The EU began as a noble concept. Unfortunately, it has consistently got the economics wrong, thereby sowing the seeds of its ultimate disintegration. The EU gave us VAT, CAP, a tariff wall and expensive food. It would be difficult to conceive of a worse combination, apart from capping them with a common currency. Bearing in mind that all taxes apart from LVT amplify the effects of locational disadvantage, it is not surprising that support for Brexit came from the country's margins, not excluding parts of the South-East. This is not to suggest that those who voted to leave were making a reasoned and calculated choice. At that level it was a gut reaction, with nasty overtones. However, if one neglects one's back garden, weeds will grow. Some, such as knotweed, can undermine a house. The UK has neglected its fringes for many decades.

The first of the ugly sisters is VAT.

Older people will remember the queues at customs when returning to the UK from abroad, asked if they had “Anything to declare?”. It is the EU wide VAT that has made it possible to do away with this unpleasant ritual. However, it replaced one bad tax with another. Purchase taxes promoted cross-border shopping and created the artificial crime of smuggling. VAT facilitated cross-border trading, but at a terrible cost. The EU requires it to be set at a minimum of 15%, apart from special exemptions. Contributions to the EU are based on a notional VAT yield, on the assumption that aggregate VAT is an indication of the size of a country's economy.

VAT is levied on many essentials, including shoes, clothing, spectacles and many services. In many EU countries it is even charged on food and train fares. It has to be paid by the very poorest, even those living on welfare benefits. Thus the recipients of welfare benefit have to be paid enough from the government so that they pay it back to the government in tax! It is worse than madness because welfare payments, in practice, set the level of minimum wages; the recipients cannot afford to work for less.

There is a further knock-on effect. Those with few skills, such as school leavers, or not proficient in the language, such as immigrants, may not be able to produce enough to cover the cost of employing them. They do not get employed, being locked-out of the labour market. The work that they might have done is either left undone, or is automated - for example, supermarket checkout staff have been replaced by self-scanning machines. Thus, VAT helps to build a pool of long-term unemployed and unemployables, especially in marginal locations.
That is not the end of the damage done by VAT in Europe. It creates a mountain of work for book-keepers as records of every single transaction have to be kept and processed. In Sweden, and presumably some other countries, all traders must have a cash register approved and checked by the tax authorities. This is an obstacle for street traders who need an electricity supply and a weatherproof machine. It is the low-skilled and immigrants who are hit hardest - individuals for whom market trading was the first rung on the ladder to becoming an entrepreneur.

The tax is also vulnerable to avoidance and fraud. Avoidance happens through payment in cash, with no receipt being offered, a situation that is bad for both tradesmen and customers, but worth it when it saves a lot of money. Fraud happens by registering. The system is that if a business is registered, VAT payable on "inputs" is reclaimed from the authorities. But what constitutes an "input" can be fudged - the car used partly for business and partly for private use.

What the EU ought to have done when it was founded was to create a zone where goods and services were mostly tax-free - apart, possibly, for alcohol and tobacco. Customs and the customs queues would have disappeared, whilst the crime of smuggling would have been abolished.

There is a lesson here if Brexit finally happens. If we are to avoid re-introducing queues at UK customs, the best solution would be to get rid of VAT and replace it with not tax at all. A revival of purchase tax will just re-create the pre-1973 trouble. Tax-free goods will create a problem for EU countries where VAT remains in place - however it is their problem. The solution, which would be to their own advantage, would be to follow suit.