

***Prosperity not Austerity***  
***Brexit Benefits – Britain’s New Economy***

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**Seize the Opportunities of an Early Brexit for Economic Gain, says John Redwood in Politeia’s next publication**

The economic gains of leaving the EU will be considerable, says John Redwood MP, provided the UK follows a twin policy of changing economic course and pursuing an early Brexit. In Politeia’s new publication, *Prosperity not Austerity: Brexit Benefits—Britain’s New Economy*, he outlines a simple strategy for leaving the EU which will allow the UK to seize these opportunities.

First, economic policy must change direction. The country must move away from the ‘lopsided and ineffectual’ policy of austerity pursued by the previous government which relied on tax rises rather than overall spending cuts. In particular:

- Britain needs a sound and optimistic monetary policy and a more balanced approach by the Bank of England.
- The focus on cutting the public deficit should continue, but the slope should be gentler.
- Taxes must be reduced. VAT on domestic fuel should end; the tax system should promote incentives to work, to invest and to grow. Businesses and tax rates should be set to encourage the rich to remain in the UK and help the strivers through lower marginal rates of income tax and national insurance.
- The balance of payments deficit must be tackled. First, EU contributions, which account for one sixth of the balance of payments deficit, must be cancelled.

Major infrastructure projects should be a priority. These should generate a proper return and plans should be assessed on that basis; money should be borrowed cheaply; obstacles to rapid completion overcome, e.g. by compensation to those who suffer from new road or rail schemes.

- Instead of the focus on HS2, the aim should be to increase capacity on existing rail lines and commuter trains to Manchester, Birmingham, Leeds, London and on the Great Western.
- More cheaper energy is needed. Britain should move away from expensive (and ineffective) wind supplies to tidal and hydro power for renewable energy, and build new combined cycle gas power stations – cheaper than nuclear, easier to build and best for spreading the risk.

There should also be policies to improve life chances. Benefits policy should aim to avoid cuts to disability benefits and tax credits, with extra funding to introduce the new universal benefits. More funding is needed to fill NHS staff shortages to look after increased caseloads. School and curriculum reform should continue, so helping to create a highly skilled and productive labour market.

This economic transformation will be helped by an early exit from the EU and the repeal of the 1972 European Communities Act.

The author dismisses suggestions that we are in for a long hard haul of negotiations or that much time will be needed because matters are so complex.

- Trade is the only area for discussion with the EU – to agree future trade terms.

Matters can be kept simple by Britain proposing to continue free trade as now, with no new barriers to mutual UK/EU free trade. If the EU does not agree, then the standard WTO terms with relatively low average tariff is a painless alternative.

- For financial services, free trade with the EU could continue if the passports ended. Britain, under MIFID II, would be free to sell services and products in the EU like other non-EU countries with equivalent financial regulations. Because Britain's regulations are not only equivalent, but identical, the UK would 'clearly qualify'.
- Outside the Single Market, Britain will be free to strike its own trade deals with other states. She will also inherit 53 (ready made) agreements from the EU. Other deals can be based on the 'Most Favoured Nation' Status (MFN) under WTO arrangements or other successful models. The aim should be to reduce the barriers, starting with current barriers.

An early exit from the EU would allow for an early legislation on borders, early cancellation of the UK subscription to the EU (saving £11bn a year net contribution, £40bn over this parliament). But 'delay in placing sensible controls and a fair system of work permits globally could also lead to a substantial increase in the UK's domestic budget...[for] housing, transport, healthcare and education...[for] recently arrived workers on low income'.

Both the economic change of direction and the early departure from the EU go hand in hand. As Redwood says, Brexit offers a three-fold benefit:

- It allows us to spend our own money and boost our economy and public services as a result.
- It allows us to pass our own laws best suited for expanding employment and investment.
- It permits us to conduct our trade negotiations with the major countries of the world outside the EU, where we currently have no trade deals.

\* **The Rt Hon John Redwood** is MP for Wokingham and Chairman of the Conservative Economic Affairs Committee since 2010.

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**Enquiries to:**

**Author:** Rt Hon John Redwood MP, 0207 219 4205, john.redwood.mp@parliament.uk

**Politeia:** Meeyoung Yoon, 020 7799 5034, press@politeia.co.uk