

# BREXIT AND THE WORLD ECONOMY

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# ABSTRACT

Brexit is the withdrawal of the United Kingdom from the European Union. Following a June 2016 referendum, in which 51.9% voted to leave, the UK government formally announced the country's withdrawal in March 2017, triggering the beginning of the Brexit process.

Globalization affects the economy of all countries. It influences the production of goods and delivery of services, the labour utilization, investments, technology and its propagation from one country to another. The process of globalization of the economy was accelerated within recent decades, when different aspects, like, capital, technology, goods and labour, became even more interconnected and integrated into the multilayer network of MNCs.

# INTRODUCTION

On June 23, 2016, the United Kingdom voted by 52% to 48% to leave the European Union (EU). The vote for "Brexit" sent shockwaves around the world, rocking financial markets and rekindling global debates about the appeal of national populism, as well as the long term viability of the EU. Aside from challenging liberalism and global markets, the vote for Brexit also highlighted deepening divides that cut across traditional party lines in British politics.

The world economy is the economy of all humans of the world, conducted at the international exchange of goods and services that is expressed in monetary units of account.

Beyond the minimum standard concerning value in production, use and exchange the definitions, representation models and valuations of the world economy may vary widely.

# LITERATURE REVIEW

Essentially, economists are basing their predictions about Brexit on the record of history. We know both from economic theory going back to Adam Smith and David Ricardo, and from empirical evidence, that increased openness to trade and increased trade, is generally associated with stronger growth in productivity and greater prosperity.

We also know, again from theory and empirical evidence, that participation in free trade areas and, even more than free trade areas, very deep integrated economic and trading relationship like the European Union, tends to promote trade.

Daniel Hannan's book "What Next: How To Get The Best From Brexit" illustrates the naïve and fact-free approach, of some people on the Brexit side, to the future outside the EU. He's quite

good at putting this picture of the UK as a very globalized free trading nation, trading with other countries of the world with very low tariffs, while not being part of any particular economic union itself. But it really fails to engage with the realities of the UK economy both how the UK economy actually works and how international trade actually works.

The book "Brexit: Why Britain Voted To Leave The European Union" written by Harold Clarke, Matthew Goodwin and Paul Whiteley is written in its truest sense. The book states that certain economic factors overlap very considerably with people's social attitudes. As well as people, being more likely to vote 'leave' if they were poorer, or lived in areas that were left behind, people were also much more likely to vote 'leave' if they had socially conservative attitudes including issues that have nothing to

do with Brexit, like death penalty.

Also, except from the "UK Essays.com" a prominent UK online print media platform states that the globalization of the world economy is the conversion of international space into one whole where there are no set boundaries for informational technologies, merchandise and sales, and capital. It is caused by the objective factors of world development; by the advancing international division of labour, by the scientific and technical progress in the fields of transportation and means of connections, which reduces so called economic distance between the countries.

# METHODOLOGY

The researcher has secondary sources of data collection for this project. Secondary data for this study was acquired from a variety of online databases of journals, books, and other such sources. A case study was very instrumental in providing major data for this project.

# MEANING

Brexit was the withdrawal of the United Kingdom from the European Union (EU). Following a UK-wide referendum in June 2016, in which 52% voted to leave and 48% voted to remain in the EU, the British government formally announced the country's withdrawal in March 2017, beginning the Brexit process. The withdrawal was delayed by deadlock in the British parliament. Following a general election, Parliament ratified the withdrawal agreement, and the UK left the EU at 11 pm GMT on 31 January 2020. This began a transition period that is set to end on 31 December 2020, during which the UK and EU will negotiate their future relationship. The UK remains subject to EU law and remains part of the EU customs union and single market during the transition, but is no longer part of the EU's political bodies or institutions.

In March 2019, the British Parliament voted for May to ask the EU to delay Brexit until April, and then later October. Having failed to get the agreement approved, May resigned as Prime Minister in July and was succeeded by Boris Johnson. He sought to replace parts of the agreement and vowed to leave the EU by the new deadline. On 17<sup>th</sup> October 2019, the British government and the EU agreed on a revised withdrawal agreement, with new arrangements for Northern Ireland. Parliament approved the agreement for further scrutiny, but rejected passing it into law before the 31<sup>st</sup> October deadline, and forced the government to ask for a third Brexit delay. An early general election was then held on 12 December. The Conservatives won a large majority in that election, with Johnson declaring that the UK would leave the EU in early 2020. The withdrawal

agreement was ratified by the UK on 23 January and by the EU on 30 January; it came into force on 31 January.

Many effects of Brexit depend on how closely the UK will be tied to the EU, or whether the transition period ends without terms being agreed.

The broad consensus among economists is that Brexit will likely harm the UK's economy and reduce its real per capita income in the long term, and reduce its real per capita income in the long term, and that the referendum itself damaged the economy. However, the inaccuracy of pre-referendum forecasts has been criticised by the chief economist at the Bank of England. Brexit is likely to reduce immigration from European Economic Area (EEA) countries to the UK, and poses challenges for UK higher education, academic research and security.

The world economy is the economy of all humans of the world, considered as the global exchange of goods and services that is expected in monetary units of account. In some contexts, the two terms are distinct "international" or "global economy" being measured separately and distinguished from national economies while the "world economies" is simply an aggregate of the separate countries' measurements. Beyond the minimum standard concerning value in production, use and exchange the definitions, models and variations of the world economy vary widely. It is inseparable from the geography and ecology of Earth.

