



Bringing you the  
best of our blog  
**idealog**

[iea.org.uk/blog](http://iea.org.uk/blog)



# GIG ECONOMY

This summer veteran rock star Paul Simon gave a concert in Hyde Park, the final time he will perform in the UK.

He famously came here first in the 1960s and has been back many times since, as part of a constant back-and-forth flow between American and British performers.

This is arguably a more significant 'special relationship' than many of the things our politicians go on about.

But it is probably not well known that, in addition to any normal visa requirements, a US (or Canadian, Australian, New Zealand, South African, Brazilian etc.) performer needs to have a Tier 5 (Temporary Worker – Creative and sporting) visa before he or she can perform.

This costs £244, or £854 if you are in a hurry and can't wait the three weeks or so that it takes to process these things. You need to get a 'Certificate of Sponsorship' from a 'licensed employer' and you may face a healthcare surcharge. It's a hassle, basically.

This has hit the news because the Home Office, in preparing for tighter security after Brexit, has discovered that for many years performers have been able to avoid this charge if they made landfall in Ireland, played a couple of gigs in Dublin, then moved on to the UK.



A. Ricardo / Shutterstock.com

Things are now going to be toughened up.

Apparently Beyonce, for example, travels with an entourage of 250 and should have paid over £160,000 in visa fees. The Home Office needs the money. Kerr-ching.

All very well for the corporate behemoth that is Beyonce Inc, you may say.

But what about today's version of the young Paul Simon, who may simply have – in the words of a song he famously wrote on Warrington station – 'a suitcase and guitar in hand'?

Getting a Tier 5 visa is a complicated business and the expense is disproportionate to any likely benefit obtained.

Put another way, it's indirectly a tax on UK consumers of American music, comedy and drama.

## LEN SHACKLETON SPOTLIGHTS A BACKDOOR TAX ON BRITAIN'S GIG-GOERS

EU performers are exempt, and thus it's cheaper to bring over a ballet from Berlin than one from Russia. Economists see this as trade diversion, a common feature of customs unions and free trade areas.

It's maybe a small thing. But when we eventually redraft our immigration rules, please let's make it easier for creatives to come to the UK. We should have the freest possible trade in entertainment – just as for other goods and services●

**Len Shackleton**  
Professor of Economics  
University of Buckingham  
[len.shackleton@buckingham.ac.uk](mailto:len.shackleton@buckingham.ac.uk)



# NORWAY

or

# NO WAY?

Two IEA staffers go head-to-head  
on Brexit options

The so-called "**Norway Option**" – a form of Brexit under which the UK would leave the European Customs Union, but remain in the Single Market for the time being – is a bit like Michael Myers, the villain in the horror movie Halloween...

Every time you think it has finally been killed off, it pops up again. Like Myers, it just stubbornly refuses to die.

It died for the first time in January 2017, when Theresa May clearly ruled it out in her Lancaster House speech. But it did not remain dead for long.

The recent Chequers statement was supposed to kill it off for good – but it didn't.

It was advocated yet again by a number of relatively prominent commentators (most of them committed Brexiteers), including David Smith, Jeremy Warner, Philip Johnston, Tim Stanley, Nick Timothy, Paul Goodman, James Cartlidge MP and Rupert Darwall.

The IEA was divided on Brexit before the referendum, and while we all respect the result, we remain divided on the type of Brexit we want.

We asked two of our staff members, **JULIAN JESSOP** and **KRISTIAN NIEMIETZ**, for their take on the Norway Option (also known as the EEA).

Julian and Kristian are both liberal economists. They do not disagree on fundamental principles, and they do not have fundamentally different visions of what kind of country they want the UK to be.

But they differ on whether that vision is best achieved inside or outside of the European Economic Area (EEA)...

So which option would they choose: **NORWAY** or **NO WAY**?

**NORWAY – says Dr. Kristian Niemietz, the IEA’s Head of Health and Welfare**

**If the IEA had one tenth of the influence that a lot of our opponents think we have, I would probably back a Hard Brexit.**

If we had a realistic chance of becoming a ‘Singapore-on-Thames’ outside of the Single Market, I would be on board.

But the truth is that we do not have anything like that influence. The Zeitgeist is very much against us. Britain is a country where free-market liberalism is an unpopular and politically unsuccessful fringe opinion.

Post-Brexit Britain will not be governed by people who believe in free markets. It will be governed by people who believe in a very large and a very activist state.

And that’s just the Conservatives.

This is what we need to bear in mind when we compare different Brexit options. You cannot benchmark the EFTA/EEA Option or ‘Norway Option’ – safe, but admittedly not very exciting – against a hypothetical Singapore-on-steroids Hard Brexit.

You have to benchmark it against the kind of Hard Brexit that we are likely to get, not the kind that you would like to see.

This is why I cannot share the enthusiasm of some of my colleagues for a Hard Brexit. They talk about the opportunities of deregulation and liberalisation, as if all the domestic political constraints would simply evaporate on 29 March 2019.

