Why should Brexit be so different economically from other “divorces”?

The comments by Mark Carney, the Governor of the Bank of England, about the impact of Brexit, were widely reported yesterday. If one ignores the headlines and listens carefully to his words, his analysis was less fearsome than the media would have one believe. He did not use the word “would” but rather “could” when talking about the possibility of Brexit leading to a recession.

As Richard North points out, however, Carney is nonetheless playing a political game. The economic outcome of Brexit is ultimately something which no one can predict.

Evidence from previous political “divorces” must surely carry more weight than speculation about the future, as we are talking about past events where the statistics are available for analysis. Such evidence does paint a very different and more positive picture.

Only one country has ever left the European project. Greenland withdrew from the EEC (as it then was) in 1985. A quick glance at the graph above of the country’s per capita GDP (coutesy of Trading Economics) shows that it didn’t suffer at all in the post-withdrawal period – in fact., the country became notably more prosperous when it became independent.

Another interesting study is the divorce between Singapore and Malaysia in 1965. It was a pretty sudden event – Singapore was expelled from the Federation; no two-year negotiating period here. However, the graph below shows that this island has flourished from the moment it regained independence. It is also a far freer society, with much greater relgious freedom in particular.

Of course, the UK isn’t Greenland nor is it Singapore, but when you also consider the relavtively trouble-free divorce between the Czech Republic and Slovakia in 1993, which included creating separate currencies and the comparison between non-EU Norway and its neigbour Sweden, the claims that Brexit will cause an economic armageddon do seem hard to justify from historical evidence.