



Why Libertarians Should Be Wary of Brexit ‘Victory’

Brexit is a dangerous blow to openness and free trade

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July 12, 2016

Many American libertarians have lauded British voters' decision to leave the European Union. After all, any blow to such a federal structure must be good for liberty, right? Not so fast. Many European libertarians, like myself, view Brexit as a dangerous blow to openness and free trade that removes one of the strongest voices against E.U. centralization from the negotiating table in Brussels.

The disconnect between libertarian views on Brexit lies in many Americans' overly simplistic comparison of the E.U. to the U.S. federal government. However, while many of the criticisms leveled against the E.U. for being too big, too costly, and intervening where it shouldn't may sound like familiar gripes in the United States, the E.U. and the U.S. federal government are in no way equal.

The E.U. commission has 33,000 employees—half the number employed by the U.S. Social Security Administration alone. The E.U. has no right to tax, and its budget is around 1 percent of the GDP of the E.U. countries, compared to around 20 percent in the U.S.

More importantly, the E.U. only has the powers member states give it. Decisions are taken by consensus or a qualified majority. Every member—including Britain, until now—has a veto against new powers. So when states complain of the E.U.'s tyranny, it is often because they play a little game—they want X done, but don't know how to tell the voters, so they consent to X in Brussels and then go home and tell voters that they are now forced to do X. (This is also, obviously, one of the reasons why voters think that the E.U. is power grabbing and out of control.)

Most often, nationalists complain that Brussels is promoting a "neo-liberal" agenda that stops them from protecting their markets with tariffs and technical trade barriers and from subsidizing national champions and local industry.

This is part of what the E.U. does, and it is consistent with F.A. Hayek's 1939 vision of a European Federation that guaranteed free trade and openness between the member states, to make peace and cooperation possible. Since it allows local experiments and guarantees that capital and labor can move freely between markets, to those that are the most welcoming, it makes institutional competition possible.

A Timbro study by Alexander Fritz Englund showed that E.U. membership for the 28 countries resulted in a statistically significant increase in economic freedom in all of the sub-categories in *The Economic Freedom of the World* index. The biggest improvement comes in the year of membership, but it increases afterwards as well.

This must come as a surprise to everyone who has ever read about all the silly regulations emanating from Brussels. But most often, these are attempts to streamline national regulations, so that, for example, 28 different sets of rules for vacuum cleaners (which often are designed for local producers to keep competitors out) can be replaced with a common set of rules that allow free trade across borders.

Personally, I would prefer a system where countries automatically accept unrestricted imports of all goods that have passed the regulatory hurdles in the exporting country, but that's not an option that interests any E.U. country, including Britain. Unfortunately, their alternative to E.U. rules is not laissez-faire, but national rules, which would block much of the trade that goes on unhindered today.

Even though the E.U. sets too many rules and intervenes too much, most of the policy is still made back home. There is sufficient room for national maneuvering so that one E.U. member, Ireland, can implement policies that make it the eighth economically freest country in the world, and another, Greece, the 85th economically freest, according to *The Economic Freedom of the World*.

This is what was so strange about the Brexit campaign. Many complained about Brussels' red tape, but the regulations that hold Britain back the most are often made in London: Harsher financial regulation than in the rest of E.U. since the financial crisis, insane planning restrictions that block new housing, and a high minimum wage recently introduced by the Conservative government. Farmers complain about E.U. red tape, but many of the rules have in fact been introduced in Brussels by the British government, especially when it comes to environmental regulation.

It is London, not Brussels, that bans British stores from being open longer than six hours on Sundays. Imagine how that would be mocked if it were a Brussels regulation. And that is indeed one of the major benefits of a federal structure with a common set of rules: Countries are less interested in regulation when those regulations emanate from others, and therefore are more likely to block or dilute them. National rules are not just often back-door protectionism, they are also more comprehensive and extensive.

This is why Brexit can paradoxically make both the E.U. and Britain less free market at the same time. An important voice that often urged restraint in Brussels is now gone and diminished internationally, leaving the possibility for the E.U. to become more centralized. At the same time, Britain will implement all those rules back home, tailored to local demands and local lobbying. And that could very well be worse.

For obvious reasons, we libertarians heard mostly the arguments put forth by decent liberal Brexiteers. I certainly hope that their vision of an open and deregulated Britain will be realized, but sadly, those voices were drowned out by the nationalists.

Furthermore, most free-market Brexiteers did not even campaign for those ideas. Instead leading free-market Tories Boris Johnson and Michael Gove drove around in a campaign bus emblazoned with the message that government health care will get another £350 million a week outside of the E.U. The Leave campaign also promised more tax money to universities, scientists, and distressed regions.

When a steel plant in Wales foundered, Boris Johnson abandoned all free-market pretense and explained that the problem is that the E.U. stops the British government from introducing tariffs: "When we want to change tack on tariffs, we can't—because we have given up control." Gove complained that the E.U. has "rules that prevent us providing that emergency support and assistance" and that after Brexit "we would be able to support industries that were going through difficult times."

The message they gave was not about less E.U. intervention, but less E.U. blocking of British state intervention. Voters mostly heard that the E.U. had forced too much free trade on Britain. The mantra was "take back control." Eighty percent of the British who see social liberalism as a force for ill voted for Brexit, and 69 percent of those who see globalization as bad. Immigration was the number one issue for Brexit voters, according to the Ipsos MORI poll.

No matter what you might have heard from happy liberal Brexiteers, voters think that they voted to keep immigrants out and to protect local industry, and expect such policies now.

In the campaign, the U.K. Independence Party's influential leader Nigel Farage complained about the "industrial massacre" in Britain, and blamed it on, among other things, Chinese competition, free trade deals that "strip away obstacles to large corporations making profits," and E.U. procurement laws that allow other European companies to bid for public contracts. Its manifesto has called for a British register of important U.K. companies to block foreign acquisitions. Yes, UKIP wants to exit the E.U.'s awful Common Agriculture Policy. But only after having reassured British farmers that "UKIP will always support British agriculture."

On the morning after the referendum, one UKIP representative unintentionally summarized this tension between national and individual liberty, when he triumphantly told the BBC that at last, Britain was free and independent—and could introduce steel tariffs.

This is Trump, only in British English and full sentences.

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