They seem to believe that the act of leaving the European Union will magically turn Britain into a nation of Hayekians and

Friedmanites.

As with most things, there are costs and benefits associated with leaving the Single Market. The problem is that while the costs are dead certain, the benefits are highly speculative.

More precisely, the benefits would only materialise if we adopted a really ambitious free-market reform agenda. (Spoiler alert: we won’t.)

Let’s talk about the costs. As you’ll remember, before the Referendum, the vast majority of empirical

**POST-BREXIT BRITAIN WILL BE GOVERNED BY PEOPLE WHO BELIEVE IN A VERY LARGE AND A VERY ACTIVIST STATE**

assessments which tried to estimate the medium-term economic impact of Brexit concluded that it would make Britain poorer. This year, the government’s own impact assessment concluded the same thing.

It’s important to note that this is not an argument against Brexit per se.

These models do not show the cost of leaving the EU as such. What they really show, in the main, is the cost of leaving the Single Market. The cost of leaving the EU, on its own, is trivial. Even the cost of leaving the Customs Union is not huge (as we can see in models which include an EEA Option). The part that really matters is the Single Market.



You could argue that economic modelling is unreliable, and that economic models have been wrong before. But the point is that they don’t usually err so overwhelmingly in one direction.

You could also argue that these models have all been compiled by people who have a vested interest in staying in, or at least close to, the EU.

Or you could argue that the problem is not Brexit, but the fact that our own political class and civil servants do not believe in it.

But then, you would sound suspiciously like the "Real socialism has never been tried" crowd: real Brexit has never been tried.

Alternatively – you could just admit that the overwhelming evidence is against you, that you have been chasing a rainbow, and that a Hard Brexit is just not worth the gamble.

The Norway Option does not have to be a permanent arrangement. But for now, it is the safest, quickest and easiest way out •

**Kristian Niemietz**  
Head of Health and Welfare  
Institute of Economic Affairs  
[knienietz@iea.org.uk](mailto:knienietz@iea.org.uk)

**NO WAY – says Julian Jessop – IEA Chief Economist and Head of the IEA's Brexit Unit**

**The UK's departure from the EU is a once-in-a-lifetime opportunity to create a more flexible and dynamic economy and to lead the world again in free trade.**

Like most investments, it involves costs, many of them upfront, as well as benefits, which may appear less certain and take longer to come through.

But the aim should be to maximise the potential upsides while minimising the downsides, rather than viewing the whole thing as a ghastly exercise in damage limitation.

**THESE STUDIES CONSISTENTLY OVERSTATE THE LIKELY COSTS OF ADDITIONAL BARRIERS TO TRADE WITH THE EU**

What does that mean in practice? In my view, this vision requires the UK to leave both the Single Market and the Customs Union, and not simply replicate them.

This would deliver the most scope to optimise regulations for the needs of our own economy and lower barriers to trade outside the EU.

This knocks out the Norway Option (which ties us to the Single Market), and other hybrids such as the Jersey option (which tie us to a customs union and continued regulatory alignment).

It's also hard to see how these alternative models respect the result of the 2016 referendum.

Yes, this only asked whether we should leave the European

Union, without specifying the form that the future relationship should take.

But Leave campaigners were clear that this was "a vote to take control of our borders, laws and money". If they'd been asked, I'm sure they'd have included "trade policy" too.

Nonetheless, I don't believe these political arguments are enough. Remainers have a point when they argue that the 2016 vote was very close, and the politics could of course change.

I certainly wouldn't feel comfortable arguing that a large and sustained hit to the

economy would be a "price worth paying" for a particular interpretation of sovereignty, or "the will of the people".

It is therefore important for Leave-supporting economists to make the case that our vision of Brexit would also leave people better off. I am happy to do so.

Most mainstream analysis suggests that the net effect will be more negative the further we diverge from the Single Market and the Customs Union.

But these studies also have one other thing in common: they consistently overstate the likely costs of additional barriers to trade with the EU, and underestimate the potential benefits.

We should also challenge the calls to maintain



"frictionless trade" with the EU.

Of course, we should listen to businesses (including those led by Leave supporters), but we should also question what they say.

So, what's the alternative? Labels are important here. I prefer something like "Clean Brexit", rather than "Hard Brexit" which implies something bad. (Indeed, it's simply wrong to claim that the IEA, which has no corporate view, backs one form of Brexit over another.)

But if there is a consensus among Leave-supporting economists, myself included, it's probably in favour of a comprehensive free trade agreement with the EU, with streamlined customs arrangements and some form of mutual recognition covering both goods and services, following a transition period. Until recently this was government policy too.

An immediate exit on WTO terms is the fall back, and perhaps only a temporary one, if the EU won't play ball.

However, it would still be preferable to any option, Norwegian or otherwise, that locks the UK into Brexit in name only ●

**Julian Jessop**  
Chief Economist  
and Head of the Brexit Unit  
Institute of Economic Affairs  
[jjessop@iea.org.uk](http://jjessop@iea.org.uk)