**If UK didn't leave the single market, what was the point of Brexit?**

Ryan Bourne

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United Kingdom Prime Minister Theresa May could not have been clearer in her major speech on Brexit Tuesday — Britain is leaving the EU single market.

Nobody who understood the implications of the Brexit vote was surprised.

The EU single market is really a "single regulatory zone", combining free movement of workers, capital, goods and services with harmonized rules and restrictions on standards, employment, the environment and more.

The development of the market has centralized economic power under the EU and this loss of sovereignty is exactly what Britons rankled against in the June Brexit vote.

Through Brexit, the British believed they were voting to "take back control". Continued single market membership (a la Norway or Iceland) was therefore a political non-starter.

By remaining in the single market, Britain would be bound by regulations emanating from Brussels with no formal vote on them.

Laws would be subject to the jurisdiction of the European Court of Justice. British taxpayers would still make significant net contributions to the EU budget and the U.K. would not have control over EU migration.

What would have been the actual point of the referendum had they stayed in the single market?

Realizing the single market was off the table, May instead made the case for a more detached future relationship, as she outlined her ambitions for the outcome of the U.K.'s "EU exit" negotiations.

Her vision combines political realism with the desire to make the most of Brexit economic opportunities.

She desires a comprehensive free trade agreement with the EU, while simultaneously pushing for more free trade deals with the rest of the world.

She wants to exit the EU's common external tariff, but to agree to a customs deal to minimize the cost of administrative product checks at borders.

She wants to repatriate control of economic and migration policy, but with transition arrangements and guarantees for existing EU workers in the U.K.

Ruling out the single market option will annoy many who saw it as a way to effectively keep the U.K. inside the EU.

During the referendum campaign, the U.K. Treasury estimated a significant long-term economic cost from leaving it — up to 6 percent of GDP.

The logic behind its calculation was that a large, integrated, barrier-free trade zone enables economic specialization, which boosts productivity. Leaving this “free market” was therefore seen as an act of economic self-harm.

The theory is credible, but these supposed huge gains from membership looked less so. In fact, the study was biased.

The European Commission itself believes the single market has only raised EU-wide GDP by 2.1 percent. For the U.K., this would be less significant.

The U.K. trades less with other EU members than the EU average and specializes in services, where the single market is far from complete.

In the future, trade trends also mean U.K.-EU trade will become relatively less important. Yet, single market membership would see 100 percent of businesses under the EU’s regulatory ratchet.

Just as opportunities to sell more insurance, banking and other services expand to emerging markets, London would have been regulated by an EU (and voted against by a more closely integrated Eurozone block) often hostile to “Anglo-Saxon” finance.

This would hinder its ability to sign trade deals too — Britain could not credibly offer opening up its service sectors to the U.S. and others without regulating these industries itself.

It is not just finance where EU regulation could be harmful, however.

In areas such as the sharing economy, energy, the environment, clinical trials, agriculture and more, single-market membership would have resulted in regulation ceded to an often slow and bureaucratic EU.

The Treasury’s report ignored this and failed to model any scenario where the U.K. saw gains through better independent regulation, better use of public funds and new trade deals with non-EU countries.

In the short term, businesses are looking for a smooth transition to Brexit. This is something the U.K. government is seeking to provide.

Its proposed “Great Repeal Bill”, despite its name, will actually transcribe all existing EU law and regulation onto British statutes, meaning there's no cliff-edge in regulatory compliance for business.

As a result, at the point of exit, U.K. firms will still be fully compliant with EU rules. Leaving the single market merely allows for the updating and amending of regulations according to Britain's own wants and needs going forward.

Single market exit, like Brexit itself, is therefore full of long-term risks and opportunities because it is really a repatriation of policy levers.

Whether you believe exiting the single market will be good for Britain in the long term really hinges on whether you think British institutions would tend to regulate economic policy toward a pro-growth agenda better than EU ones.

In June the British people gave their clear answer. Now Theresa May has too.

*Ryan Bourne occupies the R. Evan Scharf chair at the Cato Institute and was a founding member of Economists for Brexit.*