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14a Eccleston Street, London SW1W 9LT
Email: press@politeia.co.uk Telephone: 020 7799 5034

Trading Truths?
The Treasury, Trade and the City

Poor Track Record on Forecasting, mars Treasury and Bank of England Credibility. **John Redwood** explains where the authorities are getting things wrong.

As the EU referendum debate focuses on the economy, the spotlight has switched to Her Majesty's Treasury and its strident backing of 'Remain'. This intervention, says The Rt Hon John Redwood MP, in Politeia's new publication for its Referendum Series, explains that not only is the intervention unwise, but it is misleading, particularly on the specifics of trade and the city.

First the foray into forecasting by both Treasury and Bank of England raises questions about their track record in forecasting. In three of the most recent significant developments, both have failed to get things right, explains Mr Redwood:

- In 2008-9 the pound fell 30 percent against the dollar, but the Treasury and Bank of England failed to forecast any serious devaluation.
- In 2014 the Treasury and Bank of England forcasts were for $100 a barrel of oil for the next four years. The oil price more than halved to under $30 a barrel.
- In the late 1980s the Bank of England and the Treasury were sure that entering the European Exchange Rate Mechanism would add to GDP, cut inflation and be thoroughly benign. Instead it caused a very large recession, damaging people's jobs and business at the time.

They are, concludes Mr Redwood, therefore 'in no moral or intellectual position to claim .. [a] unique insight into the future of our economy and trading patterns … given their past experience and their forecast of the future of the euro, the future of the Exchange Rate Mechanism or the future of oil price and currencies.'

- Second, Britain's trade and the unique position of the City of London will not suffer, despite the allegations to the contrary.
- In discussions to finalise negotiations with HMG in late 2015, senior representatives of the German government made clear that they want no change. Germany exports twice as much to Britain as this country sells to Germany. It is not in German interest to impose new tariff barriers; that they have no wish to impose new barriers; and it is unlikely that any British government would want to impose new barriers. The position would remain as it is today.
- In the case of the City of London, the arrangements for passporting will not be withdrawn. Not only are many of the most successful passports, for UCITs domiciled in Luxembourg and Dublin and will continue to be with Britain outside the EU and with the same contracts to work and offer services as before. But, in addition the doctrine of equivalence will protect trade and services in the EU. The USA has insisted on the inclusion of a clause in financial regulations, which allows trading freely with the EU, provided the financial services are regulated to the same extent.

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

Press enquiries: Politeia, 020 7799 5034, email: press@politeia.co.uk