It is common to limit questions of the world economy exclusively to human economic activity and the world economy is typically judged in monetary terms, even in cases in which there is no efficient market to help evaluate certain goods or services, or in cases in which a lack of independent

or government cooperation makes establishing figures difficult. Typically, examples could be illegal drugs and other black market goods, which by any standard are a part of the world economy, but for which there is by definition no legal market of any kind. However, even in cases in which there is a clear and efficient market to establish a monetary value, economists do not typically use current or official exchange rate to translate the monetary units of this market into a single unit for the world economy since exchange rates typically do not closely reflect worldwide value, for example in cases where the volume or price of transactions is closely regulated by the government.

Rather, market valuations in a local currency are typically translated to a single monetary unit using the idea of purchasing power. This is the method used ~~below~~, which is used for estimating

worldwide economic activity in terms of real United States dollars or euros. However, the world economy can be evaluated and expressed in many more ways. It is unclear, for example, how many of the world's 7.62 billion people have most of their economic activity reflected in these valuations.

According to Maddison, until the middle of the 19th century, global output was dominated by China and India. Waves of Industrial Revolution in Western Europe and Northern America shifted the shares to the Western Hemisphere. As of 2018, the following 15 countries or regions have reached an economy of at least US \$ 2 trillion by GDP in nominal or PPP terms: Brazil, China, France, Germany, India, Indonesia, Italy, Japan, South Korea, Mexico, Russia, Turkey, the United Kingdom, the United States and the European Union.

# IMPACT OF BREXIT

## 1) Academia:

According to a 2016 study by Ken Mayhew, Emeritus Professor of Education and Economic Performance at Oxford University, Brexit posed the following threats to higher education: "loss of research funding from EU sources; loss of students from other EU member states; the impact on the ability of the sector to hire academic staff from EU member states; and the impact on the ability of UK students to study abroad." Before the funding announcement, a newspaper investigation reported that some research projects were to include British researchers due to uncertainty over funding.

## 2) Blue Passport:

Since March 2020, blue passport are issued by United Kingdom

while European Union keeps burgundy passports.

The blue Brexit passport has been seen as "the greenest British passport ever" according to the Home Office. Effectively, the carbon footprint from manufacture is limited to zero by including projects for planting trees.

This green blue Brexit passport includes security features, such as a hard-wearing, super strength polycarbonate data page, with embedded innovative technologies to secure personal data.

### 3. Shared Boundaries:

The UK and Republic of Ireland have been part of the Common Travel Area since before the EU was formed. After Brexit, the border between Northern Ireland (UK) and the Republic of Ireland (EU) will become the only EU-UK land border. There was concern over this becoming a "hard border" with few, controlled crossing points and customs

checks

The French and British governments say they remain committed ~~on~~ to the Le Touquet Agreement, which lets UK border checks to be completed in France, and vice versa. The UK also announced it will invest a further 44.5 million pounds on border security at the English channel.

#### 4) Economic Effects

Economists expect that Brexit will have damaging immediate and longer term effects on the economies of the UK and at least part of the 27 other EU member states. In particular, there is a broad consensus among economists and in the economic literature that Brexit will likely reduce the UK's real per capita income in the medium and long term, and that the Brexit referendum itself damaged the economy. Studies on effects since the referendum show a reduction in GDP, trade and investment as well as households losses from

Increased inflation.

## 5) Energy :

According to a 2017 study by the University of Exeter and Chatham House researchers, there are considerable benefits for the UK to be integrated into the European energy market.

## 6) EU Institutions And Agencies:

Analyses indicate that the departure of the relatively economically liberal UK will reduce the ability of remaining economically liberal countries to block measures in the Council of the EU.

The UK's 73 seats in the European Parliament became vacant upon its withdrawal in 2020. 27 of these seats were redistributed to the other countries, with the remaining 46 reserved for potential new member states, reducing the overall number of MEPs from 751 to 705.

Brexit requires the offices and staff of the European Medicines Agency and European Banking Authority currently based in London, to move out of the UK to Amsterdam and Paris respectively.

#### 7) Migration :

After Brexit, the UK would be able to control immigration from the EU and EEA. The 'Immigration and Social Security Co-ordination (EU withdrawal) Bill' would repeal free movement and make EU immigration subject to UK law.

#### 8) Security :

Concerns have been raised that Brexit might create security problems for the UK, particularly in law enforcement and counter-terrorism where the UK could use the EU's databases on individual crossing the British border. Brexit would also complicate extradition requests.

# CONCLUSION

Some see this referendum as a wake up call that rising inequality and low growth can and will promote frustration among citizens who yearn not only for a voice but also "something different". The Brexit ballot, offering only a "Leave" or "Remain" option was won by 52% to 48%. Although one side won over the other, the referendum was not won by a significant majority, and certainly not unanimous.

Besides setting a precedent for being the first member to officially leave the European Union, the reason why Brexit is such a big deal is that we just don't know how it will turn out yet. It's a big, drastic move that will take years to complete; years of steps that will impact the pound and European markets along the way.

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\* All webpages were last accessed on 13<sup>th</sup> March, 2020.

## Books :

1. What Next : How To Get The Best From Brexit by Daniel Hannan
2. Brexit : Why Britain Voted To Leave The European Union by Harold Clarke, Matthew Goodwin and Paul Whitemley.

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