

The economic damage done by our membership of the EU

Too many in the media just accept the assumption that we have done well out of being in the EU and will lose when we leave. There is little evidence to support either of these contentions.

We joined in 1972. We were made to remove all tariffs on products the rest of the EU was good at, whilst they maintained many barriers to service exports which we were good at. As a result there was a predictable deterioration in our goods trade balance with the EU, and closure or slimming of many of our factories. Our car industry suffered heavily from the tariff free competition of VW, BMW, Mercedes, Renault, Fiat and the others. BLMC in particular had to slim and close plants. Our Lancashire cotton industry and Yorkshire woollen industry was hit by Italian and German textiles. Our ceramic tile industry was damaged by Italian competition and later by Spanish. In the 1970s we lost a lot of manufacturing capacity. The nationalised steel industry had to start closing its five new large scale plants for lack of demand as steel using industries fell away in the EEC.

We also saw a further deterioration in our balance of payments as a result of high financial contributions we had to make to the EEC, as all those charges were negative flows across the exchanges. Soon after we joined there was a deep western slump which hit the UK particularly badly. Whilst this was not mainly the result of EEC membership, it exacerbated the bad trends EEC membership was causing.

In the late 1980s and early 1990s we saw another recession brought on by the UK's membership of the European Exchange Rate Mechanism. These job losses and factory closures were entirely the result of EU membership, and very damaging.

More recently we have seen a lot of factories shift elsewhere in Europe thanks in part to EU grants tempting businesses away. When I was a business Minister one of the regular complaints from UK companies was unfair competition from the rest of the EU where companies in favoured locations got special EU grants and financial assistance on favourable terms or free.

The UK growth rate has been slower since 1972 than it was 1945 to 1972. Some try to say the war disrupts the picture, but it is difficult to see why. Whilst the war was a terrible thing, it gave us very full employment with the diversion of many people into the armed services. All their efforts did under standard accounting count as national output. There were also big increases in manufacturing output domestically as we had to produce most of our planes, vehicles and bombs nationally. There was also a surge in home food production. Of course there was also a fall in non military output as factories were diverted to war work. Imports from the continent obviously stopped as it was under German control, and imports from the rest of the world were restrained by German military action to prevent or destroy them.

An EU study has showed practically no gain from EU membership for the UK economy, but it is on optimistic assumptions. To me there has clearly been a modest net overall loss of output compared to what would have happened if we had stayed out, though of course output is up over our time in the EU as you would expect. The headwind of big financial contributions to the EU has been damaging. Margaret Thatcher's renegotiation helped a bit by cutting the burden.