

Brexit will complete Margaret Thatcher's economic revolution

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As the financial markets, contrary to the scaremongering of the political and economic establishments, have already recognised, the potential economic benefits of Brexit are substantial.

The most obvious is the saving of our massive net financial contribution to the European Union. In this context I am constantly astonished to hear representatives of British universities, whom one would expect to be reasonably intelligent, bemoaning the prospective loss of EU money. There is no EU money. It is British taxpayers' money, recycled via the EU. And since we pay into the EU budget roughly £2 for every £1 we get back, it is an appallingly costly form of recycling.

Then there is the newfound freedom to negotiate mutually beneficial trade deals with the major world economies, something that the EU has been engaged in for years – indeed, for decades – and has singularly failed to achieve.

But probably the biggest single benefit is the ability Brexit will give us to engage in a thoroughgoing programme of intelligent deregulation.

The European Union indulges in excessive regulation for three self-reinforcing reasons. In the first place, that is the nature of bureaucracies everywhere, and the European Commission is the ultimate bureaucracy. In the second place, it is an article of EU faith that “more Europe” is always desirable, and all too often “more Europe” is seen as more European regulation. And in the third place, Brussels is one of the two world centres of corporate lobbying (the other is Washington).

There may be no single regulation that stands out as being particularly damaging, but the cumulative effect is substantial. Examples include the system of “CE” (conformité européenne) marking on goods, which frequently imposes excessively burdensome standards on all EU companies, including small companies which do no business at all outside the UK. Then there is the notorious Working Time Directive, which limits the hours that employees can work, even if they wish to earn more by working longer.

This is potentially so damaging to small businesses that the UK managed to secure an opt-out from its most restrictive provisions. But the European Commission is determined to remove the UK opt-out. It has already tried to do so on two occasions, and sooner or later, were we to remain in the EU, it would succeed.

The vast and ever-growing corpus of EU regulation causes economic damage throughout the EU. But it is particularly damaging to the UK and to UK SMEs since we have in this country a more rigorous insistence on the rule of law and its implementation than is the case in many, if not most, of the EU's member states. That is, in itself, a virtue, and should not change. But it makes the escape from the EU regulatory burden all the more important.

The most recent example of this process is probably more damaging on health grounds than on economic grounds, though it is that, too. This is the Tobacco Products Directive, which regulates vaping – the smoking of electronic cigarettes (which contain no tobacco at all). Despite the strong endorsement of vaping by the Royal College of Physicians,

lobbying by the tobacco industry and the pharmaceutical industry (which doesn't like competition to its own far less effective anti-smoking products such as nicotine patches) has caused the EU to ban their advertising and set a restrictive limit to the nicotine level in electronic cigarettes, thus limiting their attractiveness to those who wish to give up tobacco.

Needless to say, the benefits of deregulation are wholly ignored in the worthless models that economic institutions here and abroad use to predict the economic consequences of Brexit. But they are no less real for all that, as most SMEs are well aware.

Moreover we have a practical example to guide us: the experience of the Thatcher reforms of the Eighties, in which I was heavily involved. Those years saw a transformation of the British economy for the better, a fact recognised not merely in this country but throughout the world at the time. And it was achieved by a thoroughgoing programme of supply-side reform, of which judicious deregulation was a critically important part. But of course it was only our own indigenous regulation which we could repeal or reform. With Brexit, a much greater opportunity arises – an opportunity finally to complete Margaret Thatcher's economic reforms three decades after they began.

Inevitably, none of this can be done until we have actually left the European Union, when we will transpose – wholesale – the mass of EU law and regulation into domestic UK law and regulation, under the rule of the UK courts rather than the European Court of Justice, as it is at present.

We will then be free to repeal or amend those regulations which we wish to repeal or amend. But well before then, Theresa May's government needs to prepare for this by undertaking a thorough examination of the whole corpus of EU business regulation, so that it can get down to the practical task of deregulation without unnecessary delay.

The time to start this process is now.

Lord Lawson was Chancellor of the Exchequer from 1983 to 1989