Leaving the single market will not damage us as some suggest

Over the next few days I will share with you the text of my lecture in Speaker’s House on Tuesday evening. Today I start off by disagreeing with the assumption that we have been winners from the single market and we will lose from leaving it.

Let me question the thoughtless assumption of some who think this should be an argument about trade and not about these wider truths

Let me challenge their view that our membership of the single market and customs union has boosted our economy

They wish us all to discuss in worried tones what we might lose from leaving

If you look out the economic growth figures for the UK you will discover that the UK economy grew faster from 1945 to 1972 when we joined the EEC than in the long years since we joined

You will discover that the growth rate did not accelerate again in 1992 when the EU claimed it had completed its single market

The immediate sequel to joining the EEC and to completing the single market was the UK plunged into recession on both occasions

In 1974 it was the oil and banking crisis that affected much of the west. Not the EEC’s fault, but the EEC offered us no respite from it.

In 1993 it was a recession created by European policy

Our period shadowing the DM and then as a member of the Exchange Rate Mechanism gave us a nasty boom and bust

Our early experience of the completed single market was a 5% loss of national output and income.

We were told then that creating currency stability was a crucial part of a single market.

The only problem was the policy to achieve it did the opposite.

The EU itself has sought to study the impact of the single market

They concluded that the UK got the least benefit of all the states out of the process

They said we experienced a single gain of just 1% over the whole time we have been in the single market.

It is difficult to find even as much as that that in the figures.

Instead the UK's entry into the EEC's so called common market of the 1970s speeded painful losses of industrial business in the UK

The lop sided freeing of trade, removing barriers where France and Germany were strong but not doing the same where we were strong

hastened large closures and output losses in steel, cars and other basic industry.

In 1972 the UK made 1.92 million cars. Ten years later in the EEC that had fallen to a low of just 888,000.

We lost Austin and Morris, Wolseley and Riley, Vanden Plas and Hillman, Sunbeam and Triumph, Jensen and Rover

It is true there were home made problems with the way the industry was managed, but no-one can say we got a boost from EEC membership.

In 1972 the UK steel industry had 323,000 employees and the UK was the world's fifth largest producer

Today we have 35,000 and are in twenty first place

The large coal industry that produced 147 m tonnes in 1970 has seen all the deep mines closed

with just a small residual of surface mining left

The German steel and coal industries flourished and the German car industry exported large volumes to the UK replacing our output

EU regulations have played a part in the demise of parts of our energy industries

EU energy policy is turning the UK into a net importer despite being a country rich with energy resources

In chemicals and textiles too the UK lost out to continental competition

Under Labour and Conservative governments there was a remorseless decline of important parts of our industry throughout the period of our membership.

It is difficult to see why people think there will be any additional a loss of output when we leave the single market when there was no gain from joining it

The argument seems to be based on the dubious idea that our exports to the continent will suffer because we will find the EU impedes our access to their market

This assumption too needs examination

Given the way the rest of the EU exports to us much more than we export to them imposing barriers could be a more costly choice for them

I assume the UK will retaliate should the rest of the EU impose tariff and non tariff barriers, and would match any such restrictions

Tariffs will be strictly limited under WTO rules which bind both us and the EU

We should not exaggerate the impact moving to World Trade terms would have.

Many countries have increased their exports to the EU at a faster rate from outside the customs union than we have from inside

Non tariff barriers too have to conform with the Facilitation of Trade Agreement which the WTO brought into effect last year.

It is just possible the rest of the EU will want to punish us and punish themselves more by imposing what barriers they can

The UK economy would have several ways of adjusting

It could import cheaper goods from the rest of the world, removing tariffs on imports in return for free trade agreements with other countries

The UK could reimburse consumers and companies that had to pay the additional tariff by giving them offsetting tax cuts out of the substantial tariff revenue the UK state would collect

The UK Treasury would collect about £16bn in tariff revenue on EU exports to us, giving plenty of scope to compensate. Meanwhile the rest of the EU would collect just £6bn on our exports to them. All of that money of course would go to the EU, not to member states governments.

UK business could divert some production from export to the EU to the domestic market

Our farms could greatly expand production behind the substantial tariff wall that is allowed under WTO rules for food

so that we all enjoy more home produced food as we used before entry into the EEC.

The one non farm tariff that does cause some to worry is the 10% tariff on cars

Here you would expect the combined impact of the stronger Euro and a 10% tariff to cause more UK car buyers to switch to domestic suppliers

Helping offset any impact on export volumes to the continent.

The UK does run too high a balance of payments deficit.

It has been persistent for many years of our membership of the EU

It is heavily influenced both by the substantial budget contributions we have to make and by the large deficit in goods we run with the EU

On exit we will be able to cut the deficit by no longer making payments

We will be able to rebuild our agricultural industry