

BREXIT and Freedom of Movement: A Continental Perspective on the Post-Industrial Society

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Second Lecture, Public Policy Scotland Lecture Series
7 November 2016

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There are many paradoxes about BREXIT. The advocates of BREXIT attacked the EU and especially the Eurozone for failure to remedy the causes of crises in time, and then for failure to manage crises when they occur, but the vote in favor of BREXIT has triggered a crisis, both for the United Kingdom and for the rest of the EU. If there is a talent by which the British resolve crises better than the French, the Germans, the Dutch, the Spanish, or the Austrians, it is indeed a well-kept secret. On the contrary, this is a crisis that the rest of the EU is in a better position to manage than is the UK, which provoked it.

The four freedoms of the single market put the EU in a strong, virtually impregnable position. For the EU, the four freedoms – goods, capital, services and people – are indissolubly tied together and, as I shall argue, with good reason. There is much talk in the UK in favor of trade-offs between access to the single market and controls on freedom of movement, in the belief, unsupported by facts, that the EU will accept a logic of compromise to maximize its gains. I do not pretend to understand how anyone can come up with a calculus for such trade-offs. Any single jurisdiction – and there are a total of 36 involved - can veto any treaty which compromises the integrity of these freedoms. Indeed, there could be no treaty at all for several years after 2019, just patchwork agreements.

I want to explain not only why these four freedoms are inseparable, but also why freedom of movement, which the UK seems most determined to reject, is in fact critical not only to the future of the EU economy, but to that of the UK as well.

This subject tends to mix issues which must be kept apart. Freedom of movement only covers citizens of the European Union who, together with citizens of a few non-EU countries (Switzerland, Iceland, Norway) can travel within the Schengen zone without border controls. The United Kingdom and Ireland are outside Schengen but their citizens enjoy freedom of movement to live wherever they wish in the EU. Immigration by citizens of other countries outside the EU has always remained under national control, but the waves of refugees from the Middle East and Africa in 2015-16 made it easy for advocates of BREXIT to blur the differences between the rights of EU citizens and of others seeking to enter any EU country. In what follows my arguments will not cite studies about the benefits of immigration, education and labor mobility; instead I will rely on what I hope will be clear logic and plain speaking.

The Economic Case for Freedom of Movement

BREXIT and the Trump candidacy in the United States, following the Invasion of Iraq in March 2003 and misjudgment of systemic financial risk in October 2008, are the third political error with global consequences taken by the Anglo-Atlantic sphere in the 21st century. This does not build confidence in other countries. Evidence-based decision-making and expertise have taken a hard knock in the United States and the United Kingdom which pride themselves on practical thinking. In his 1940 essay “England, Your England”, George Orwell included “a certain power of acting without

taking thought” as well as a dislike of foreigners and anything foreign by the lower classes, and ignorance of world conditions among the defining characteristics of English national sentiment. Perhaps the leaders of the BREXIT campaign studied OECD’s 2013 survey of adult competences which showed that whereas in most countries, the younger generation did better than its parents, in the US and the UK, adult skills among the younger generation were no better. According to this study, people in the UK with lower levels of information-processing skills – about 50% of the population - were twice or three times more likely to report that people like themselves were powerless politically (OECD Skills Outlook 2013: First Results from the Survey of Adult Skills, p. 240). No wonder BREXIT – and the Trump candidacy – were framed by attacks on the Establishment.

The UK is relatively more dependent on an open, free labor market tied into global supply chains because its productivity is so low. Freedom of movement makes sense to economists as a way to encourage resource allocation between areas of high and low unemployment. Countries which make the import of innovation take more time or cost more, or both, have a lower rate of growth, and lower productivity. The same applies to societies which are less open to the movement of people, whether from abroad or also, as is the case in the UK, in the form of housing market barriers that deter people from living in the most dynamic cities. Measures that will restrict or close the free movement of goods, services and/or people will only make the problems of productivity linked to education, a mis-match in the workplace between skills and jobs, and adult training more glaring. Of course manufacturers are concerned about tariffs and regulations, the service sector about visas and quotas. To propose that citizens of other EU countries already living in the UK can remain after BREXIT if UK citizens already living on the Continent can continue to do so misses the point. This kind of economic rationale does not begin to explain why freedom of movement is a fundamental principle in the EU.

