

## Staying in the EU is a leap in the dark with both legs shackled

- [ROGER BOOTLE](#) 10 April 2016



The idea that a vote to stay means that things will stay the same is an illusion because the EU is changing and the world is changing, too

One of the most potent arguments for staying in the EU is the uncertainty that would supposedly be unleashed by a departure.

But staying in would involve increased uncertainty over some important issues affecting our safety, including whether the UK would contribute to an EU army and whether the EU would take over the UK's (and France's) permanent membership of the UN Security Council.

But when people talk of certainty and safety, they also refer to matters economic.

That is my subject today. It is true that if we were to leave the EU the immediate situation post-departure is more uncertain than if we remained. But that is trivial. In practice, there would probably be little immediate difference.

*You might argue that the EU is unlikely to take a route inimical to prosperity. But why not?*

What the supporters of Remain are really arguing, though, is that we cannot be sure how things would develop over the succeeding years, including the terms of our trading relationships.

This is true. Yet the idea that a vote to stay means that things will stay the same is an illusion because the EU is changing and the world is changing, too. In several key ways the EU could evolve, paraphrasing the words of Japan's emperor at the end of the Second World War, "not necessarily to the UK's advantage".

Most importantly, for the euro to survive, banking, fiscal and political union will be needed between members. The UK would be an outsider – but still inside the EU. How this would work is impossible to know.



We do not know how EU regulations will develop in regard to business

Then there is the matter of the EU's own spending. At the moment, its budget amounts to only about 1pc of the EU's GDP, compared to about 40pc for most European governments' spending as a share of their national GDP.

But the EU budget has tended to rise over the years. Moreover, given the EU's aspiration to become some sort of super-state, it will surely continue to rise, implying higher UK contributions.

Most importantly, we do not know how EU regulations will develop in regard to business and countless "social" issues that potentially have serious economic consequences.

You might argue that the EU is unlikely to take a route inimical to prosperity. But why not?

It decided to adopt the euro and that has been a complete disaster. And it has introduced countless restrictions and regulations on business that are responsible for the average growth rate of its members being below that of other comparable countries – even without the euro disaster.

*David Cameron's "renegotiation" has made no substantive difference.*

Similarly, the EU could take radical steps to restrict or even suppress large parts of the financial services industry, which is disproportionately important to us.

We have opposed the imposition of the Financial Transactions Tax and it is currently stuck in the regulatory long-grass. But if it re-emerges and we are still in the EU, we would have to implement it. Yes, we could vote against such measures but our share of votes in the European Council is only 12.6pc. And we have no capacity to overrule the judgments of the European Court of Justice.

To all this, David Cameron's "renegotiation" has made no substantive difference.



The interests of other EU member states are not necessarily the same as those of the UK

Although we cannot legally be made to join the euro, nevertheless we could be put under enormous pressure to do so. That would not be met with much resistance from large parts of the British establishment who, after all, wanted us to join the euro in the first place.

Or take trade policy. We do not know how the international trading system will develop, nor how the EU will respond. The world could turn in a protectionist direction. The EU could increase external tariffs. We don't know. What we do know, though, is that the UK is much more involved in trade with the rest of the world than are other EU members.

Outside the EU we would be free to negotiate our own trade deals, including one with China, which the EU still has not managed to achieve. If we stay in, one major uncertainty concerns how many people will arrive here to work and settle, with major consequences for housing, public services and infrastructure.

I have warned before that the interests of other members are not necessarily the same as ours because of our very different demographic outlook, with the population in many European countries set to fall and ours set to rise considerably.



David Cameron's "renegotiation" has made no substantive difference

Hence a one-size-fits-all migration policy will not work. Equally, though, suppose that the EU decides against substantial immigration into Europe, so that it has to face the full economic consequences of first ageing, and then falling, populations.

*If leaving the EU is a leap in the dark, then staying in is a leap in the dark with both legs shackled together and our arms tied behind our back.*

Not only is our demographic position different, but our pension system is also radically different. Our pensions are largely funded, whereas theirs are mainly not. This threatens a major crisis for them as the demands of pensioners on the working population rise sharply. What if the EU imposes some sort of one-size-fits-all pensions policy?

In helping us to make up our minds about the institutional arrangements with which we may best face an uncertain future, for all the things that we don't know, we do know this: we functioned perfectly well as an independent country before we joined the EU; our economic position has strengthened since then; most of the world does not belong to the EU, and does not wish to; the EU's economic record is poor because it has made misguided decisions.

Most importantly, whatever the future throws at us, if we were outside the EU, we would have the power to respond in our interests. If leaving the EU is a leap in the dark, then staying in is a leap in the dark with both legs shackled together and our arms tied behind our back.

*Roger Bootle is executive chairman of Capital Economics*