[Notice: This e-mail is sent to you because I have been informed - or have good reason to believe - that you would like to receive occasional e-mails from me on why the UK must leave the European Union.

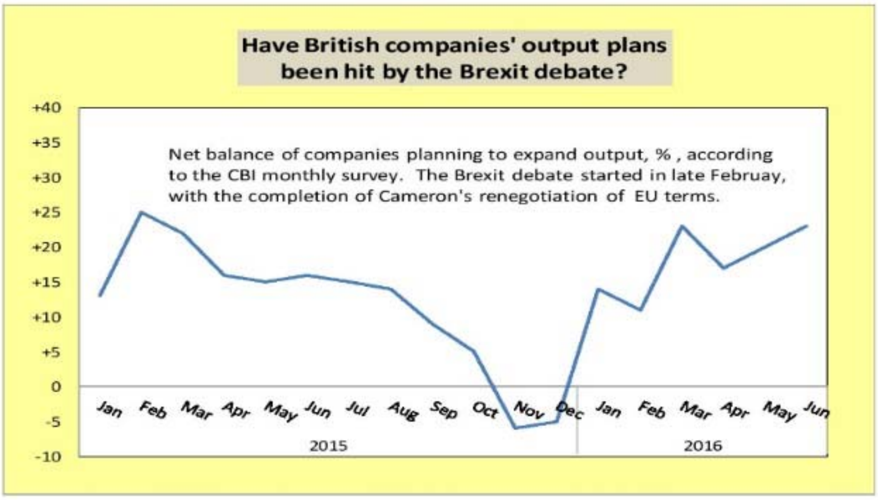
If you do not want to receive e-mails from me, I apologise and perhaps you would let me know so that I can take your e-mail address off the list. or click on the unsubscribe" link below*]*

Tim Congdon's latest e-mail

Dear fellow member of UKIP (and others concerned about the UK's relationship with the EU),

The debate on Brexit continues to dominate headlines, including the headlines of newspapers published far from Britain and even from Europe. However, the significance that financial markets have attached to the referendum vote tomorrow is out of all proportion to that vote’s consequences. As I explain in the accompanying video , the UK’s exports to the European Union are about 12½% of its gross domestic product. Obviously, that means that the fortunes of 87½% of the UK economy are not directly affected by the terms of its trade relationship with the EU. If the UK does decide to leave the EU, and is unable to agree a special deal (or set of deals) to preserve a free-trading interaction with its neighbours, its exports to the EU would be subject to the common external tariff. The average level of the CET is usually cited as 4%. Then, if the volume of output sold in the EU fell by the implied price rise (i.e., 4%), the drop in exports would be…well, 0.5% of GDP. So – in this sort of outcome, which is the worst imaginable – that is the sort of result that might be expected. (In practice, British companies would accept some loss of profit margin, while they would find non-EU markets to replace the setback in the former EU market.)

The notion that the UK could lose as much as 10% of national output – which has been put about by George Osborne on the back of so-called “research” from Her Majesty’s Treasury – is obvious baloney.



In fact, financial markets – and the reporting of financial market proceedings by leading newspapers, such as *The Wall Street Journal* and the *Financial Times* – are in an absurd tizzy about Brexit. Yes, over time various structures and institutions, and trade and investment patterns, would be different if the UK were outside the EU and not inside it. But journalists' claims that US Treasury yields, the oil price and the Mexican peso have dropped because of "skittishness" about Brexit are loopy. Even UK companies' output expectations – as reported by the Confederation of British Industry's monthly survey – have not been affected adversely by the Brexit debate. Indeed, the net balance of companies intending to raise output in the next three months has risen during the Brexit debate! (See the chart above.)

In short, Brexit fears have been grossly exaggerated.

With best wishes,.

Runner-up in the 2010 UKIP leadership election
UKIP Economics Spokesman 2010 – 14