A many deals but no Withdrawal Agreement Brexit can make us better off

The government should announce a boost to the UK economy in the event of us leaving the EU soon without signing the Withdrawal Agreement . The public wants some sensible optimism about our economic prospects based on the opportunities Brexit presents. The aim of policy should be to ensure a growth rate a little higher in our first year as an independent country than the present estimated growth rate assuming we stay under EU rules and making EU payments for another year. The present government has been persistently gloomy about Brexit for no good reason, and got all its post Brexit vote forecasts wrong by being too downbeat. There are already deals on customs co-operation, transport and government procurement available for an early exit.

A number of leadership candidates have been kind enough to ask for my thoughts on the economic impact of Brexit and the current state of the UK economy. In the interests of fairness I thought it best to set them out on this public forum for those who are in practice interested.

The policy of a combined fiscal and monetary squeeze which the authorities have followed since the spring of 2017 has had the predictable effect of slowing the UK more than is desirable. Two interest rate rises, the ending of Quantitative Easing, the withdrawal of special facilities to encourage bank lending, advice against car loans and top end mortgages, the overshoot in deficit reduction last year through much higher tax revenues, the continued impact of the last Chancellor's decision to slash buy to let investment through tax changes and increased Stamp Duty, and the decision to cut new car sales by a large hike in Vehicle Excise Duty have had a marked effect on the housing and car markets and more generally on demand and output.

The Treasury seem to think leaving soon would be an adverse shock to the UK economy. I think this is wrong. The Treasury has a habit of wildly inaccurate forecasts over the EU. They got the impact of the Exchange Rate Mechanism hopelessly wrong by failing to see the recession it would cause , and got the likely impact of voting to leave in the first place wrong by forecasting a recession with big job losses which did not happen. However, given that is the Treasury view, it means there is an even better case for taking some reflationary action in an exit budget. You should spend £20bn extra in 2019-20 on a mixture of higher public spending to improve public services, and tax cuts to promote business investment and growth. This would use up the £12bn saved on no more net contributions to the EU and offset some £8bn of unplanned additional fiscal tightening from increased tax revenues. The aim is not to borrow more but to reduce borrowing further as economic growth picks up and as tax revenues expand in response to lower tax rates which maximise revenue..

This would produce a 1% gain to UK output and incomes, all things being equal. It would offset any reduction in exports from moving to tariffs on product sold to the EU, which on a net basis should be considerably less than 1% of GDP. Any loss of exports to the EU from tariffs and other frictions would be also partially set off by the likelihood of substituting more home production, by cheaper imports from non EU replacing some of the large import bill we experience from the EU and by additional exports to non EU. If we assume we cut our external tariff to the rest of the world in ways which encourage more trade and reciprocation as we sign new trade deals the outcome will be better. A fiscal boost now of 1% of GDP should mean after all positive and negative effects of leaving our GDP will perform better in 2019-20 than if we stayed in. There would be a clear favourable confidence effect once we were out, with businesses able to make decisions knowing exactly what our trading and other arrangements are. We may well be able to agree trade talks with the EU to start on exit, which would allow them and us to avoid new tariffs and trade barriers under Article 24 of the GATT.

The government should reverse the damaging increases in vehicle Excise Duty and create a more favourable tax regime especially for clean and low emission vehicles. It should remove all VAT from green products to encourage everything from better heating controls to insulation. It should remove VAT from domestic heating fuel to tackle fuel poverty and cut inflation further. The UK has not been able to do this as members of the EU. It should take the rate of Stamp Duty down to the levels that applied prior to the 2016 budget, as the government has experienced disappointing receipts from the higher rates. They have hit turnover and therefore tax revenues by being too high. The government should review buy to let investment taxes to allow more investment in the sector. It should make a further reduction to business rates especially for shops given the problems on the High Street.

Spending priorities should include more money for schools, the police and social care. As I know from my experiences in the Wokingham and West Berkshire Council areas, the lowest financed parts of the country like ours are struggling with low budgets for these crucial services. We also need an accelerated programme of transport investment. You have recently announced substantial extra sums for the NHS which is welcome but now needs careful direction to ensure the money is spent on the service improvements and the extra medical staff we need.

Many Leave voters see Brexit as a great opportunity. With the right budget the UK economy could perform better. Now is the time to stop the monetary and fiscal squeeze, to back private sector growth with the right tax cuts, and to back public sector service improvements and investment growth where it is needed. The sooner we have a stimulus budget based on the Brexit bonus the better. World economies are slowing. Now is a good time to give things a boost.