

There is no £50 billion bonus from cancelling Brexit

One of the more absurd claims in this election is there would be a big bonus to share if we stopped Brexit. This is based on various false economic forecasts that claim our growth rate will be impaired by Brexit, leading to the equally false idea that if we tore up the referendum result growth would suddenly accelerate.

The UK economy performed well in the year after the Brexit vote, despite all the official and independent forecasts of an early recession in that first year if we voted to leave. Since then the UK economy has slowed, but by less than many other economies, as a result of a world downturn in manufacturing aggravated by a fiscal and monetary squeeze at home. The current government is now going to lift this squeeze which should lead to improvement next year.

If by a £50 billion increase they mean a 2% increase in the growth of GDP, this does not suddenly become available as tax revenue. Indeed tax revenue would go up by a little under £20bn in such a circumstance. To get £50bn more tax for the state to spend there would need to be large £125bn increase in GDP, or well over 5%.

Just as the forecast of a big decline in GDP in the year or two after the vote was comprehensively wrong, so too is this forecast. As we are still in the EU with the same trading arrangements it is difficult to see how there would be anything like this fabled increase. For any company that did decide it wanted to invest more because the uncertainty had gone there would be another company disappointed that the opportunities of Brexit had been thrown away becoming more concerned about UK investment.

As the UK adopts a better growth policy – as this government wishes to do – so investment will rise anyway. Getting Brexit done would in itself be a welcome end to uncertainty.