

The costs of belonging to the single market and customs union

In what passes for a debate about Brexit I have got used to the barrage of commentary that thinks it is wholly or mainly about trading arrangements, when it is really about how we are governed, to whom our government is accountable, who raises and spends the tax money and who makes the laws. Many people voted leave to take back control, to bring back self government.

The commentary also usually wrongly assumes that membership of the single market and customs union has been wholly benign, and that if we just leave we will be worse off. The facts of our past membership do not prove this supposition. As I have often pointed out, our growth rate was faster in the years before we joined, than after we joined. There was no benefit or acceleration of growth when they “completed” the single market.

More importantly, lop sided reductions in tariffs and barriers meant we lost a lot of industry to continental competition, but were given no parallel benefits to compete in areas where we were stronger. Our fishing industry was badly damaged by the CFP and we plunged from net exporter to net importers. Our farming industry saw its domestic market share eroded badly, aided by EU policies on beef and milk which did not help.

The EU argues that single market membership added just over 1% to our economy over the whole time we were in it – yet it is difficult to see from the actual growth figures any positive contribution. You clearly need to knock off from the figures the 5% loss of GDP compared to trend caused by membership of the European Exchange Rate Mechanism, which the EU study leaves out. You also need to take into account the £12 bn net a year contribution or cost, which is a drag of around 0.6% of GDP every year. If we spent that all at home instead that would give us a welcome boost.