



## Europe's hubris and nemesis

**The following excerpt is taken from a chapter of AEI Research Fellow Dalibor Rohac's newly released book: *Towards an Imperfect Union***

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May 10, 2016

In 1939, just before the outbreak of the Second World War, the Austrian economist Friedrich von Hayek wrote a powerful defense of the idea of a European federation. Hayek, one of the most prominent classical liberal thinkers of the 20th century, later received the Nobel Prize in economics and made substantial contributions to legal theory and political philosophy. In the essay, he called a European federation a “goal in whose value [he] profoundly [believed]”<sup>[i]</sup> and outlined how it could prevent the recurrence of Europe’s destructive waves of nationalism and protectionism. Hayek reiterated his message several years later in his world-famous book, *The Road to Serfdom*, which in 2010 achieved a new level of popularity in the United States, including a rise to the top of Amazon’s best seller list after Glenn Beck mentioned it on his television program.<sup>[ii]</sup> “What we need,” Hayek writes there, “is a superior political power which can hold the economic interests in check and in the conflict between them can truly hold the scales.”<sup>[iii]</sup> Europe should therefore create a federal structure with an “international government under which certain strictly defined powers are transferred to an international authority,”<sup>[iv]</sup> while leaving other competences to individual countries. In Hayek’s opinion, there is no conflict between the idea of a European federation and the principles of classical liberalism and free enterprise. Quite the contrary, the two are mutually reinforcing, with open markets being a prerequisite of a successful federation and “the abrogation of national sovereignties” being “the logical consummation of the liberal program.”<sup>[v]</sup>

Hayek did not see himself as a political conservative. A self-professed classical liberal, he even authored an essay<sup>[vi]</sup> bearing the unambiguous title “Why I am Not a Conservative.” However, his work has been central to the historic success of modern conservatism in the United States and the United Kingdom. Also known as fusionism in the United States, it brought together elements of center-right thinking in a coalition that advocated for free markets, robust international leadership of Western democracies, and, to a limited extent, social conservatism. The rise of Ronald Reagan in the United States and Margaret Thatcher in the United Kingdom—both

heavily influenced by Hayek's thought—is perhaps the most significant illustration of how consequential his work was for the fusionist movement. Thatcher is reported to have pointed to her copy of *The Constitution of Liberty*—a tome that, paradoxically, includes Hayek's critique of conservatism—declaring “this is what we believe.”[vii]

The contrast between his enthusiastic embrace of European integration and the scathing criticisms of today's European Union (EU) by Hayek's followers could not be greater. In a famous speech in 1988, Thatcher compared the EU to the Soviet Union, a country “which [has] tried to run everything from the center.” In the wake of the financial crisis, a rejection of the EU has almost become one of the defining characteristics of the free-market movements. Barbara Kolm, president of the Hayek Institute in Vienna, Austria, predicts that the European Union will not be able to avoid its social unrest and will eventually collapse.[viii] At meetings of the Mont Pèlerin Society, a prestigious scholarly association founded by Hayek in 1947, lambasting the EU, the Euro, or even the freedom of movement[ix] on the continent has become *de rigueur*. “[N]o matter how much the Eurocrats huff and puff, the European Project no longer is the Europeans' project,” writes Doug Bandow, a fellow at the libertarian Cato Institute in Washington, DC,[x] which once featured Hayek as its distinguished senior fellow.[xi] Conservatives and advocates of free enterprise are by no means alone in their criticisms. The trust of Europeans in their common political institutions, gradually falling since the 1990s, plummeted in the aftermath of the Great Recession, giving birth to new Euroskeptical parties and empowering old ones.[xii]

The central argument of this book is that, although the criticisms directed at the EU are often justified, Hayek's followers are mistaken in their wholesale rejection of the European project. Furthermore, their critique comes at a time when the EU is facing unprecedented stress, created not only by its own institutional deficiencies, but also by the rise of extremist politics in Europe, sluggish economic performance, and Russia's resurgence as an aggressive, revisionist power. Instead of being at the forefront of discussions about how Europe's common market and political cooperation can be repaired, strengthened, and defended against their enemies, conservative critics of the EU have become cheerleaders for Europe's disintegration, with potentially catastrophic consequences. True, today's EU is far from being the free-market ideal outlined in Hayek's essay. However, even in its current, flawed form, it represents a momentous achievement, which ought to be celebrated by friends of free enterprise and liberal democracy. It secures the functioning of the European single market, restrains protectionist and authoritarian impulses of politicians, and provides a platform for peaceful collaboration between European states. None of those should be taken for granted.

## Notes

[i] Hayek “The Economic Conditions of Interstate Federalism,” 272.

[ii] “Essential Reading,” *The Economist*.

[iii] Hayek, *The Road to Serfdom*, 238.

[iv] *Ibid.*, 239.

[v] Hayek “The Economic Conditions of Interstate Federalism,” 269.

[vi] Hayek, “Postscript: Why I Am Not a Conservative.”

[vii] Margaret Thatcher Foundation, “Thatcher, Hayek & Friedman.”

[viii] Feine and Manning, “Why the European Union Will Fail.”

[ix] Klaus, “Careless Opening Up of Countries.”

[x] Bandow, “The European Union: Pretension Without Power.”

[xi] See Cato Institute, “F. A. Hayek (1899–1992).”

[xii] See Torreblanca and Leonard, “The Continent-Wide Rise of Euroscepticism.” It is important to stress the extent to which the erosion of trust in European institutions precedes the crisis. See, e.g., Hix, What’s Wrong with the European Union and How to Fix It, 50–66.