

Why the single market damaged the UK economy

As a young man one of my first votes was in the original referendum on whether to stay in the EEC, misleadingly called the Common Market during the campaign. I was against the language in the Rome Treaty that warned us this was much more than a Common Market in the making, and disliked the Labour government's lies about the nature and long term aims of the body. I also was asked to produce a decade forecast of the outlook for the UK if we stayed in by my employer.

As I drafted it five problems became clear. The first was the burden of our financial contributions was too high, and these would produce a nasty dent in our balance of payments as we sent that money away and it was converted into foreign currencies. I did not know or forecast Margaret Thatcher would become PM and negotiate a better deal, which limited the damage a bit – or that I would help her.

The second was the UK's industry which had management and Union issues, some old capital stock and poor nationalised industries like steel and shipbuilding that were not cost effective. This meant it was going to have to face the full frontal assault of German and French competition with the full removal of tariffs before it was ready to withstand those pressures. My forecasts rightly assumed we would lose a lot of capacity in areas like steel, cars, foundries, ship building and textiles. Our car output halved in the first decade of membership.

The third was in the areas of services where the UK had a good competitive advantage the considerable barriers to trade were going to remain in place. As a result I reported a major and long lasting deterioration in our balance of payments as imports of foreign goods surged, exports of services were still limited and as we had to make new large payments away.

The fourth was the dreadful deal on fish, bound to damage our industry substantially.

The fifth was the complete removal of tariffs from EEC food, the imposition of tariffs on Commonwealth food, and the hugely damaging impact the EEC would have on areas like fruit and market garden produce.

Later policies as the EU emerged and increased its wide ranging legislative grip also drove us into importing everything from defence equipment to electricity. It was a great scheme for continental exporters. In those days running a balance of payments deficit required stringent credit and money control which slowed growth.