

Why we will get an economic boost from leaving the EU on 29 March 2019

Many commentators wrongly assume the EU will impose some kind of economic blockade on the UK once we leave the EU. They are not making any legal provision so to do, and it is difficult to see how they would do it. They cannot break the many outstanding contracts to supply or to import. Were Calais to work a go slow the Belgian and Dutch ports would willingly divert the business and gain market share. The planes will fly on March 30th, and Airbus will still be buying UK made wings in order to meet its customer contracts. The EU has many powers over the UK government, but it has limited powers over importers, exporters and multinational companies when it comes to stopping them doing business. National governments employ the border and customs staffs.

What most commentators then ignore is the big gains we will be able to achieve from repatriating our money. The balance of payments will immediately improve by £12 bn a year as we stop sending net contributions to the EU. We will be able to spend more money on our essential public services, and have some tax cuts. If we spent the full £39bn they are proposing to spend on so called transition on the UK economy over a two year period, that would provide an immediate 2% boost to incomes and output over that time period, all other things being equal.

There is also the question of how much stimulus to the economy we could achieve by setting a different tariff schedule from the EU one that met our own needs. Imposing some tariffs on EU exports to us where we have capacity to make at home could provide a boost on a net basis, given that we import more than we export. Cutting tariffs on products from outside the EU that we cannot make or grow for ourselves would boost our real spending power. I am not going to put a number on this, as it would not be nearly as great as the impact of spending our own money, but it could also be a positive figure.

I am still awaiting a formal reply to my letter proposing the government now publish our tariff schedule for next March. They have told me informally they agree, so will they get on and do it.