Freedom of movement is about the future, not the past. It is not however a benefit to employers, who are the most vocal about it, but a right to every European, whether he stays within the confines of the village, town or metropolis where he was born, or moves within his country, or moves elsewhere in Europe, or moves abroad, perhaps to return, perhaps not. It all starts with a belief in the positive effects of change and in a willingness to take risks.

Anti-globalisation activists would have us believe that a liberal economy exploits labor; in fact the reverse is closer to the truth: a liberal economy gives each of us a better chance to avoid exploitation. In a modern economy, the key inputs are not materials – the economy is in fact more largely de-materialised than ever before – nor finance or services, which are abundant and accessible, but ideas, innovations, and the specialized skills to do different kinds of tasks, and to learn new ones. It cannot be denied that in their pursuit of knowledge and work, some start with better advantages or reach a higher level than others. The question of how to handle inequities has no doubt been a major factor in BREXIT, and appears to be just as toxic to a portion of the American electorate. But building a wall – to keep out goods, or people – only favors the people who know how to build walls, and they could be better employed on other infrastructure projects.

Freedom of movement empowers people. In this respect it is qualitatively different from the passports that banks enjoy, or tariffs that affect chains of supply, which can always be re-negotiated by governments. Goods and services belong to the corporate economy of moral persons whose rights in the marketplace are fungible and tradable; priced in the market, they can rise or fall in value, and often do so in response to changes in policy or economic outlooks. Freedom of movement is a right of physical persons. No one can exchange or sell this right, and it need not be used lest it be lost.

The opinion of the High Court of Justice delivered on 3 November 2016 referred specifically to the right of freedom of movement in terms which bear close attention. The judgment determined that the Secretary of State did not have power under the Crown's prerogative to give notice pursuant to Article 50 of the Treaty of the European Union for the United Kingdom to withdraw from the European Union. Were the government to trigger Article 50 without an act of Parliament, certain rights of British citizens would automatically be at risk. In paragraph 66, the High Court, referring to the right of freedom of movement, stated "that Parliament knew and intended that enactment of the ECA 1972 would provide the foundation for the acquisition by British citizens of rights under EU law which they could enforce in the courts of other Member states....Although these are not rights enforceable in the national courts of the United Kingdom, they are nonetheless rights of major importance created by Parliament. Accordingly, the claimants are entitled to say that it would be surprising if they could be removed simply through action by the Crown under its prerogative powers." I believe that the addition of the phrase "major importance" was anything but accidental: it is a flag, orange for certain, perhaps red, to be waved in front of the people's elected representatives. I will return to this point later.

Freedom of movement does have an economic impact, albeit over the long term. Because it changes an individual's outlook on his own life, giving him choices that he alone controls, freedom of movement valorizes human capital and enlarges the opportunities to use it. With the prospect of mobility, the incentives to study harder, to be more inventive, to keep learning, to perform better, are greater. Freedom of movement liberates individuals to seek their own best advantage by developing their talents and skills. As F.A. Hayek wrote, "the discovery of a better use of things or of one's own capacities is one of the greatest contributions that an individual can make in our society to the welfare of his fellows and that it is by providing the maximum opportunity for this that a free society can become so much more prosperous than others. The successful use of this entrepreneurial capacity (and, in discovering the best use of our abilities, we are all entrepreneurs) is the most highly rewarded activity in a free society..." (The Constitution of Liberty, Chicago, 1960, p. 81). Freedom of movement combines the market, with its emphasis on competition, trade, innovation, specialization and co-ordination, with a profoundly humanistic awareness of the human potential.

