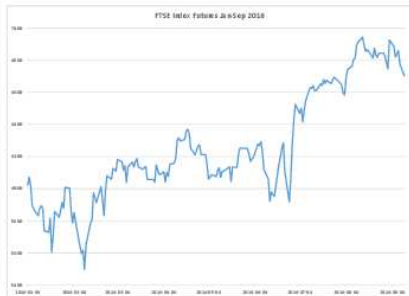# Brexit

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September 2016

Currency & Stock Market

Brexitonomics

- Nice case study
- A political embarrassment for economists
- Hopefully not an economic embarrassment
  - Let's not try to predict confidence
  - Trade & financial services

More Pessimism, A Lot More Uncertainty

		Forecast					
Forecast Month		Jun		Jul		Aug	
Forecast Year		2016	2017	2016	2017	2016	2017
Mean	GDP	1.83	**2.08**	1.51	**0.48**	1.62	**0.68**
	C	2.46	2.17	2.22	0.61	2.40	0.97
	G	1.17	0.66	1.36	0.95	1.26	0.75
	I	1.70	**4.28**	-1.15	**-3.29**	-1.11	**-2.76**
	NX	-0.31	0.04	0.00	0.65	-0.04	0.54
Variance	GDP	0.03	0.12	0.09	0.77	0.03	0.42
	C	0.07	0.16	0.16	1.84	0.08	0.74
	G	0.36	0.48	0.06	0.61	0.11	0.83
	I	1.26	**1.92**	2.97	**10.57**	3.33	**11.19**
	NX	0.43	0.33	0.19	0.42	0.10	0.34

Timing of Brexit

- Will take a long time
  - UK divided among
    - parliament with pro-remain majority
    - country pro-brexit
    - government somewhere in the middle
  - Best guess: early 2017 art. 50, end in 2019 (also end of Juncker's commission)
- Fake Brexit will not be accepted (even the Danes say so)
  - Scotland unlikely to leave UK and join EU

Brexit is not really about economics, however

- Motivation for referendum had nothing to do with economics
  - Perfect example of beggar-thy-neighbour politics. Solve within Tory tensions by wasting everybody else's time in Europe, at a time where we had to deal with eurozone crisis, Greece, refugees, Turkey, Ukraine, terrorism, etc.
- Vote on Brexit also had little to do with economics, and a lot with immigration and identity
- Guess: Outcome of Brexit will have little to do with economics

Consequences of Brexit

- Defense. Bratislava w/o UK.
    - internal security, terrorism, data sharing
    - external security, EU coast guard
    - defense forces?
    - foreign policy
- Why?
    - News: UK & NATO (and Poland, Latvia,..)
    - Slow trend: German public opinion
    - Environment: East (Putin-Russia, Ukraine), South (Libya, Syria, Ergodan-Turkey), West (Trump)
- Apple
- Global lesson: Referendum and Populism