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Tim Congdon's latest e-mail



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

In August I wrote a short piece on Churchill, Monnet and European political integration, at the invitation of Bill and Bidy Cash, for a small-circulation parliamentary publication. The [article](#) seemed to have been forgotten, but I have revived it after Donald Trump's election to the US presidency.

My pretext was Nigel Farage's much-reported suggestion that the Churchill bust be restored to the Oval Office. The piece has just been published in *Spear's Magazine*. (William Cash, who is Bill and Bidy's son, is editor-in-chief and founder of *Spear's*. To those who don't know him, Bill Cash is one of the Conservative Party's most stalwart and long-standing opponents of UK membership of the European Union. He was in effect the leader of "the Maastricht rebels" in the House of Commons in the 1990s, and so played a crucial role in preventing the UK from adopting the European single currency.)

Since the EU referendum result, I have been focussing on monetary policy (and indeed monetary economics more generally), not on Brexit and the UK Independence Party. I have received some e-mails and other messages asking about whether I intended to stand in the UKIP leadership election. I am grateful and flattered, but decided that – at the age of 65 – I could not face all the tensions, squabbling and hassle that high-level politics involve. (Again, for those who don't know, I was one of the foremost advocates of the policies that in the late 1970s and early 1980s were known as "Thatcherite monetarism". I remain committed to the ideas behind those policies, which in my view ended the rising inflation problem Britain had faced from the 1960s. In the last two years I have set up the Institute of International Monetary Research [[www.mv-pt.org](http://www.mv-pt.org)] at the University of Buckingham and am currently its chairman. The Institute is to be a centre of excellence in analysing trends in money and banking, and their impact on the leading economies.)

In the UKIP leadership election I will be voting for Paul Nuttall and I expect him to win. I wish him well and believe that he will do a good job in difficult circumstances. I will try to help Paul if he asks me to be involved, but envisage my main work in the next few years being in monetary economics at the newly-

established Institute. I have a lot to say about monetary theory, banking institutions and related topics. Such horrors as the UK's 25% inflation in the 1970s and the 2008/9 Great Recession can be avoided, but policy-makers need to have the right ideas.

Paul Nuttall will have an important task: he must keep a watchful eye on the Conservatives and ensure that the government does in fact take the UK out of the EU. The historical record from the 1930s onwards (Munich and all that) is that the Conservatives are not to be trusted on Europe. Even so, I am over 90% confident that the UK will indeed have left the EU by the end of 2019, just ahead of the 2020 general election. In this sense, it is "all over, bar the shouting". (There is an outside chance that in the next few weeks the House of Lords will vote against the article 50 enabling legislation, in which event a general election would have to be held in early 2017. It would result in a Conservative landslide and the abolition of the House of Lords.)

Why am I so confident? The answer lies in the internal dynamics of the Conservative Party and the survival instincts of Conservative MPs. Conservative Party membership (in the sense of members who have a membership card and pay a membership fee) has collapsed in the last 60 years. But the party does of course still have a branch network that – like UKIP's equivalent – organizes social events, sorts out local government nominations, conducts all the electioneering (leaflets etc.)...It is committees at the branch level (or sometimes the entire branch) which are crucial in choosing parliamentary candidates, despite David Cameron's attempts to steal that power for party headquarters. (Yes, Cameron wanted the branch network to be stripped of its role in MP selection and for its assets to be centralized. He would probably not have cared in the least if the branches had disappeared altogether.)

But here is the rub. Anyone who knows anything about Conservative politics at the grassroots – i.e., at the branch level and in the card-carrying membership – is fully aware that over 70% of party activists have wanted Britain out of the EU for at least 20 years. Perhaps 10% - 15% of party members were/are indifferent to the subject, with only 10% - 15% keen on ever-more European integration. For many years the Europhiles have been a small and diminishing minority *inside* the Conservative Party, when the party is understood in this sense. Ken Clarke, Michael Heseltine and acolytes have over the years been aware of their waning popularity *inside* the Conservative Party. For all their likeability, charisma and style, they have not been able to reverse the trend. (They are of course totally wrong on the substance of the matter.)

Theresa May's conversion in the days after 23<sup>rd</sup> June – from being in the Remain camp to her self-appointment as the leader of "Brexit means Brexit" position – was extraordinarily fast. But it is readily explained. She understood that – whatever the views of her parliamentary and cabinet colleagues – the Conservative Party *as such* wanted the UK out of the EU. By the Conservative Party *as such*, I mean the card-carrying membership and branch network. May's decision to accept the referendum result was, in narrow-minded and immediate party-political terms, a no-brainer.

A decade or two ago there was a constant refrain in the chatter over Europe. It was that – if, say, Margaret Thatcher had publicly voiced her private verdict (that she wanted Britain out of the EU, as she told me and quite a large number of other Thatcherites in the early and mid- 1990s) – this would split the Conservative

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Party down the middle. The warning was then that, if they were divided, “the Conservatives will lose the next general election”. So Thatcher and many others kept their mouths shut. The view was that the Eurosceptics had to wait until the right moment – the big opportunity – came along. After the referendum result, that moment had arrived. The Conservative Party – almost *en bloc*, with the parliamentary party suddenly re-aligning itself with the branches and membership, at quite astonishing speed – moved from being in favour of EU membership to being in favour of leaving the EU.

