

# BREXIT, STAGED RIGHT

**ROGER BOOTLE** is one of the City of London's best-known economists.

He runs research consultancy Capital Economics, he's an acclaimed author and a specialist adviser to the House of Commons Treasury Committee.

Here **PHILIP BOOTH** questions him about Britain's future outside the EU, his biggest concerns about Brexit and the economic prospects for the next generation...

**You are a strong supporter of Brexit. What for you is the clinching economic argument?**

I think the evidence is that, at least in the last couple of decades, the EU has been a restraint on the growth of its members rather than a factor helping to increase growth.

It is true that the most important restraining factor has been the euro, from which, of course, the UK is excluded. But the EU also imposes extensive regulations which carry substantial costs.

Moreover, given the EU's predilections, and its historical record, I think it likely that it will continue to act in a way inimical to economic growth. When presented with major challenges, it is likely to adopt the wrong measures.

There are two key challenges coming up: (1) the ageing of the population which reduces potential growth rates and puts severe strain on the public finances (2) The potential revolution to be unleashed by Artificial Intelligence and Robotics. I think it will probably make a mess of both.

Furthermore, I doubt whether, if we had stayed in the EU, we would have been able to stay out of the euro for very long. So we would eventually have been landed with the costs of the single currency's failings.

**What sort of trading arrangements do you believe Britain should seek over the next few years, with both the EU and other countries or blocs?**

I think Britain should seek the freest possible trade with the greatest number of countries. The government has been right, in my view, to rule out membership of the Single Market and to make it clear that the UK will not want to impose the Common External Tariff on imports from the Rest of The World and will want the freedom to negotiate its own trade deals with countries around the world. Simultaneously, it wants to achieve a free trade deal with the EU. It is not going to be easy to square this circle, but it's certainly worth trying.

**How do you see trade patterns changing as a result of Brexit?**

A good deal of our current trading arrangements will remain relatively unaffected by Brexit.

But for those parts of the economy that are potentially going to suffer an impact, much will depend upon the trade and tariff regime that is agreed by the EU and the UK.

As the UK drops the Common External Tariff on imports from the rest of the world, it is likely that these imports will increase, at the expense of both UK production and imports from the EU.

Clearly, if the UK does not get a free trade deal with the EU, then there is the potential for EU-UK trade to fall back somewhat. But I would

**It is often said that the biggest barriers to trade come in the form of regulatory barriers rather than tariffs. How should the UK ensure that we do not suffer from 'regulatory protectionism'?**

Regulatory protectionism is my biggest concern about Brexit. If we manage to secure a comprehensive free trade deal with the EU then this danger would be largely obviated.

**A GOOD DEAL OF OUR CURRENT TRADING ARRANGEMENTS WILL REMAIN RELATIVELY UNAFFECTED BY BREXIT**



Without such a deal, we would be reliant on the WTO ensuring that the EU was not able to impose forms of trade discrimination against us.

**Will the coming generation of school leavers be better off than your generation of school leavers over their lifetimes?**

I am confident that the coming generation of school leavers will be much better off over their lifetimes than my generation has been. Of course, this has been the fate of just about every generation since the Industrial Revolution.

More recently, though, both here and in America, many people have become pessimistic about the scope for further economic advance. They seem to believe that the Industrial Revolution should be regarded as a one-off and that the world has gone ex-growth.

I think this pessimism has been severely overdone. You

should never bet against the power of human ingenuity. I suspect that over the next 10-15 years we will see the communications revolution having its full effect on our productivity.

And the advent of Artificial Intelligence and the development of robotics offer the scope for further large gains. Meanwhile, medical science is advancing in leaps and bounds. The coming generation will lead longer and healthier lives.

**YOU SHOULD NEVER BET AGAINST THE POWER OF HUMAN INGENUITY**



not expect this effect to be major since in most cases the relevant tariffs that might be imposed are relatively low.

In any case, whether we were set to leave the EU or not, the relevance of the EU in our overall trade was set to fade, in keeping with the falling importance of the EU in the world. I suppose Brexit is going to accentuate this trend.