

## Mises: Why Brexit Is Better For Britain

By Thorstein Polleit, The Mises Institute, 21 June 2016

On 23 June 2016, the people of Great Britain will vote whether to stay in the European Union (EU) or leave it.

**The pro-EU camp argues that leaving the EU will cost Britain dearly in terms of economic prosperity, financial stability, and domestic security.** In fact, people are being told that exiting the EU will bring dismal times to Britain.

**The anti-EU camp argues that leaving the EU will be good, as it gives Britain freedom to determine its own fate:** to decide about taxes, fishing, immigration, and other issues which are of the utmost importance for the economic and political well-being of the British people. From insights into why an exit from the European Union will be good for Britain, we can consult the work Ludwig von Mises. **Essentially, a Brexit will remove another layer of government intervention from the lives of Brits,** and in his *A Critique of Interventionism*, originally published in 1929, Mises argues that **whenever the state meddles with the free market, it reduces the standard of living that had prevailed prior to any state intervention** (*ceteris paribus*).

### The Evolution of the EU

**The EU is a case *par excellence* illustrating the failure of interventionism.** To be fair, in its early stages there was something like the European idea of creating a truly free trade area: a free cross border flow of goods, labor, and capital.

This was basically achieved in the early 1990s. It brought indeed positive effects for growth and employment in basically all European nation states. But the EU's politics didn't stop there. It wanted to become more powerful.

In all those years the EU has been working hard to end the system of European federalism in the sense of productively competing sovereign nation states, trying to replace it by a centralized political, economic, and financial superpower in Brussels.

However, the EU's interventionist approach has brought about a rather dismal situation as far as economic and financial matters in many EU countries are concerned: mass unemployment, public finances in disarray, and miserable growth perspectives.

**The height of the EU's fateful megalomania was the introduction of the euro in 1999: the currencies of nation states entering the European Monetary Union were replaced by a single currency, the euro, issued by a single central bank, the European Central Bank (ECB).**

**Right from the start, the ECB let loose a colossal debt binge, which has left broken states, banks, and consumers.** To cover up the mess, the ECB has lowered rates to below zero and keeps printing money — the only options left for preventing the euro from coming crashing down.

The ECB's policy doesn't do any good apart from covering up the problems for a while. The truth is that it causes a shortage of savings and investment, overconsumption and malinvestments on the grandest scale, thereby destroying the very pillars on which prosperity rests.

Despite the dysfunctionality of its centralization path, however, the EU is determined to pursue its current course even more radically: Its advocates a push for "Completing Europe's Economic and Monetary Union," basically through "closer coordination of economic policies."

### **Small States Are Better**

That said, Mises's interventionism critique may suffice to debunk the EU approach as an economic failure through and through. However, there is another argument that deserves attention in this context. It was formulated by Leopold Kohr.

In *The Breakdown of Nations* (1957), **Kohr points out that small states are more productive and peaceful than large states, and that virtually all political and social problems could be greatly reduced by dissolving large states into a great many small states.**

Viewed against Mises's interventionism critique, and Kohr's insight that a super-state is the root cause of all economic and political evil, there are strong reasons for Britain to exit the EU, to steer free from an ideology that will not, that cannot, turn out to be successful.

### **Two Reasons Why Brexit Is Better**

**In fact, a Brexit would be good for at least two reasons.**

*First*, it might help to put an end to a dead-end policy as more member states may decide to opt out, thereby raising the perspective of the EU being returned to a free-market productive competition system among regions.

*Second*, and more fundamental, the mere debate about Brexit highlights the fact that the state (as we know it today: namely as a *territorial monopolist of coercion with ultimate decision-making power*) is basically always the problem, not the solution.

Today's nation state runs counter to individual freedom. It cannot be reconciled with the idea of individual freedom. The situation becomes much worse once nation states start teaming up, trying to unify their power into a single state-structure — like the EU.

**In sum, there shouldn't be any fear of a Brexit on the part of those seeking freedom and economic prosperity.** On the contrary. A Brexit may hold the key to make Europe abandon a doomed course, bringing it to its senses and back onto the road of freedom and prosperity.