We must not allow Remainers' predictions of economic doom to become self-fulfilling

This article by Ewen Stewart of *Global Britain* first appeared on the Brexit Central website and is used with permission.

The general election has excited the dwindling army of hard core Remainers. A 'done deal' is now being challenged with usual suspects claiming that a hung Parliament re-opens the debate about the nature of the UK exiting the EU.

What is clear is that this election was fought largely on domestic issues and not Brexit. While there were differences in the Conservative and Labour approach, both were clear in their manifestos that the UK would leave the EU and the jurisdiction of the ECJ, regain control of domestic borders and withdraw from the Single Market and Customs Unions.

The areas of difference, in terms of policy towards the EU, were largely over employment law and environmental regulations. Thus, those politicians claiming the election result re-opens the debate are trying to subvert an agreed democratic process.

However, while there is no justification for watering down the terms of the exit from the EU, it is clear that Project Fear is rearing its head again. But even if there is a complete breakdown of discussions with the EU, the UK will perform perfectly well so long as confidence holds. Global Britain's estimate is that even under 'no deal' the GDP effect would be negligible.

Why can we be so confident of this?

Those who thought the UK economy would collapse after the referendum were very wrong. They misjudged what the key drivers of the UK economy were and the importance of EU membership in that mix – and indeed the very nature of why trade takes place.

The die-hard Remainers are trying the same trick again with talk of a ‘cliff edge’ and despair. But they misunderstand what makes an economy tick. The primary drivers of the UK economy are monetary policy, consumer spending and public spending. All these factors are largely domestically driven and not materially affected by EU membership.

The impact of slightly higher trade barriers, to the EU, would not be meaningful in the context of the UK economy. Trade is about willing buyers and willing sellers, competitive advantage and innovation, and much less about regulatory framework. Most countries trade with the EU under WTO rules – US, China, Japan and Australia for example – and do so very successfully. Why should the UK be any different?

Moreover, claims that Foreign Direct Investment (FDI) into the UK would collapse have proven unfounded. After the referendum, investment increased, despite investors being well aware that the UK was going to leave the EU. According to UNCTAD, FDI into the UK surged to USD$179bn, the second highest in the world after the US – a marked increase on 2015. The combination of continuing strong consumer growth and substantial business investment has been a primary factor behind the UK’s strong economic performance and record employment levels.

But here is the rub: the constant talking down of the economy, for political reasons, by those trying to unpick the referendum by creating fear, risks becoming self-fulfilling if we are not careful. We must confidently point out that the EU is a fairly low-level factor in the UK’s economic prosperity and the Remainers’ constant doom has been confounded.

We need a rational debate about the nature of the UK economy and not one constantly undermining confidence for political ends. Let us remember that 60% of the UK economy is consumer-orientated. Furthermore, like it or not, government spending accounts for 43% of spending and remains a key driver. It seems likely the Government's response to the election will be to encourage a modest fiscal expansion. However, perhaps the greatest single influence on the UK economy is neither the Government nor the EU, but the Bank of England, which can choose to stimulate (or not) through monetary policy and possible quantitative easing.

Exports are clearly important but even if talks completely break down and the UK relies on WTO rules (with average tariffs at 1.4%), the reality is that the impact would be fairly minimal. It is simply scaremongering to argue that leaving the EU would have a material impact on growth, unless confidence cracked.

Moreover, the EU has hardly been a success. While the EU's tail may be up now after President Macron's election and with slightly improving growth figures, we should remember it has been the slowest-growing region on the planet for over a generation.

Further, its record in signing trade deals is lamentable. It has failed to reach agreements with the US, China, Japan, Brazil and Australia, to name but a few. While the single currency will probably survive, it can only do so by federalising and centralising yet further. The interests of the Eurozone members and the rest will continue to diverge. The UK leaving the EU should be a win-win for both parties: we can follow our global mission encouraging free trade and co-operation and they can focus on their constitutional agreements.

However, we need to challenge those who mislead, constantly blaming everything on Brexit, no matter how tenuous.

Ultimately, if we are not careful this could hit confidence. That is why the language of George Osborne and Co is so potentially dangerous, for their deliberate over-emphasis on fear and frankly misleading analysis which may start to worry the bedrock of the UK economy, the consumer. We must point to the facts of the UK economy and why the Remainers were wrong post-referendum and why they are wrong again now. All we have to fear is fear itself