This inherently liberal stance can be validated by Alfred Marshall, Max Weber and Werner Sombart, Walter Lippmann and Frederick Hayek – all of whom were concerned to limit arbitrary authority and celebrated cities as social and cultural systems which elevated the individual over the collective. The largest markets for talent and ideas are cities in part because in cities people are freer from the constraints of tradition. Cities work because of their agglomeration effects, which concentrate

people and resources, and put a premium on specialization and co-ordinate to sustain themselves. The trick is to enhance the positive effects of agglomeration and control and reduce the negative ones at the same time.

Hence another paradox. The UK was the first country where urbanization broke through the 50% level at the start of the nineteenth century. But the city vote did not carry the country. In the pre-industrial era, very large cities, perhaps with the exception of Paris and Istanbul, were a burden on growth. Since the industrial revolution, they are the drivers of growth. That urban areas voted to REMAIN is not a surprise. That the pro-BREXIT vote was so strong elsewhere, to me at least, testifies to the failure of urban and regional policy in the UK since the 1990s to cope with the problems of urbanization associated with infrastructure, housing, energy, waste management, and the like. Fear of the city is a residual from another era, when cities were dirty, favoring vice and promiscuity. Not enough has been done to make cosmopolitan urban living – and the growth of cities – attractive to the people who do not live in London or Bristol or Edinburgh.

Several European cities, including Paris, are consistently ranked among the world's most livable; none are in the UK. The French are increasingly moving to metropolitan regions, depopulating large sections of eastern, northern and central France. This trend has political dimensions which can be seen in the formation of metropolitan governments in all medium and large conurbations, and in the restructuring of the country into 13 regions with expanded responsibilities. Thousands commute daily on the high-speed train routes between Paris and Lille, Tours, Reims, etc., and not all in the direction of the capital. The year-in, year-out debate about the third Heathrow runway illustrates, not the difficulty of planning, which in fact is fairly straightforward, but the impotence of politics to set priorities and resolve conflicts. The two Paris airports, Charles-de-Gaulle and Orly, operate with 7 runways. Even with a night curfew and a limit of 250,000 flight movements per year, Orly is near capacity of 30 million passengers a year, and can be reached from 143 cities. Charles de Gaulle handles approximately 67 million passengers yearly; a 4th terminal complex will add capacity for an additional 30 million. Rankings feed the media and investment agencies. Comparing London and Paris however is difficult because their population size is never counted in the same year, thus allowing each to claim that it has grown bigger than its rival. Everyone knows how many French are believed to live in London; the number of English people living in Paris, however, is less often cited. Paris was already on track before BREXIT to create a functional labor market that will be bigger than London's for the foreseeable future through massive infrastructure investment in automated metros and light rail routes. For the purposes of this argument, it is important to highlight that decentralization and investment in cities go together. This is the kind of competition London faces in a post-BREXIT world.

It does not make sense to suppose that the 27 countries of the EU that must agree to a new treaty with the UK would wish to compromise freedom of movement to make the exchange of car parts easier. Talk of the single market composed of 500 million consumers misses the point about wealth creation. That market is richer because, since the end of the Cold War, freedom of movement has helped millions become more productive, not only in the Czech Republic and Poland, Ireland and Portugal, but also in Germany, Sweden, the UK. It is the incomes of people who work which

create the market. And their incomes reflect progressively higher levels of human capital, and better resource allocation. Just because it is very difficult to put precise figures to these statements, or to design counter-factuals, does not mean that the broad lines are any less true.

