Patrick Minford's speech at the launch of Economists for Free Trade's *Budget for Brexit*

Tuesday 14th November 2017

CHECK AGAINST DELIVERY

Ladies and gentlemen, good morning.

There is a conspiracy of gloom emanating from the Treasury and its associated Office of Budget Responsibility. We are told:

- public sector borrowing is getting bigger
- growth is weak and slowing
- there is a productivity crisis
- Brexit will hit the economy when it occurs

All this is quite wrong, as our Report on the economy explains.

The public finances are improving and borrowing is undershooting the March Budget forecasts; it looks like coming in around 2% of GDP. The debt/GDP ratio is now falling from its 80% peak.

Growth is solid and, if anything, strengthening; it will probably be revised upwards in time by the Office of National Statistics, into line with the steadily strong purchasing manager surveys. The Brexit devaluation is producing a healthy rebalancing of the economy to net exports and away from consumption.

Productivity growth in our 80% service economy is simply and largely not measured! For example education, healthcare and the arts are all supposed to have had plunging productivity in the last two decades. Mobile phones, which have wiped out the camera industry, have supposedly reduced productivity! The only figures we can rely on today are for money spending and output value; these are growing at around 4%, faster than public spending and about the same rate as government revenues.

A clean Brexit done as promptly as possible will in the long run bring in an additional 7% of GDP growth and 10% extra revenue. This is because it will bring free trade, regulation under pragmatic domestic control, and stop the 20% wage subsidy we pay to unskilled EU immigrants. It will lower prices and stimulate competition; we know that this raises productivity and creates higher wages and more jobs.

In our Report, we spell out the detailed forecasts this should bring over the next decade.

Growth moves from around 2% today to 3% by 2025; and money GDP moves from about 4% growth today to around 5% by then

Public borrowing goes into surplus by 2011 and the debt/GDP ratio falls to 60% by 2025. This is the target for safe borrowing widely adopted around the world. By 2027 the ratio is down to 50% and falling rapidly.

This allows us safely to create a Brexit Fiscal Fund available to be used for tax cuts and spending on key public services and infrastructure. It can start in 2020 at £25 billion a year, and be raised in 2025 to £65 billion a year, while still hitting the 60% debt/ratio target by 2026.

Corporation tax could fall to 14%, the top rate to 36%, the standard rate to 18% and the upper rate abolished. Spending on public services could be boosted by around £30 billion a year.

If there is no trade deal with the EU and we move to a clean Brexit immediately in March 2019, this whole programme can safely be brought forward a year, to take effect from 2019, stimulating the economy still earlier.

So we should urge the Treasury to abandon its gloomy approach to Brexit and instead grasp with both hands this opportunity to build on Brexit's growth-creating potential with a positive post-Brexit package of measures along these lines.

ENDS