

Brexit and Beyond: Why Americans Should Support British Exit From the European Union, and What Could Come Next

James C. Bennett, April 2016

Americans in the year 2016 have to date been understandably preoccupied by their own Presidential primary election process. However, in June of this year an election will take place with substantial consequences for the US, whatever its outcome. This is Britain's June 23rd referendum on continued membership in the European Union. If it votes to Leave, it will cause a British exit (generally called the "Brexit") from the European Union. This is a binding referendum. A vote to Leave will legally obligate the government to begin the process of ending Britain's current membership in the European Union. Prime Minister David Cameron has unequivocally stated that he will carry out the wishes of the electorate.

During the run-up to the referendum, it was widely assumed by most foreign policy experts in the USA and elsewhere that the vote was a political gimmick by Cameron to silence a noisy fringe of his backbench members and fend off the growing electoral threat from the pro-Brexit UK Independence Party (UKIP). The experts believed that almost all major figures in the Conservative Party, however much they had criticized the EU in prior years, would endorse the Remain position along with the opposition Labour, Liberal Democrat, and Scottish Nationalist parties. Opinion polls showed a healthy majority for Remaining. US foreign policy experts in government and academia were happy to assume continued UK membership.

However, since the setting of the referendum date in late winter, expert opinion has been growing increasingly uncomfortable. Several important members of Cameron's Cabinet, and other major Conservative Party figures such as London Mayor Boris Johnson, surprised the commentariat by coming out firmly, and often quite eloquently, for the Leave position. In

particular, Cabinet minister Michael Gove, a long-time ally and personal friend of Cameron's, visibly placed principle over friendship and political advantage in a ringing, impeccably reasoned appeal for Leave. Although most Labour and Liberal Democrats continued to support Remain, significant dissenters such as Labour MPs Kate Hoey and Gisela Stuart and LibDem David Owen, a former Foreign Minister, vocally supported Leave. Similarly, the business community, which had been overwhelmingly in favor of membership in the earlier 1975 European referendum, split, with significant manufacturing and financial players favoring Leave. These surprising desertions to the Leave side created a preference cascade, with many other people realizing that supporting Leave was not an isolated position, but rather one that many reasonable people favored.

As a result, polls now put Leave roughly even to Remain, with one or the other leading slightly depending on the day's news. However, among people with a strong intent to vote, Leave tends to lead. This is the same polling pattern that resulted in a surprise victory for Cameron's party in the 2015 general election, where the lackluster Labour leader Ed Milliband failed to enthrone Labour-leaning voters to come out. Now the Leave side has a similar advantage in motivation, whereas most Remain voters are motivated by little more than a tired resignation. Seeing this pattern, Cameron has been calling in every favor in his accounts around the world, trying to drum up an international message that the world wants Britain to remain in the EU. Various foreign policy gurus in the US and Commonwealth nations have duly published authoritatively-toned articles in semi-official outlets mocking the idea that Britain has any other options beside Europe.

Most prominent among these is Barack Obama, who tacked on a press conference with Cameron to his attendance at Queen Elizabeth's 90th birthday celebration. Obama, despite being a lame duck who will have no say over post-Brexit US-UK trade relations, instructed the British voters to support Remain, warning that the UK would be "at the back of the queue" for a trade agreement behind the EU. In addition to his lack of standing to speak authoritatively on the topic, commentators wondered whether his use

of the Britishism “back of the queue” indicated that he was merely reading a prepared text written by Cameron’s strategists.

However, the argument for Remain from the standpoint of American interest, whether articulated by Obama or academics, depends on a foreign policy world view that is probably well past its sell-by date. It continues to pin its hopes on the emergence of a federal United States of Europe as a strong, even co-equal partner in the world that, unlike its current scattered member-states, can afford the economic and military measures needed to help the US maintain world order. And it continues to hope that Britain will be a strong voice within such a Federal Europe for a pro-American policy. Secretary of State John Foster Dulles, back in the 1950s, famously described Britain as having “lost an empire, but not yet gained a role.” Leading a uniting Europe in a pro-American direction has always been the US State Department’s idea of what that role could be.

What is wrong with those assumptions? Just about everything.

To begin with, the idea of a united Europe that would be genuinely federal, which is to say anything other than an empire of one culture over the others, is highly unlikely if not chimerical. To the extent Europe today works, it is an empire of Germans, with the French as their lieutenants, over the rest. The Germans try to be polite about it, unless money is at stake, but the reality is a bit too visible for comfort these days. The British who believe in the idea of their place in a federal Europe, tend to work as lieutenants to the Germans on economic matters, and allies of the French on security matters, except where it comes to cooperation with the US, where they have only minor allies from Eastern Europe, who do not count for much in Brussels.