Freedom of Movement and the Nation-State

The High Court, in its decision of 3 November 2016, set clear limits on the executive power of government. Freedom of movement in the EU removes government from regulating the number of Europeans living in any particular territory, as well as anything about them – their age, level of education, physical condition, etc. An expansion of government authority to control the movement of people and plan their careers will only lead to even more of the kind of lobbying by pressure groups and sectors in London that presumably the advocates of BREXIT condemn in Brussels. Just as no government can pick industrial winners, or tomorrow's city of innovation, it cannot select the individuals most likely to contribute to the economy, neither among its own citizens nor among prospective immigrants. Anyone who thinks that fine-tuning border controls will permit some but not all EU citizens to continue to work and live in the UK has not filled out a work visa for the UK on line which requires the applicant to identify every visit to the UK in the past ten years and every trip made to any other country outside his country of residence in the past ten years, to visit a UK visa office, pay a surcharge to receive a visa in 3 days instead of 15, and arrive at a UK airport and go through the "Other" queue (the very term is pejorative), having filled in an identity card the likes of which were withdrawn elsewhere in Europe years ago. If the intent is to be dissuasive, it works. Imagine what UK airports will be like if EU citizens must queue in the same line as visitors from Brazil, Japan, Kenya and Canada.

As should have been clear from the start, there is no laissez-faire option of no tariffs and no regulations; the only questions are which ones, and who sets them. Eighty years ago, Walter Lippmann in The Good Society called attention to the mistake made in the UK in the 19th century, confusing free trade with the absence of regulations. Markets need rules before they can regulate themselves. The UK is a signatory to 14,000 treaties; it will take time to identify which ones need to be reconsidered in light of BREXIT. The International Standards Organisation, a private body, has issued 20,000 standards; another 4,000 are under consideration. Outside of the EU, the UK would have to increase its bureaucracy considerably to be capable of coping for the demand for regulation to satisfy health or environmental imperatives, to keep abreast of technological innovation, or to assess trade and competition impacts. The EU is the world's most powerful regulator; not to have a voice is a serious handicap for the world's sixth largest economy.

Membership in the EU has enlarged the rights of British citizens. There are four factors of growth: population size, territorial assets and public goods, innovation, and an expansion of rights. The UK's population is growing, albeit in a mix composed of two-thirds immigration and one-third natural fertility (the reverse of France); its stock of public goods is probably inadequate; its capacity to generate and use innovation, while strong, is subject to intense competition. There has been no expansion of individual rights in recent years, and indeed, concern about terrorism since 2001 has circumscribed the sphere of privacy which had expanded in the 20th century. What

new rights for British citizens will be created that could compensate for the loss of the freedom of movement?

There are real threats to the future of every country in the Western world, but somehow in the UK there have been eclipsed by debates about tariffs, immigration and regulatory barriers. The balance of power within the EU may shift between the Members as nation-states, the Council, the Commission and the Parliament, but only the UK wants to resolve the issue for itself by withdrawing entirely. The pursuit of a larger measure of sovereignty will run up against the hard fact that sovereignty is under pressure worldwide. Will independence, outside the EU, make the UK more secure?

In Conclusion

If Britain removes the right of free movement for its citizens who may wish to live, work or retire in another EU country, that is between the British government and its people. But this is not a unilateral change because it affects the rights of hundreds of millions wherever they live in the EU, including the large minority in the UK who wish their country to remain in the EU.

BREXIT is an example of a cross-border, asymmetrical risk that I discuss in the last chapters of my book [Cities and Crisis](#). Crises are normal, even if we prefer to think that they are evidence of a breakdown in a system which otherwise would function adequately. But the skills to manage a crisis are uniquely different from those which work in the periods between crises. Crisis puts a premium on experience, temperament and a sense of history. The EU was built by statesmen who had been on the edge of the abyss; several leaders of EU governments are more accustomed to managing crises than the leaders of the government of the UK in its current configuration. This matters because the real crisis is yet to come, when negotiations reach a decisive stage. Unlike other crises which tend to unify the country, BREXIT owes its origin to domestic fractures which it will likely magnify. For the rest of the EU, the risk of contagion is likely to lead to a rigid quarantine which we can imagine as a wall with a portal. The keystone in this wall is freedom of movement.