

# Bloomberg Businessweek

## Conservatives Find a Free-Market Case Against Brexit

**The EU has problems, but a new book argues that conservatives should want Britain to Remain.**

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There's a long tradition of conservatives trashing the European Union. Former British Prime Minister Margaret Thatcher likened it to the Soviet Union, "which [has] tried to run everything from the center." EU regulators have devoted countless hours to the placement of rearview mirrors on farm tractors and the curvature of bananas. "No matter how much the Eurocrats huff and puff, the European Project no longer is the Europeans' project," Cato Institute senior fellow Douglas Bandow wrote in 2011.

So is a June 23 vote in favor of Brexit—British exit from the European Union—the right choice from a conservative viewpoint? Maybe not. There's another conservative school of thought that says for all of its flaws, the European Union has been on the whole a force for good, preserving the peace in Europe while allowing for an increase in trade and investment that has brought prosperity to the region.

"The EU has been a huge guarantor of liberty and protection," Tyler Cowen, a conservative economist at George Mason University, said in an interview this week. "Pro-liberty people should be much more pro-EU."

The free-market argument against Brexit is laid out in a new book called *Towards an Imperfect Union: A Conservative Case for the EU*. It's by Dalibor Rohac, a research fellow at the American Enterprise Institute in Washington and a visiting fellow at the University of Buckingham in the United Kingdom. Rohac, a native of Slovakia, is a true-blue conservative who wrote a series of articles harshly criticizing EU policies such as farm subsidies. While standing by those criticisms, he writes that "in the past two years, I have come to the realization that, for all its flaws, the European project has been beneficial for the continent."

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Rohac points out the mostly forgotten fact that an early backer of union for Europe was none other than the late Friedrich Hayek, an Austrian and British economist who wrote *The Road to Serfdom* and is a godfather of the modern conservative and libertarian movements. Hayek believed that nationalism was a destructive force in Europe.

In 1939, as Europe descended into World War II, Hayek wrote an essay, “The Economic Conditions of Interstate Federalism,” in which he said he "profoundly" believed in a European federation. In *The Road to Serfdom*, he noted: "What we need is a superior political power which can hold the economic interests in check."

Rohac likewise argues that even today's flawed EU is restraining the protectionist and authoritarian impulses of politicians. That, he says, should not be taken for granted.

Cowen agrees. "I've been very anti-Brexit," he says. "And I don't believe I'm naive at all" about its drawbacks.

A big problem with today's EU is that it's neither here nor there—neither a single nation, like the U.S., nor a completely unaffiliated set of independent nations. To wit: It has a common currency and central bank, but not all EU members belong to it, and there is no unified fiscal authority to match the unified monetary authority. The European Central Bank can set interest rates, but there's no equivalent of the U.S. Congress to control government spending. The Schengen treaty allows for free movement within the EU and other member countries, but the border around the Schengen area is porous.

The launch of the euro was a step too far that ended up jeopardizing the entire European unification project, Cowen says. "It never should have happened, ever."

Jean Monnet, the French diplomat who led efforts to put together the European Union, optimistically said that “Europe will be forged in crises, and will be the sum of the solutions adopted in those crises.” But there's also a possibility that Europe will be dissolved by a new series of crises.

"To keep the European project alive," Rohac writes, "it has to be turned into a visible—in fact, an *ostentatious*—engine of economic prosperity." He argues for making the EU more democratically governed, decreasing regulation, and increasing competition. Member nations should do more to get their fiscal houses in order.

"It bears repeating that when Hayek was writing his defense of political federation in Europe, the continent was headed for an unprecedented geopolitical catastrophe," Rohac writes. He concludes, "Choosing to cheer for European disintegration is perilous, ill-advised, and ultimately self-defeating."