

Being in the EU is like being ruled by a foreign power immune to the normal processes of political economy

blogs.lse.ac.uk/brexit/2016/02/01/being-in-the-eu-is-like-being-ruled-by-a-foreign-power-immune-to-the-normal-processes-of-political-economy/

01/02/2016

Many British citizens want self-government again, as they had for hundreds of years before the 'Common Market' that they joined became a European super-state on the way to 'ever-closer union'.

*According to **Patrick Minford**, this seems to be a reasonable demand. He claims that under the rules of British democracy the citizenry are always able to eject the government, through a general election. However, whatever they do about the elite that governs the EU, they can never get rid of it or change its decisions. He claims it is like being ruled by a foreign power immune to the normal processes of political economy.*



That is the political case for Brexit -not a complete severing of all ties with our European neighbours but rather a serious attempt to renegotiate a proper bilateral treaty with the rest of the EU that recognises the common interests of both sides. In fact on the day the referendum *Out* result occurs, no changes will be noticed for two years as negotiations of a *Breset* Treaty take place in which the rest of the EU will be desperate for agreement since they sell so much more to us than we to them; after that there will be a decade or so of transition to allow all sides to adjust.

Against this political demand the supporters of staying in the EU argue that we should not take the demands for ever-closer union too seriously. We can assume that in practice we will manage to stave off most of the demands from the EU that we cannot really abide and carry on much as now. Yes, the EU has become more powerful; but somehow we have managed to keep most of our ways for doing things intact.

Furthermore we are told to remember that leaving would greatly damage us economically through the loss of our trading relationship with the rest of the EU; and that we would lose other economic benefits such as foreign direct investment (FDI) and jobs linked to the EU export market.

So the pro-EU argument goes. Yet the suggestion that the EU does 'not really mean to aim for ever-closer union' is contradicted by the history of the Common Market since we joined in 1973. Those who took the aims of the EU elite at their word have been proved right. Whatever soothing words fellow-governments may use to us in David Cameron's renegotiation the main power to centralise lies with the European Court, the European Parliament and the EU Commission; all of them have displayed the same determination to centralise power in the EU. They will roll over Cameron's piece of paper. As for the pro-EU economic arguments, they are truly astonishing. The research that I have done on the European economy over the last few decades points in exactly the opposite direction.*

The EU is a Customs Union that erects a tariff and non-tariff wall around EU member states that is highly protectionist and raises the prices of protected goods, including agriculture and manufactures; this implies that far from being a free market paradise the EU market has prices well above world market prices and in so doing twists the shape of our economy towards these protected goods and away from its best shape. We produce more of what we are worst at and less of what we are best at, while our consumers have to pay excessive prices for much of their shopping basket. Also because we buy more from the rest of the EU than we sell to them at these inflated prices, some of this price excess goes straight into the pockets of industry in the rest of the EU. This loss of free trade costs us overall about 4% of GDP.

A word on another trade scare tactic from the pro-EU camp: if we leave the EU we will be 'out in the cold' in the world trading system, unable to negotiate trade agreements and worse off through the tariffs erected against us by other countries. Yet as we have just seen we are better off outside the EU facing world prices as determined by

myriad factors including the trade policies in other countries. As for trade agreements once we are outside the EU, they matter to us not at all since they have trivial effects on the world prices of the goods and services we sell. Negotiating trade agreements with other countries which contribute small fractions of world trade does mean that we would sell more to these countries; but as world prices would remain the same our supplies of these products in total would remain the same. So we would merely divert some output to these countries away from other countries, with our trading partners diverting their output in the opposite direction.

The trade costs of the EU are just the start. EU regulations are the result of lobbying by major industries and trade unions in Brussels, and of the 'qualified majority' views of other EU governments which usually oppose UK thinking. Whether one looks at climate change and energy, finance, labour market rules, or any of the myriad details of industrial standards, one finds numerous ways in which these deviate from what the UK would put in place. It is said that we would have to keep these regulations if we were to continue to export to the EU; but this is manifestly false. Our exporters, about a tenth of UK GDP, would indeed have to adhere to EU rules for imported goods. But the other 90% of the economy would not. Our findings are that EU regulation if pushed hard to suit the qualified majorities of EU members could cause massive damage to our economy; and it has already caused serious net cost. To these estimated costs we need to add the 'dynamic' costs of these regulations in discouraging growth; EU growth has slowed in recent decades and our growth too could go the same way.



What of the scares about FDI and job losses? These arguments do not hold up. FDI enters because there are returns to foreign capital here; of course it will continue but into the different sectors favoured by world free trade. Jobs too will expand in these sectors to replace those lost in the previously-protected sectors. Overall, with rising real wages, jobs will expand.

Then there is the looming prospect of being forced to join the euro. Under current terms for joining the EU all countries must join the euro. The euro-zone is being turned into a 'union' for banking and government budgets as well as money: the needs of a common monetary policy dictate this. What possible role in the EU, when virtually all are in this union, does a country outside it have? Other countries in the EU will all have to join – including Hungary and Poland that are currently dragging their feet. It is hard to see how we can avoid it too. Yet the work we have done on the costs to the UK of joining the euro tells us that we would lose control over the stability of our economy – much as poor Spain, Ireland and Greece did in the recent euro-zone crisis.

With such ever-closer union comes the threat of ever more bail-outs such as we have just seen in the euro crisis. The closer we are tied to these continental countries the more we must share their problems. It will not be long before common taxes are set up and existing tax revenues pooled. This could well have us eventually paying a share of the unsustainable pension schemes of other continental economies.

Last but not least there is the political problem of migration. Limits on immigration giving priority for scarce skilled

workers and families of UK citizens cannot be sensibly implemented when there is no control at all over immigration from 27 close neighbours, let alone over the refugees the EU is taking in and trying to allocate around its members whatever their views. UK citizens know the economic benefits of sensibly managed immigration, have always welcomed foreigners and have always been generous to refugees. What they rail against is the way in which the EU runs a coach and horses through any such management.

In conclusion we can see that our 'establishment' is keen to deceive the common man out of self-government with scares and fallacies about economics; the truth is that UK citizens will not only regain their political freedom outside the EU, they will also be a lot better off.

Note: This article gives the views of the author, and not the position of BrexitVote, nor of the London School of Economics. Image: CC0 Public Domain.

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* see the second edition of my book 'Should Britain leave the EU? Economic analysis of a troubled relationship' (with coauthors Sakshi Gupta, Mai Le, Vidya Mahambare and Yongdeng Xu), Edward Elgar in association with the IEA, 2015.

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