

The UK avoids the pile up of debts in the EU

In our later years in the EU it was becoming a problem that the UK was in the EU but not in the Euro. There were meetings the UK had to leave early when they wished to go onto tackle Euro issues. There were programmes they needed to complete their political and monetary union that the UK did not want to join. There was a burgeoning set of debts and transfers that sharing a currency necessitated.

Since we left the EU has been freer to get on with the necessary increased EU level government to underpin the currency union. The EU needs larger transfers from the richer parts to the poorer parts as we have in our sterling currency union and the US has in its dollar union. The system kept going in the past through allowing the countries in need of more financial support like Greece, Spain and Italy to borrow at zero or low cost from the European Central Bank, drawing down surpluses deposited by Germany and the richer members. What was planned as short term and limited facilities to ensure the Euro deposits were honoured throughout the zone became a long term cheap financing facility. Germany today has contributed 1.25 trillion euros through the ECB. As interest rates rise this becomes more problematic.

Now the EU is relaxing the former constraints on more state debt by two main means. It is introducing large borrowings at EU level, with Euro 800 bn of new borrowings planned under the NextGenerationEU green energy led development projects. It is relaxing the limits placed on running deficits at 3% of GDP and on the stock of state debt at 60% of GDP. Each country will be able to agree with the EU laxer debt totals for policies the EU likes. As a result total debt in the EU will grow, and each member state in the system will be jointly liable for the growing EU debt .

The European Central Bank has stirred itself to a rare criticism of the EU, reminding them that too much debt is undesirable and asking them to retain some controls over the total level of state and EU debts. The Bundesbank has gone further, condemning the move to more borrowing. The UK no longer has to pay its share of a fast rising budget, nor accept liability for any share of EU debt now being accumulated. I am glad we have shed these risks, and glad our former partners can now pursue their debt union without a UK brake on the budgets as that seems to be their desire.

One of the biggest Brexit wins so far is avoiding many billions of extra debt as the EU borrowings grow rapidly.