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We were right to join and we are right to leave: where did the EU go wrong



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The ageing population and the advent of artificial intelligence and robotics will pose serious threats to the EU CREDIT: FABRICE COFFRINI

Last Saturday was the European Union's 60th anniversary. With delicious irony, this week the UK will begin the formal process of leaving the EU. I am afraid that I was not minded to wish the EU many happy returns, having keenly supported Brexit, and seeing the EU as an inhibitor of European economic growth. Indeed, I am greatly looking forward to our rebirth as a fully independent country. But it was not ever thus. So I have been reflecting on where the EU went wrong.

Even if we are right to be leaving the EU (and I think we are), this does not necessarily imply that we were wrong to join in the first place. I realise many of you

will aver with pride and pleasure you were against the Common Market from the start. Good luck to you. You can reasonably claim to have been vindicated. But this is not my position. In fact, I was in favour of joining in 1973. Moreover, in the 1975 referendum I voted to stay in. I do not believe this was a mistake: I believe that we were right to join and are right to leave.

Let me explain. Since those days, the EU has changed, the world has changed, and we have changed. The original European Economic Community was formed in the shadow of the last world war, and in the imagined foreshadow of a new and more terrible war that might begin between the Soviet Union and the US. When we joined what we then called the Common Market, now the EU, in 1973, this was before the internet, globalisation and the collapse of communism.



The EU has an in-built tendency to make poor decisions CREDIT: BLOOMBERG NEWS

Compared with now, the members of the EU accounted for a larger share of both world GDP and the UK's trade. Moreover, around the world, tariffs on trade in goods were much higher, and services (which are not subject to tariffs) a smaller proportion of international trade.

Since then, of course, not only have tariffs come down dramatically around the world but trade in services has substantially risen, while the EU has fallen in importance. It now accounts for not much more than 20pc of world GDP, down from about 30pc 10 years ago. At the same time it is the destination for about 45pc of the UK's exports of goods and services, down from about 55pc 15 years ago. Countries, such as India and China, that in 1973 economists could regard as broadly irrelevant for the world economy, now account for the bulk of economic growth. Not only that, but the

communications revolution has brought almost all the world together at the click of a mouse.

When we joined, we were influenced by the fact that the members of the Common Market had enjoyed strong economic growth, whereas in the UK, although growth was high by our own historical standards, it was well below theirs. So in relative terms we seemed to be slipping back. Ironically, not long after we joined, our relative economic performance was transformed.

In the early years of the EU's existence, apart from the Common Agricultural Policy (CAP), which involved a ludicrous waste of money, it did not make any monumental economic mistakes. Nor was it obvious that the EU was going to become the bureaucratic nightmare that we know today. But before too long, the regulatory bandwagon started rolling. The single market became the mechanism through which the same crackpot over-regulation would be applied across the whole of the European Union.



The bulk of economic growth has shifted from the EU to places such as China and India

For all its faults, provided that the world economy remained fairly stable, the EU would probably have been able to stagger on reasonably well. The trouble is, though, that over the past few decades the world has undergone three enormous shocks: the collapse of communism, the advent of globalisation and the communications revolution. These shocks demanded the utmost flexibility in order for the economy to adjust to them. But flexibility is exactly the thing the EU has learnt not to do.

Not only that, but more recently it has made three big mistakes. The first is the formation of the euro, which many economists, including me, correctly identified as a prosperity-destroying machine long before its inception. The second was the failure to amend the free movement rules once the EU had been extended to encompass the former communist countries of eastern Europe. The third was the introduction of the Schengen passport-free travel zone, which has proved to be a security nightmare at just the time that security is at a premium.

In my view, these bad decisions should not be viewed as one-offs. The EU is so badly formed and its institutions so weak and brittle that it has an in-built tendency to make poor decisions. This means that whenever a serious issue emerges that demands efficient decision-making and good governance, it will be likely to fall short.

There are also two big issues coming up in the lift that will pose serious challenges to the EU: the ageing population and the advent of artificial intelligence and robotics. I confidently expect the EU to make a botch of both.

I suppose you could say that the fundamental source of all its mistakes was there right from the beginning of the EU, namely the belief on the part of its elites that the countries of Europe should transform themselves into a single or federal state. In 1973 and 1975 I failed to see the full consequences of this vision. Today, in common with the majority of my fellow citizens, I can see them all too clearly.

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