

## Europeans Should Welcome UK's Shift on the EU

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Though it may be giving David Cameron a headache, the Tory rebellion on Europe is good news for Europeans who care about the continent's future. For a long time, an adult discussion about the integration project was absent and intelligent dissent was either non-existent or miniscule. Meanwhile, ordinary Europeans started losing trust in the EU institutions - as a recent report by European Council on Foreign Relations shows, the trust in European institutions has been eroding throughout Europe, in new and old members states, in those in the 'core' and on the 'periphery'.

Very few in Europe expected that the coming out of Nigel Lawson would be a game changer. But Lord Lawson was soon followed by Michael Portillo and two Cabinet ministers - Michael Gove and Philip Hammond - who also indicated that they would favour Britain's exit, forcing Cameron to take a stand.

Just a week later, writing in the *Financial Times*, the columnist Wolfgang Münchau admitted that "[a] departure need not be a disaster if the terms are negotiated with skill" - a statement that only weeks ago would look out of place in the opinion pages of a newspaper that had traditionally embraced European integration with fervent enthusiasm.

This British shift on the EU is big news. Seen as fringe elements of British political folklore, few expected the small number of cranky Tory backbenchers and Nigel Farage to get any traction. And, on the continent, Eurosceptics were not a savoury bunch, dominated by groups like the Front National in France or the True Finns. The more thoughtful sceptics were embarrassed to express their concerns, for fears of being ostracised and lumped together with the likes of Marine Le Pen.

The debate about the costs of EU membership does not need to be framed as a binary choice between being a part of the EU versus leaving it. While many small open economies on the European continent benefit from the common market, they need to be able to have an open-ended debate about the dysfunctions of EU's governance.

For far too long, instead of having such a debate, Europeans were fed the mantra of ever-closer union. It was assumed that the EU's problems would be solved by deeper integration and tighter policy coordination. The monetary union was a part of that process, as was the growing body of EU directives, regulating everything from privacy issues to mobile roaming charges. At the onset of the crisis, a banking and fiscal union were proposed as fixes to the macroeconomic imbalances in the Eurozone's periphery.

But closer integration has not delivered. In 2013, the EU economy is expected to contract by 0.1 percent, following a year of negative growth. Unemployment is at a record high, with youth unemployment in some countries hovering well above 50 percent. Instead of becoming an economic powerhouse, Europe is flailing.

Today, there seems to be an opportunity to have an adult conversation about what has gone wrong with the European project. Many areas are in a desperate need of change.

Take regulation. The European Commission estimates that the administrative burden that EU-wide legislation imposes on businesses is €123.8 billion - and that does not include the economic costs that regulation creates by distorting incentives to produce and innovate. Another overdue problem: agricultural subsidies. Some 38 percent of EU budget for 2014 to 2020 - or €363 billion - is going to be spent on farm subsidies.

The list is much longer. The last few years have seen the creation of a permanent bailout fund for the Eurozone's members in fiscal distress, with very little in terms of a cost-benefit analysis to justify it. There is an ongoing silent power grab by European institutions, which can be illustrated by a recent note by the European Commission where the Commission asks to subject economic policymaking in member states to a control by the EU: "the Commission considers it important that national plans for any major economic policy reforms are assessed and discussed at EU-level before final decisions are taken at the national level."

For far too long the thoughtful dissenters on the continent were being mocked into hiding. Now that the Brits seem to be breaking many European taboos, it is no longer possible to simply ignore the discontent with the direction taken by European political elites. And although the denizens of Brussels' corridors of power may not realise it yet, the time to renegotiate the 'social contract' guiding the continent is now.