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# Goodbye EU, goodbye austerity Britain

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Goodbye EU, Goodbye Austerity Britain

Here is the opening of this interesting article by John Redwood

http://www.telegraph.co.uk/news/2016/09/25/goodbye-eu-goodbye-austerity-britain/

The era of so-called austerity economics was characterised by modest increases in overall public spending, some unpleasant individual cuts to welfare and huge increases in tax revenues. The rise and rise of our gross and net contributions to the EU aggravated the balance of payments deficit and forced us to borrow more money to meet the demands of Brussels. The sooner we are out of the EU, the sooner we can cancel the contributions. The need for large tax revenues sometimes encouraged the imposition of high taxes that damaged growth and hit jobs. Sometimes raising the rates acutely reduced the tax take. Higher stamp duties hit the property market, while income tax from the rich went up when the rate was brought down a bit.

Leaving the EU is a sovereign decision by a newly sovereign people. It is not something to negotiate with Germany. Offer to continue tariff-free trade, send them the letter and then leave. It should not take two years and does not need to. The rest of the EU are likely to want to carry on with tariff-free trade as they have more to lose from tariffs than us. All services are tariff-free whatever happens, under world rules.

Of course, after we leave we need to continue payments to farmers, universities and others who did get a bit of our EU money back, though most of it did not come home. We can now spend it on our own priorities. But we should not simply use the savings to cut the deficit. We need to get that down by promoting growth. Growth slashes the gap between spending and tax revenues by cutting the need for benefit top-ups as people get jobs and pay rises while boosting the tax revenues as people earn and spend more.

Farmers need to be protected CREDIT: MARK PINDER/BARCROFT MEDIA

The sums involved are big. Net contributions, the money we do not get back, are running at £11 billion a year. We could start by cancelling the cuts in disability benefits. I never liked cutting the spare room subsidy. It should become more normal for social housing to be a help for some of your life, but for you to move on to home ownership or private renting when you have more financial security.

The EU has imposed VAT on us in ways we do not like. The EU has stopped Parliament abolishing the tampon tax, a tax on a necessity. Let's abolish it. They make us levy VAT on a whole range of green products that would help cut the fuel bills and save electricity. Again, let's scrap the tax on insulation, more efficient boilers, draught excluders and the rest. We want to eliminate fuel poverty. Getting rid of VAT on domestic fuel would help.

Much of the money saved can be spent on the NHS for more nurses, doctors and improved training of medical and non-medical staff so that more NHS jobs in future could go to people already legally resident here. We could abolish the hated NHS car parking charges and afford expensive modern drugs that relieve pain and tackle symptoms. With extra money the NHS could adopt and adapt the best modern technologies more readily.

In the run-up to the Chancellor's Autumn Statement, ministers need to be aware that the officials producing the forecast will probably face them with false choices. They are likely to be imbued with the popular pessimism about UK growth and output this year and next which has gripped much of the economics and forecasting industry. They have been proved very wrong for the first three months after Brexit.

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Far from having a recession or sharp slowdown we see car output at a 14-year high, domestic cars sales well up, exports growing, house prices stable or slightly higher, good growth in new housebuilding and new home sales, very strong retail spending, and even some recovery in the confidence of big business executives who rushed to be gloomy after the vote. Surveyors now tell us there hasn't been a commercial property price crash either.

The Treasury had a sensible forecast in March this year saying the UK will grow 2 per cent in 2016 and 2.2 per cent in 2017. They should stick with it. If anything the outlook for next year has got a bit better, as money and credit started to accelerate before the referendum and has been boosted by the needless intervention of the Bank of England with more quantitative easing.

If the Office of Budget Responsibility shows up with forecasts of lower output, lower tax revenue and higher welfare spending as a result, the Chancellor should not respond by raising taxes and cutting spending to get the apparent deficit down. That's old-style austerity economics. He should do what the majority of UK voters did in the referendum when faced with Project Fear, and say, "I don't believe you". Let's have Project Cheer instead. Prosperity, not austerity, is what we want. It is what we can have, as soon as we leave the EU and cancel the subscription.

***John Redwood is Conservative MP for Wokingham***