As many critics of the EU have noted, democracy requires a *demos* — a distinct national community, which shares the language, institutions, memories, and experiences that make possible a meaningful discussion about the decisions that must be made through political means. There is no such European people, rather, a series of national communities who each have their own discussions. European institutions are therefore

particularly prone to decision-making by consensus of elites, many of whom are distant and insulated from the opinions of the people they supposedly represent. However, it is also the case that decisions are often simply not made, and inertia rules, while problems are merely kicked down the road year after year. The Single Currency provides examples of all of these phenomena — it took a long time to come to the decision to launch it; it was only ever wanted by a few elites; popular opinion was almost universally against it; it worked better for some nations than for others, but poorly for most; and there is no momentum either for changing institutions to make it work better, on the one hand, or abandoning it on the other.

Furthermore, the EU is not turning out to be a useful ally for the US, nor is Britain able to influence very much in directions the US desires. To the extent it has ambitions in the security area, these typically create a rival and inferior capability to what already exists through NATO. To the extent it has ambitions in the foreign policy area, it is so hard to establish a consensus among European powers that its policies are usually much weaker than what Britain typically adopts by itself. The European federalists are now agitating for France and Britain to give over their UN Security Council seats to the EU, which will again substitute the weak and uncertain voice of the EU for the more assertive voice of the UK.

Continental Europe differs from Britain in a number of key ways. Britain sells a much higher percentage of its production to the world outside the EU than do its Continental members. It has a growing population, while the rest of Europe is shrinking, only a little behind Japan on the demographic crisis curve. Britain has a history and tradition of economic openness and flexibility, ranking in the top ten nations worldwide on the Economic Freedom Index, unlike the USA. The Continental economies have a strong history of centralization and detailed regulation of all aspects of life and economy, which is constantly demonstrated in EU regulation. As a consequence, Britain has created more new private sector jobs than all the rest of Europe put together over the past decade, creating a large and unreciprocated movement of Continental job-seekers into the UK. In short, Britain has always been an awkward fit for the rest of Europe, and

has been resented by the other members for that reason. This awkwardness will only grow over the coming years as these trends accelerate.

What would be the consequences of Brexit for the USA? Of course, there are a number of Brexit scenarios, and some have more consequences than others. However, this discussion will concentrate on the most likely scenario.

The closest analogue to Brexit in recent British political history is probably Britain's withdrawal from the Exchange Rate Mechanism in 1992, an event popularly called "Black Wednesday." A precursor to the European Single Currency, the ERM locked the British pound into a trading range below which the government was obliged to intervene. When this proved unsustainable, Chancellor Norman Lamont was forced to withdraw from the agreement under pressure, triggering a short-term recession, but the revalued pound and its restored independence laid the basis for a long expansion and prosperity throughout the 1990s and into the 2000s.

Similarly, a Brexit victory will likely be accompanied by short-term volatility in the financial markets until it becomes clear that independent Britain will continue to have access to the European Single Market, that European and British expatriates will continue to be able to remain in each others' countries, and that an independent Britain will continue to participate in NATO and thus remain politically engaged in the common defense of Europe. Much speculation has been made to the effect that a Brexit will create such ill will on the part of European leaders that continued access to free trade agreements will be cut off out of spite. Such speculation fails to envision the environment of crashing markets and political-economic crisis that will accompany a Brexit victory, especially one that follows inaccurate polling and wishful thinking predicting a Remain vote.

In such a crisis atmosphere, the first instinct of the European establishment will be to pressure the British government to disregard the referendum, perhaps finding some methodological flaw with it and decreeing a second vote. This is unlikely to work, and if Cameron attempts

it, it would probably result in his immediate removal from office and his replacement with a hard-core Eurosceptic. (In reality, Cameron would most likely leave in any event, but in a more face-saving manner, and with more input into the choice of successor.)

Once convinced that the renegeing strategy was non-viable, the international financial community would probably default to the second most desirable option from their point of view, which would be to press for British membership in the European Economic Area and the European Free Trade Association, the so-called “Norway Model.” Although in theory there are a number of potentially viable options for post-Brexit relations between the UK and the remnant EU, the EEA-EFTA model would be the most accessible, best understood, and least disruptive option, and therefore the one the financial interests would prefer. The major European leaders would then come under very strong pressure to announce their support for such an outcome. Once made, along with guarantees to expatriates and other interests, this would restablize markets and probably become the signal for a sustained rally.

From a short-term perspective, Brexit would have relatively little effect on American interests. Article 50 of the European Union’s current constitutional document, the Lisbon Treaty, provides for member-states to withdraw by giving a two-year notice of intent to withdraw, and mandates the EU to negotiate in good faith for free-trade measures during that time period. During that time period all rights and obligations of membership continue as normal, so US companies operating in Britain would continue to function as normal. The EEA-EFTA option would also permit such companies to operate as normal after EU membership was terminated. Most other US-UK cooperation, such as military and intelligence cooperation, is conducted under bilateral or multilateral agreements having nothing to do with the EU, and would continue to function as normal.

