

Lecture at Middlesex

On Thursday evening I gave a lecture at Middlesex University about the long period of the UK's membership of what became the European Union, and why it led so many UK voters to conclude we will be better off out.

Two things were most neglected in the Referendum thanks to the dominance of the Remain campaign and the Establishment behind it in driving the media agenda. These were the economic damage that membership did to the UK, and the plans of the EU to move onto political as well as full monetary and economic union. I will consider these today and in later posts.

We need to examine the EU's love of austerity policies. They are embedded in the Maastricht Treaty, and apply to the UK as well as to Euro members, though without the same enforcement mechanisms for us as for a Euro member. Maastricht says that no state should borrow more than 3% of GDP in any year, and all states should bring their state debts down to 60% of GDP. This latter requirement forces a country like Greece to try to run a budget surplus, and lies behind Chancellor Osborne's wish to repay debt in the UK. Each year the Treasury reports on our public finances against the Maastricht requirements, and each year we have a Parliamentary debate about our progress or lack of it in hitting these targets.

Our membership of the EC began badly with a deep recession in the middle 1970s. Whilst this was not directly caused by our EEC membership, it did lead some people in the 1975 referendum to doubt there would be economic gains from membership. Our presence in the EC did not begin with a surge of new business from joining the Customs Union. In the first decade the removal of all tariffs from manufactures where we were relatively weak allowed continental countries led by Germany to boost their exports to us greatly, helping destroy jobs and factories here at home. Conversely a lack of market opening in services where we were stronger meant we ran perpetual large balance of payments deficits.

The worst impact of the EU on us came from their requirement that we join the Exchange Rate Mechanism. This gave us a boom/bust nightmare – entirely predictable as I wrote in a pamphlet prior to the event. We lost 5% of National Income and Output from the slump it caused. The 2016 referendum was our first chance to vote on the EU's role in that disaster. The UK government that was the agent of it had long since perished at the ballot box as electors removed the EU's agent of recession in the 1997 election.

The austerity policies in Greece, Ireland, Spain and elsewhere have been of altogether much greater magnitude than in the UK where we have broken the rules by more and for longer on debt and deficit. In Greece there have been endless rounds of cuts including large cash cuts in pay and pensions which we in the UK have rightly never considered. These policies have been deeply damaging to their economies, resulting in high unemployment and excessively high youth unemployment.