

# The harsh truths of Brexit



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## In the debate over whether Britain should leave the European Union, a striking piece of research from the Faculty of Economics and Business made waves internationally.

It all started when Bart Los, recently appointed as Professor of the Economics of Technological Progress and Structural Change, checked the quality of a preliminary extension of the Groningen Growth and Development Centre's World Input-Output Database. Los calculated which regions in the United Kingdom are most dependent on economic ties to the rest of the European Union. The results that came up looked surprising: there was a positive correlation to the regions in the UK with the most support for Brexit.

Los spoke to FEB Research about how the research came to light.

### Do you have a theory for why there is a correlation between the regions most economically dependent on the EU, and support for Brexit?

'If you look at this data, you might think: these people should have voted to remain in the EU. But it is more complicated than that. These are the regions that suffered most from globalization. They suffered from manufacturing relocating elsewhere, within the EU but to countries like China as well. They were also affected by technological change. Jobs might have disappeared not only because they went to China, or because those tasks are now mechanized. There are also non-economic factors involved. Unhappiness with immigration is correlated to support for Brexit, but the areas most unhappy with immigration also tend to have the least of it.'

### What are the consequences for the regions concerned?

'The people of the UK were very badly misinformed about Brexit. The Leave campaign has been lying at a scale that is unusual in Western European politics. The areas that had the highest vote to leave were the most dependent on the rest of the EU. Large shares of economic activity in these regions are a consequence of trade with the EU, so they are strongly exposed to the consequences of Brexit. The Leave campaign stressed several times that EU membership particularly benefited the elites in London. This is not true. London is less dependent on the EU, because it largely caters to itself and its trade-related activities are more globally oriented.'

### How did the research end up going viral?

'I checked the results with Philip McCann, who is an authority on the economic characteristics of regions in the UK. We ended up publishing the research with the Centre for European Reform, a think tank he had written for before. It was quickly picked up in the media, and after the referendum a journalist with the Financial Times updated our very simple scatter plot with the actual results of the vote by region. The result was the same: the regions that had the highest support for Brexit

were also those most economically dependent on the EU. A graphic showing this was tweeted by the Financial Times and was shared more than 9,000 times and seen by millions of people. Newspapers like the Guardian and the Washington Post also paid attention to it.'

### Is it important to communicate outside the academic community?

'I think it is important for the faculty and for the university, but it is also a personal preference. The type of research I love to do is investigating policy-relevant issues using macro-economic data. It is not developing abstract models, although they can be very important. In our group, we try to quantify economic phenomena and explain them. My kind of research cannot be other than outward facing, but should of course also be of sufficient quality to warrant publication in well-reputed scientific journals.'

### Can you see Brexit affecting your own work in any way?

'That is a very good question, and the short answer is we do not know what will happen. Negotiations are just getting started. At the moment, both the UK and the EU are expressing inflexible preferences. But this is just the natural way to start the talks... I have applied to the EU Commission's Horizon 2020 funding round. We do not know what the status will be of the UK partners on the project, that is something that is uncertain. However, for the time being I must say that Brexit has been beneficial to my own work because it has brought a lot of opportunities, like a research grant from the UK's Economic and Social Research Council, which will allow me to do deeper analysis to assess the consequences of various potential results of the Brexit negotiations for regions in the UK and regions in the EU. As a European citizen I am very concerned about the consequences of Brexit, but it has opened up unexpected perspectives for me as a researcher!'



## Key publications

**Los, B.,** Lankhuizen, M., & Thissen, M. (2017). New Measures of Regional Competitiveness in a Globalizing World. In P. McCann, F. van Oort, & J. Goddard (Eds.), *The Empirical and Institutional Dimensions of Smart Specialisation*. (pp. 105-126). (Regions and Cities; Vol. 112). Abingdon: Routledge.

**Los, B.,** McCann, P., Springford, J., & Thissen, M. (2017). The Mismatch between Local Voting and the Local Economic Consequences of Brexit. *Regional Studies*, 51(5), 786-799.

**Los, B.,** Timmer, M. P., & de Vries, G. J. (2015). How global are global value chains? A new approach to measure international fragmentation. *Journal of Regional Science*, 55(1), 66-92.