

How Brexit can give us a stronger economy

The recent slow growth of the UK economy still locked into the EU mirrors the slowdown in growth on the continent, with a special UK twist. The higher taxes on property and cars imposed in the 2016 and 2017 budgets have had a further adverse impact, reinforced by the monetary tightening carried out. You expect the economy to slow when special commercial bank facilities are withdrawn and instructions are issued to lend less, as they were.

The good news is that leaving with no deal next March would allow us to speed our growth rate and improve things more rapidly than if we hang around in the EU paying their bills for longer. I have in the last couple of years been more concerned about the balance of payments deficit than the diminishing government deficit. It is the balance of payments deficit which requires us to sell assets to foreigners or to borrow from abroad. One quarter of that deficit is the UK government payments to the EU and overseas aid.

Stopping all payments to the EU early next year would immediately improve the balance of payments deficit, and give us £12bn a year to spend on domestic priorities. We could implement something like the UK post Brexit budget I have set out before, with substantial spending rises for areas like the NHS and social care, and some tax cuts. This would provide a useful 0.6% of GDP stimulus to the economy without any increase in the state deficit. Indeed, the state deficit should fall as more activity will generate more tax revenue and less spending based on need.

I am pleased to see others saying in public that we need to tell the EU we will not be paying them any more after March 2019 on the kind of deal they are currently proposing. It is most important that becomes the government's stance. It is the only way to have any chance of getting a good deal, and it reminds us of the obvious advantages of early exit.