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Trans-Atlantic Trade and Investment Partnership: "TTIP will lead to Contraction of GDP, Personal Incomes, Employment, Increase in Financial Instability"

"The Trans-Atlantic Trade and Investment Partnership: European Disintegration, Unemployment and Instability"

By Jeronim Capaldo
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Dr Clive Peedell, (NHAP), has forwarded information about the work done recently by Jeronim Capaldo, a research fellow at the Global Development and Environment Institute (GDAE) at Tufts University in Boston, highly ranked by QS and Times Higher Education.

According to proponents such as key mover, Stuart E. Eizenstat, the Trans-Atlantic Trade and Investment Partnership will stimulate growth in Europe and in the US. Eizenstat enthuses at length in AT&T's international public policy blog.

Herman Van Rompuy, Barack Obama and José Manuel Barroso. Photo: The Council of the European Union

Some projections endorsed by the European Commission point to positive, though negligible, gains in terms of GDP and personal incomes. Others make greater claims, asserting that the deal will add over £100 billion to the UK and European economies every year.

However, social media has recorded an unprecedented level of opposition to the treaty. One representative example of such thinking by James Bruges may be seen here (scroll down).

Recent literature has pointed out several problems in the most influential assessment of the TTIP's effects. Projections by different institutions have been shown to rely on the same Computable General Equilibrium model that has proved to be inadequate as a tool for trade policy analysis, 'lacking microfoundations and the dual instability problem'.

Jeronim Capaldo’s Working Paper 14-03 assesses the effects of TTIP using theUnited Nations Global Policy Model, which is said to incorporate more valid assumptions on global trade, macroeconomic adjustment and employment dynamics.

The UN site explains:

> “The model allows users to . . .trace macro-economic outcomes over short, medium and long-term timescales. It is a model of the world economy design to simulate the macroeconomic impacts on countries and regions of exogenous shocks to the global economy, the potential effects of ‘sea changes’ in market confidence (such as reversals in financial market confidence following asset price bubbles), changes in international regulation of trade and finance and the international spill-over effects of major policy changes in major economies”.

Capaldo and his team project that TTIP will lead to a contraction of GDP, personal incomes, employment, an increase in financial instability and a continuing downward trend in the labor share of GDP: “Evaluated with the United Nations model, TTIP appears to favor economic dis-integration, rather than integration, in Europe. At a minimum, this shows that official studies do not offer a solid basis for an informed decision on TTIP”.

A link to his paper is given above and the Executive Summary may be read in alarming detail here.

Dr Clive Peedell’s party has already argued that TTIP poses multiple threats to the UK, opening up the NHS to further and permanent privatisation, removing key social and environmental protections from transnational corporations and allowing corporations to sue the UK under the Investor-State Dispute Settlement (ISDS) clause. He adds:

“But this latest research blows a further hole in the economic argument of those who claim the deal will add over £100 billion to the UK and European economies every year. If the entire economic basis of TTIP is also now in question, there seems little reason for the deal to go ahead.”

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