Why the 'completion' of the single market is undesirable

The Chancellor's economic analysis demonstrates that Britain is damaged by the low growth policies of the euro-zone

By Anthony Scholefield

Gordon Brown has finally let the cat out of the bag.

He now says that Britain's low growth (low, that is, by international standards, if not by the standards of the EU) is due to the high proportion of trade which is carried on with the euro-zone. Yes, this is a statement of the blatantly obvious, but it is one which in the past has been far too embarrassing for Westminster politicians to acknowledge.

In an article in the *Financial Times* on 13th October 2005 just prior to the EU-China finance ministers meeting, he declared: "For 10 years, Europe (sic) has grown at not only one quarter of the rate of China and India but at half the rate of the US. And while the whole world is affected by the trebling of oil prices, Britain, exporting 50 per cent of its goods to the euro area, suffers more than most from low European growth. This year's 1.2 per cent European growth is a wake up call we cannot ignore".

We note that Gordon Brown displays 'unconscious narrow nationalism' in that his definition of 'European growth' excludes Britain. He carries on in the same vein, excluding Britain rom Europe by referring to 'European unemployment approaching 10 per cent'.

He draws the conclusion that with Britain's growth suffering as a consequence of close integration with the eurozone, 'European economic reform' is the answer.

His analysis undermines some basic EU ideas.

'The change we need is quite fundamental. For decades, the assumption has been that Europe's nations would prosper as economic integration at a national level was superseded by economic integration at a European level.'

'But globalization has brought challenges none of Europe's founders could foresee. It is global, not just European companies and global not just European brands, that now dominate. So pro-Europeans must honestly say that Europe cannot succeed as a trade bloc looking in on itself. Instead, Global Europe must be outward not inward looking, focussed on external competition and adjust its social model to combine flexibility with fairness.'

So, Gordon Brown is finally man enough to conclude that Britain suffers because of low growth in the EU! An unbiased observer might conclude that the solution was to disentangle Britain from the EU and cease to promote economic integration. Instead, the Chancellor has decided to push water uphill. He identifies the sclerotic Brussels set-up as bad for Britain but he believes he can reform every aspect of EU policy - from labour markets, to trade barriers, to monetary and fiscal affairs.

Fantastic Proposals

He does not question why Britain's trade is artificially channeled to the European Union by means of the Customs Union and some of his proposals seem quite fantastic, including his plea for the removal of labour market rigidities at the very same time as his government is concluding gold-plated pension deals with public employees and preserving an early retirement age. He also calls for a euro- area 'symmetrical inflation target' - a call which it is impossible to believe will be taken even half seriously by those ministers of finance who are actually in the euro.

Finally, he joins David Cameron in calling for the completion of the single market, the 'good thing' all Westminster politicians can agree on because they evidently know so little about it (Cameron tells us in his website that the most important EU issue is the completion of the single market). The achievement of this goal is as likely as the dismantling of the CAP. The presumed benefits have never been rationally examined while on the ground businesses complain that the single market at present is ineffective. Both Brown and Cameron should ask themselves the following question: If Britain suffers more than most from low European growth, why do they so ardently wish to complete the single market - a goal which can only have the consequence of increasing Britain's share of trade with the European Union and of consequently further reducing our growth potential?

Britain has a permanent and large deficit in trade with the EU's wonderful Single Market which can only be paid for by the surpluses earned from trade with the outside world. The reality is that a single market ruled by a unified set of complex and infinitely expanding harmonised economic regulations buttressed by a Customs Union with heavy protection for industry and agriculture and huge commercial lobbying is a guarantee of economic failure. But without offering the slightest shred of evidence, Brown (like Cameron) insists that an important part of the solution is the completion of the single market. But isn't the single market idea precisely designed to increase the proportion of our trade with 'Europe'?

Surely even Gordon and David cannot believe a 'successful' single market would reduce that proportion? But a reduction in that proportion is precisely what the national economic interest requires - and the Chancellor has implicitly come close to recognising this. Too bad his policies run in a diametrically opposite direction.