Where does this leave UKIP? I am afraid it leaves UKIP, almost certainly, with an impossible long-run challenge. My view is that the Conservatives under Theresa May will take the UK out of the EU and UKIP will therefore no longer have a reason for its continued existence. And, bluntly, we must face facts, or at least pounds and pence. The peculiar sequence of events that is leading to the UK’s withdrawal from the EU has had many odd features. One of the oddest is that the vital and essential political force, UKIP, depended on money from an EU institution, namely the European Parliament. For most of its life so far, UKIP’s annual income – at the national level from the membership and donors – has been less than £1m., a smaller figure than the bonuses paid to many City traders. (I am not joking. More money has been received in general-election years, I acknowledge. Apparently, the Conservative branch network sends only about £1m. to party HQ, which is one reason Cameron & Co. despised it and thought it dispensable.)

But a serious political party cannot operate with so little funding. By contrast, the payments to UKIP as a by-product of its MEP representation have been in the low millions each year. That has paid for the MEP’s own very reasonable livelihoods and much of UKIP’s own political activity in the UK. (I fear that EU money is not supposed to be spent in such fashion. Well, the Conservative, Labour and LibDem MEPs are also at this particular trough. They all use European Parliament expenses for UK domestic political activity.)

But no elections to the European Parliament are to be held in the UK in May 2019, for the obvious reason that we will not be in the EU. It follows that, from mid-2019, UKIP will lose its European Parliament representatives and its dominant source of funding. (By the way, this point is very relevant to May’s thinking about a withdrawal timetable. Article 50 had to be triggered before May 2017, if she were to allow for the two years of negotiation specified in Article 50 and prevent another set of European elections being held in our country.)

The 2015 general election result, by % for the parties, *for England* (533 seats out of the 650) was,

- Conservatives 41.0
  - Labour 31.6
  - UKIP 14.1
  - LibDem 8.2
  - Green 4.2
  - Others 0.9
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We have to assume that in the 2020 general election, Labour and the Liberal Democrats will be in favour of returning to the EU. (I concede that there is a possibility Labour – under Corbyn – will say “we are out of the EU and must now move on”. Europhile Labour Party members would then quit and might join the LibDems. With the Greens also taking, say, 5% of the vote, the Left in British politics would be hopelessly scattered and split.)

The Conservative election strategy is surely obvious, to maintain its 2015 vote share and to take perhaps two-thirds of the UKIP vote (i.e., 9.4% of the total vote). The UKIP vote would fall back to where it was in 2010 and before. That would give the Conservatives 50% of the vote and, in a “first past the post” system, a landslide majority *in England*. (In Scotland the Conservatives may emerge as the main opposition to the SNP, enabling them to increase their Westminster parliamentary representation above the 2015 level of just two.)

Conservative MPs’ survival instincts seem – in my view – almost certain to mean that in the 2020 general election the Conservatives will steal UKIP’s clothes. I have no doubt Paul Nuttall can understand the points I am making – and can appreciate the problems the party faces.

Can UKIP survive after Britain has left the EU? I know some party members believe that “the Lib/Lab/Con Establishment” has let Britain down for decades, so that our institutions, culture and traditions are now threatened in a way that would have been unimaginable in the 1950s or 1960s. These UKIP members think that – once we are out of the EU – there will be a continuing need for an anti-Establishment party like theirs. Perhaps. (I certainly have a lot of sympathy for the claim that the Establishment has been letting Britain down for decades.)

But I don’t see how UKIP can cope after 2019 with the loss of its emotional and intellectual justification (i.e., the iniquities of the EU), as most of its members and electoral supporters view that justification (i.e., UK membership of the EU). Also, more crudely, I don’t see how the party can keep itself together after the loss of its principal source of financial support (i.e., the European Parliament). (For myself, I would have no time for an inward-looking, anti-foreigner, nationalist and protectionist party. Let me make clear that I strongly dislike such European politicians as Marine Le Pen and Victor Orban, and regard them as nasty and dangerous. Unhappily, they may sometimes be necessary to some degree.)

I remain a member of UKIP – and that won’t alter until we are well and truly outside the EU. The party has done a fantastic job in rescuing Britain from the mediocrity, muddle and worse that the EU has become. In my view, UKIP’s members should be very proud of what they have achieved, particularly when for so long they faced the scorn and hostility of the Establishment. By “the Establishment” I include the leadership of the Conservative Party, and particularly mendacious posh boys like David Cameron and George Osborne... And isn’t it funny how politicians change their minds when confronted with major tweaks in the electoral arithmetic?

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With best wishes,

A handwritten signature in black ink that reads "Tim Gough". The signature is written in a cursive style with a large, looping 'G'.

Runner-up in the 2010 UKIP leadership election

UKIP Economics Spokesman 2010 – 14