

Project Fear Mark 2??

The Buzz Feed website has obtained a leaked copy of the leaked Government analysis of different Brexit scenarios which claims that over the next 15 years, the UK would be poorer by 8% under “WTO rules”, 5% poorer under a Comprehensive trade deal with the EU and 2% poorer if we re-joined EFTA, which would allow us reasonably frictionless access to the EU’s single market.

However, this is hardly Project Fear Part 2. Labour may be pushing for the Government to publish the findings, but they are wasting their time. The report matters not one iota. Forecasting likely economic developments as far ahead as 2034 is an utter waste of taxpayers’ money.

I can say this with some confidence without having seen the report because government bodies and indeed many distinguished economists – especially if they carry the label “Keynesian” – have terrific form when it comes to making economic predictions which turn out to be utterly and completely wrong – even over a much shorter timescale than 15 years.

We recently pointed out that David Cameron had been caught on camera admitting that the first 18 months since the Brexit vote had not been anything like the disaster he had anticipated. You don’t need long memories to recall Gordon Brown’s claim that there would be no more boom and bust – only a few years before the Great Recession erupted during his premiership. Going back to 1981, no fewer than 364 economists wrote a letter to *the Times* stating that Sir Geoffrey Howe, the then Chancellor of the Exchequer, would cause mayhem if he raised taxes in the middle of a recession. It turned out that the controversial 1981 budget, far from exacerbating the recession, laid the foundation of the UK’s economic recovery under Margaret Thatcher.

What is more, it is asking the moon to expect civil servants to come up with a study showing Brexit to be beneficial. Steve Baker MP found himself in trouble for claiming that Treasury officials are conspiring against the government on Brexit, but like it or not, the Treasury has been reported on good authority as being keen to keep us in the Customs union, even though Civil servants are meant to implement, not decide policy.

John Mills is therefore correct in sharing our scepticism when commenting on the claim in the new report that "Officials believe the methodology for the new assessment is better than that used for similar analyses before the referendum." He says ***"The whole piece rests on the above assertion. There is no description of the previous methodology or of the changes that make this analysis better. Is the methodology different from the one used previously to "prove" that the UK economy would tank if it did not join the Euro?"***

Let us apply a bit of common sense to the UK's economic prospects instead of listening to the so-called "experts". In the shorter term, a slight dip in economic growth is likely in the post-Brexit period as things settle down, even if a satisfactory exit solution is agreed with the EU. Fisheries and agricultural products are not covered by Single Market legislation and trade with the EU may be reduced here (although the fishing industry can begin its revival as soon as we leave, assuming Fishing for Leave's proposals are eventually accepted by the government.) The delay in providing any guidelines about what deal the Government is expecting is causing firms to hold back on investment decisions and some firms in the City are already contemplating relocating staff to other locations. The City of London may see a slowdown in growth given the EU is none too keen to strike a trade deal involving financial services.

There is also the question of trade with those countries with whom the EU has negotiated trade deals. The EU is most

reluctant to let the UK continue to participate in these deals post-Brexit and if new deals are not negotiated in time (or the countries in question do not agree to continuing to trade with the UK on the same basis), the economy may suffer here. As it happens, most of the UK's most important trade partners outside the EU, including the USA, China and Japan have not negotiated a full-blown trade deal with the EU, although the EU has made more limited mutual recognition agreements with these countries, which we may need to replicate quickly.

All these factors do suggest that even the smoothest of Brexits could well see a slowdown in growth in early 2019, although this is a long way from saying a recession will occur. The UK economy has proved far more resilient than the promoters of "Project Fear" expected. Of course, if we crashed out of the EU, the consequences could be far more serious.

In the longer term, however, there is every reason to expect the UK to perform at least as well outside the EU as if we had remained a member state – if not better. It will be far easier to reorientate our trade away from the sclerotic EU to the up-and-coming economies of Asia from outside the EU. The massive deregulation advocated by some Brexiteers in the run-up to the referendum vote is not realistic, given how many regulations originate from global bodies such as the WTO or the ILO, of which we will still be members. Some regulations could be scrapped or re-written if they originate from Brussels and are not in our national interest. We would also have the option to cut taxes to boost the economy in a way which would not be possible as an EU member state. VAT could be scrapped, for example.

Then there is the issue of freedom. A strong correlation exists between freedom and prosperity. Freedom is a relative term, but being able to make our own laws, being able to remove those people holding real power via the ballot box if we don't like them and our common law legal system will put us higher up the freedom index once we leave the EU. How tyrannical the

EU is likely to become remains to be seen. Vladimir Bukovsky, the former Soviet dissident, said of the European Union, "I have lived in your future and it didn't work." We are, of course, a long way from the gulags, the persecution of Christians and the extreme censorship of the former USSR, but a number of EU officials have made clear their disdain for real democracy. To quote one example, when the European Constitution was rejected in two referendums in France and the Netherlands, Valéry Giscard d'Estaing, the former French Prime Minister, said "Let's be clear about this. The rejection of the constitution was a mistake that will have to be corrected."

Given that we will be free from all this, it is inevitable that Brexit will have a positive effect on our prosperity. It is ironic that the young people, who were the strongest supporters of remaining in the EU, are likely to be the biggest beneficiaries of our leaving it. Mrs May has insisted that, in spite of these government studies, we will indeed leave the EU. Mind you, it would be a serious cause for concern if she had been influenced by it for, as one government minister said "It also contains a significant number of caveats and is hugely dependent on a wide range of assumptions which demonstrate that significantly more work needs to be carried out to make use of this analysis and draw out conclusions."

In other words, it isn't worth the paper it was printed on.