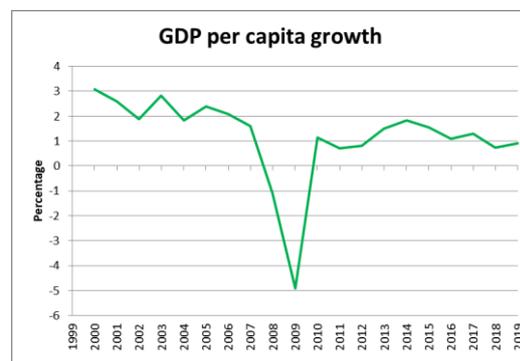
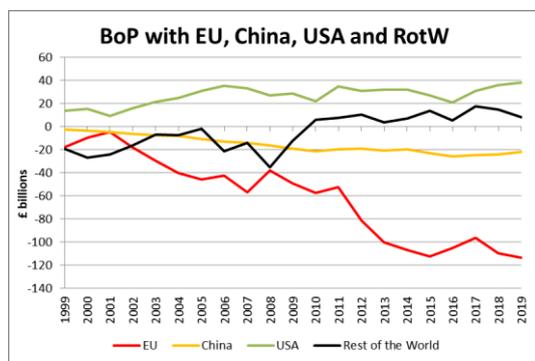


## Brexit – the Economic Dimension

In response to Mary Curren's excellent piece on 6<sup>th</sup> July in which she set out her critique of Brexit but chose to exclude the economic arguments, may I attempt to complete the job by giving my analysis of those arguments?

Economics is a technical subject in which most are not trained and therefore instinctively avoid, but actually much of it is just common sense which anyone with at least some scientific learning or just business experience should be able to grasp. This is especially so of Brexit as we have now been landed with a catastrophic agreement with the EU which will undermine our economy for years to come. Was this just Boris trying to bluster his way through something he himself did not understand, or is it some kind of Remainian Plot in which the coming deterioration will be blamed on Brexit and form the basis for a new rejoin campaign? We need to understand it as best we can so we can man the barricades and win the coming battle.

Let's start off with an examination of the facts as presented in the form of the following two graphs.



The first of these graphs shows our overseas trading account (also known as our current account or "BoP" = "balance of payments") over the past twenty years split between the EU and the rest of the world (I have shown the US and China separately for general interest but they are not needed for this argument and pretty much cancel each other out anyway). The point that should immediately spring out is the divergence between our plummeting trade with the EU and the strength of that with the rest of the world which has moved firmly into surplus. What on earth could have caused this? The exact causes probably comprise thousands of different but distinct factors, but one thing that is clear is that the EU is the only differentiating factor between them, as all other factors are common to both. Or to put it more bluntly, for all that time Brussels has been surreptitiously and progressively blocking our exports using ever higher non-tariff barriers. Or even more bluntly, the thieving bastards have been stealing from us! One can only speculate about why they would do such a thing, but I suspect 'punishment' on us for not joining the euro features prominently. Even worse, our dozy officials in Whitehall have either not even noticed, or if they have they have connived in the fraud.

The next question is to what extent does this matter. And the answer is a lot. The numbers are huge. The annual losses are now roughly ten times the Brexit dividend from no longer paying into the EU budget, and a plummeting deficit means people are buying more and more foreign stuff and less and less British stuff, which means that jobs are being lost left right and centre. Not only that but business will not invest into a contracting market. They normally need an expanding market to absorb the increased production which in turn carries the new technology and greater efficiency that creates economic growth and makes us all better off. This is confirmed by the second graph

which shows our economic growth rate over the same period falling from 2.8% in 1999 to 0.7% in 2019.

Predictably Remainers will try to counter this by blaming the banking crisis, and the second graph shows this as a great big downward spike in the middle. But look at how that spike bounces straight back up again a year later and then continues along its previous trend line as though nothing has happened. That proves that the banking crisis actually had only a very temporary effect on the economy.

Then they will say that the amount of money printing ("quantitative easing") required to recapitalise the banks continued to grow to a peak of £425bn by 2016. But in fact less than £100bn actually went to the banks. So guess what the rest was needed for? Yes, to replace all the jobs lost to the EU trade deficit! The cost of replacing these jobs is the reason why we now have record levels of national debt and record levels of personal debt, produced by intensive fiscal and monetary stimulus, but this is not a sustainable situation.

So how do we get out of this mess? We can't stop the EU from piling on export barriers against us but we can use tariff barriers against them if we tear up the agreement. Furthermore without a deal we will regain the protection of the WTO's most favoured nation rule which prohibits members from applying different tariffs and standards to different countries. 'Free traders' will object and call it protectionism, but tariffs are really the only instrument we have to manage the situation. Imposing tariffs on a deficit will produce gains from import substitution that more than offset any loss on exports. And if people complain about the increase in import prices on EU goods just tell them to buy British, or indeed from the rest of the world at no extra cost.

Big Business will, as I suspect they have been from the outset directing their poodle the Tory party behind the scenes, object to their EU customers having to pay the full EU tariffs which indeed they will face when we have ripped up the deal. But here is the clever bit. We can offset the tariffs. That is we can use the new import tariff revenues to pay directly the EU's tariffs on our exports so that our export customers do not have to pay them. That will give the Treasury a positive cash flow because of the deficit and conversely is not an option open to the EU. And it is entirely legal under WTO rules.

This lack of imagination is probably why the Tories thought they had to do some sort of deal with the EU, whereas other Brexiteers have always argued for a No Deal. Why do a deal when there is nothing you want from the other side?

People come to Brexit from a whole range of different angles, but I hope I have demonstrated here that recovering our sovereignty over our economy must surely be amongst the most pressing of all the issues we face.