Lyddon
CONSULTING

+44 (0) 7979 132 341
enquiries @lyddonconsulting.com
www.lyddonconsulting.com

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Leaving the EU meant dodging not just one bullet – but an annual volley

We are well off out of the EU's dysfunctional system, but much remains to be done to extinguish its vestiges in the UK

Thanks to Brexit the UK has managed to dodge a bullet: the risk of paying up for the vast increase in the shared financial liabilities of the EU member states, which they fail to adequately report. More than that, we have extracted ourselves from a failing economic and fiscal model.

My book 'The shadow liabilities of EU Member States, and the threat they pose to global financial stability', showed that Eurostat had failed to register debts of around €6.4 trillion and contingent liabilities of around €3.8 trillion at the end of 2021.

These are debts and liabilities for which the EU public is responsible but which fall outside the definition of 'General government gross debt': that phrase refers to the direct debt of member states, state agencies and regional or local government authorities.

If we look at the EU's Coronavirus Recovery Fund (€107 billion being added per annum between 2021 and 2027), the InvestEU and European Guarantee Fund programmes (€600+ billion mobilized between set-up in 2014 and the end of 2021, or €75 billion per annum), and the TARGET2 payment system (€842 billion of loans between the members of the Eurosystem at the end of 2011 and €1,798 billion at the end of 2021 – an increase of €95 billion per annum)[1], we have €277 billion of shadow debt being added every year.

That is just three programmes, and ignores – inter alia - the rising direct debts of public entities outside 'General government' and the wider usage of so-called structured finance on the InvestEU template. It is perfectly plausible that the shadow debts are rising at €400 billion per annum, or by €895 per head of the EU's population of 447 million. Needless to say, this is not something you will find mentioned on the BBC or in the Financial Times, never mind the Guardian or Independent.

'General government gross debt' has continued to rise too, from €18,400 per head in 2011 to €29,700 in 2022 – an increase per head of €1,027 per annum.

The Gross Domestic Product per head of the EU rose from €22,540 to €35,380 over the same period – an increase of €1,070 per annum.

[1] 'Eurosystem' means the European Central Bank and the national central banks of the countries in the Eurozone

But if above-the-line debt rose by €1,027 and the below-the-line debt rose by €895, then the total indebtedness rose by €1,922 per head annually in order to stimulate and accelerate economic growth of €1,070. In other words every €1 of economic growth cost €1.80 to buy.

Servicing this debt pile is bound to have a deflationary influence on the EU economy going forward, and it has not even had its Keynsian expansionary effect during the period when it was being borrowed and spent. Without it, though, the EU would have been in a severe and unbroken recession since 2011.

Something has gone very wrong with the EU: it is an economic and fiscal madhouse, with a whirlpool in the middle - the euro. The UK was being drawn into the whirlpool so we had the choice to cease all resistance by joining it – the equivalent of becoming a voluntary and permanent in-patient in the madhouse – or to discharge ourselves.

It was a perfectly rational decision to discharge ourselves, after unnecessary obstructions and bureaucracy were imposed upon us both by EU officials and by powerful forces in the UK who continue to subscribe to the lunacy.

These powerful forces in the UK refuse 'Loser's Consent' and attempt to operate in an EU-compliant manner in whatever they do. Unfortunately they have managed to keep a hand on the UK's steering wheel ever since 2016, and have minimised the UK's divergence so far.

This means that Brexit is far from done, if 'done' means exploiting its potential and ceasing to copy EU models and approaches. The Bank of England slavishly followed the European Central Bank's policy of ultra-low interest rates and bond purchases (Quantitative Easing). The UK's Future Fund looks uncomfortably like the InvestEU programme, as does the pressure building for UK pension fund money to be invested into NetZero projects.

We have also allowed Scotland to use the UK national det as its shadow debt vehicle: Scotland overspends, there is a fictitious control through the 'GERS' process that shows what Scotland's individual figures look like (and they are awful),[2] but the books are balanced in the real world by a raising of the UK national debt, for which everyone in the UK is responsible.

We have discharged ourselves from the EU madhouse but mad policies and approaches have become entrenched in the UK. They need to be challenged and eradicated for Brexit's potential to be exploited, but this requires a Cultural Revolution, and re-education for a considerable body of influential people.

[2] https://www.gov.scot/publications/government-expenditure-revenue-scotland-gers-2021-22/ accessed on 7 June 2023