

Some questions for the long term forecasters

I find it difficult to believe some in the media are taking these latest economic forecasts for 15 years outside the EU seriously. They have all the hallmarks of the approach that the Treasury used to get the short term forecast for the aftermath of a Brexit vote so hopelessly wrong.

The first thing to stress is the forecasts which state the UK as a whole will lose 2% of GDP if we stay in the single market, 5% if we leave with a trade deal, and 8% if we leave without a trade deal are not saying we will be 2%-8% worse off in 15 years time. This is an estimate of slower growth, not an absolute decline. If we carry on growing on average at 2% per annum over the 15 years we will be 34.6% better off at the end of the period. These forecasts suggest that might only be 32.6% or on a worst case 26.6% better off. The 2% figure over fifteen years is little more than 0.1% per annum, or a rounding error.

The second thing to stress is that to forecast this accurately over 15 years they have to forecast two unknowns – how well would we do if we stayed in the EU, and how well will we do as we are leaving? Why do they assume that staying in is a risk free positive option? What assumptions should they make about tax levels and costs of regulation in the future? Will there be new taxes that hit UK economic activity? Will there be something like the ERM again that triggers a major recession? How much longer will the EU continue austerity policies?

The third thing to point out is there are many more issues which will have a far bigger impact on growth than Brexit. How have they modelled the risks of a Corbyn style government? What do they assume about the adoption of new technology? What will Artificial Intelligence do to UK professional business services? Will the US still be pursuing pro growth low tax policies in fifteen years time?

The fourth question to ask is why should there be any loss were we stay in the single market, compared to staying in the single market as an EU member? If, as they seem to think, the single market is the good bit of the EU, surely staying in it means no loss?

The fifth question is why have they not included a good positive gain for the UK from spending our own money at home instead of taking the strain of £12 bn going out across our balance of payments every year to be spent elsewhere? How have they modelled future increased outgoing to the EU if we stayed in?

I could go on, but feel I have asked enough to show why I think these forecasts are a nonsense. Most 15 year forecasts are likely to be wildly wrong. The longer the period of the forecast the more other things can happen that may have a big impact. In fifteen years time we might have a more integrated United States of Europe from the Eurozone, or the zone might have

broken up altogether. That will be determined by voters in a range of countries, and by events and markets.

[A simple answer to the EU's proposals on Transition](#)

There is a simple and easy answer to the latest EU paper on Transition – No thanks.

The UK should refuse it politely, and say we need to discuss both transition and what we are in transit to at the same time. Ideally we will not need transition. We have 13 months left to sort out what needs sorting out. The EU should change its self imposed rule – which is not a legal requirement – that it cannot talk about trade until after we have left. We should aim to have a Free Trade Agreement ready to sign and implement on 30 March 2019.

If the EU will not enter into positive talks for a Free Trade Agreement now, we should prepare to leave with no Agreement, which means no extra money for the EU.

[Does the Euro area still need or want stable national governments?](#)

After several months Germany has put together a precarious coalition between the CDU, CSU and SPD. Like many Eurozone countries the old system of two main parties offering a centre left or a centre right alternative has broken down. Voters now vote for a wide array of different parties, and the politicians stumble to put together a government after the election. The one thing they can guarantee is no voter will get the government they voted for.

The progressive decline of the Christian Democrat/Social Democrat choice that was the continental version of Conservative against Labour is now well advanced everywhere in Euroland. In Greece Syriza has blown away the traditional socialist party altogether. New Democracy, the centre right party, has spent a lot of time in the 20s for support, but has recently recovered a bit to the mid thirties.

In Germany herself Merkel's CDU hit a new low of 26% in the last General Election, whilst her main socialist opponent polled just 20%. In the Netherlands the centre right retains the Prime Ministership with a shaky

multi party coalition and just 27% of the vote.

In Italy PD, the centre left, is currently on 23%. The Christian Democrats have disappeared, and Forza has 16% in their place. In Denmark the social democrats have held on to 30% of the vote, but the centre right Peoples party is down to just 4%. In Spain the PP have 26% of the vote and the Prime Ministership with a minority coalition, whilst their socialist opponents are currently on 23%.

It probably suits the EU that the two party system is broken so comprehensively and no country now is capable of providing a single party majority government, with the breath taking exception of France who elected a totally new party to both the Presidency and a majority of the Parliament. These things have become so bad for the two traditional parties that neither had a candidate for the Presidency in the last two! A US Presidential election without either the Republicans or the Democrats is unimaginable.

The fact that some Euro area countries go long periods with no government at all, and then have periods of weak coalition government, helps shift more power to the EU. It raises the issue of accountability, and the possibility of more direct elections at the EU level. The German government is now likely to add its voice to that of France in seeking a bigger EU budget, an EU bail out fund for banks and more centralised decision taking. The exit of the UK makes achieving this much easier as they will no longer have a large non Euro country wanting to stop this process.

[Visit of Jacob Rees Mogg to Wokingham](#)

Wokingham Conservatives were pleased to have Jacob Rees Mogg as their speaker at a luncheon today in the constituency. 193 people came and heard Jacob set out how and why the UK should leave the Customs Union and single market as well as the EU, on 29 March 2019. Mr Rees Mogg said the main argument he used to persuade some Remain voters that Brexit is a good idea was to point out that he cannot as an MP take up and sort out many problems which fall under the powers of the EU, stifling democratic opportunity for change and improvement.

[Why the EU paper on transition is](#)

unacceptable

I am glad David Davis objects to the language of the EU paper. I trust he also objects to the following in it

“The UK may not become bound by international agreements entered into in its own capacity in the areas of exclusive competence of the Union....”

“For the purposes of the Treaties, during the transition period the Parliament of the UK shall not be considered a national Parliament”

etc