The biggest short-term effect will be on the American foreign policy establishment, in seeing the fundamental assumptions of their world view challenged. Some will cling to the past, and hope that the UK, humbled by life outside of the EU, will repent and ask to rejoin. This is highly unlikely,

as it is more likely that the EU, now shorn of the most powerful and stubborn opponent of a United States of Europe, will proceed to greater centralization, although it is also possible that it will shed a few other recalcitrant members, perhaps including Denmark and/or Sweden. The Franco-German core, and the principal Eastern and Southern European dependent states will likely remain. However, this reduced remnant EU will still not become the capable and willing partner the US State Department has always craved. Rather, it will be a medium-large power with problems, somewhat like Japan but with a less capable military.

Looking more long-range, the biggest question for the US is what Britain chooses to do with its new-found freedom of action. One of the most intriguing is an option which has been quietly defining itself under the radar of most American Britain-watchers. However it has been emerging as a sort of Sherlock Holmes option — once the impossible has been eliminated, whatever is left, however improbable, must be considered. This writer has been watching this option evolve for some time, and has come to believe that not only is it the best option for Britain and its new potential partners, but its emergence would be a very good thing for America as well. A forthcoming book, *A Most Audacious Union*, will explain this in detail.

This option has been called the Commonwealth Union, the Realm Union, or the CANZUK Union, the latter name taken from the initials of its proposed core members, Canada, Australia, New Zealand, and the UK. It has a number of possible configurations, but is, at heart, a confederation of these four Westminster parliamentary democracies, although likely including other states such as Singapore. A movement has recently sprung up to promote the idea of freedom of movement among the four nations, a proposal that has been strongly supported in polling in all of them.

Once Brexit converts Britain's current membership in the European Union into a looser free-trade relationship, it could easily participate in a Commonwealth Union. Similarly, such a Union would be compatible with continued free trade and cooperation between the USA and Canada. Indeed, it would most likely result in deepening free trade between the USA and all four nations to the levels currently enjoyed with Canada under

NAFTA, if not deeper. Transitional trade controls would probably have to remain in place to deal with third-party-origin issues for the UK and Canada, but trade in national goods and services could be tariff-free from Day One.

One obvious question that arises from an American writing a book advocating such a development is, “How would such a thing benefit America and Americans?” It would constitute a substantial departure from American foreign policy over the past century, which, as discussed previously, has consistently supported the widening of the gap between Britain and its former Dominions, and particularly since 1945 has strongly advocated British involvement in the construction of a United Europe, in the (often vain) hope that Britain would serve to keep such a union more pro-American.

A Most Audacious Union sets forth the proposition that those US policies, if they ever were right, are now clearly mistaken, and that a Commonwealth Union along the lines the book advocates would be in the interest of the USA, and most particularly of the American people, in the following three ways:

1. A More Capable Alliance Partner

In *America 3.0*, co-author Michael J. Lotus and this writer advocated for America a more restrained but also more effective alliance structure, pruning its first circle of allies down to those who consistently share its views and retain a serious military capable of interoperating with its own. The CANZUK nations are a large part of the short list of such nations. However, a combination of the rising cost of advanced weaponry and recent austerity pressures from the global financial crisis is eroding the ability of the CANZUK militaries, individually, to maintain their capabilities. By complementarities, economies of scale, and synergies a Commonwealth Union military would be much more likely to maintain interoperability and useful levels of force, and would be more useful as an ally than would the four nations separately. A CANZUK military would share the burden of its strategic deterrent, a

satellite recon system, and a substantially larger and longer-range transport capability far more easily than today.

2. A Freer Economic Partner

The CANZUK nations have been viewed, over much of the preceding century, as more economically interventionist than the USA. That is not true today. All four nations rank above the USA in most indices of economic freedom, and indeed, Canada and Australia tie for third place below the small enclaves of Hong Kong and Singapore. The creation of a loose confederation provides a unique opportunity for further loosening economic constraints, particularly once Britain is free of European regulation, and the Union would be highly favorable to concluding a broad free-trade agreement with the USA, possibly inheriting, as a whole, Canada's NAFTA membership. This would, in effect, enable the close integration of a growing, high-GDP economic area of 135+ million with that of the USA. Common language and shared Common Law legal systems will result in very low transaction costs of doing business across the area. Such a Union will not, pace Obama, be relegated to the "back of the queue" for a trade agreement with the USA.

3. Competitive Pressure for Freer Society

Competition is the ultimate driver for progress, and forcible monopoly always breeds poor service and bad treatment. This is true of nations as well as corporations. Emigration of the talented, the principled and the ambitious, and/or their capital, has often spurred the liberalization of sources of emigration and enriched the destination of the emigrants. Tyrannies collapse when their better citizens leave, which is why they so often erect barriers to their departure.

A more subtle barrier than a Berlin Wall is the mere lack of a better alternative. When all other destinations are terrible a merely mediocre system can survive; this is the principle that has propped up the US government's increasingly arrogant and shabby treatment of its most

productive taxpayers over the past few decades. Most Americans are reluctant to move outside the country, and particularly reluctant to adapt to foreign languages, customs, and legal systems. However, in the nineteenth century a great many Americans were happy to move to Canada when those barriers were minimal, and Canadian officials actively sought American immigrants. At provincehood, a quarter of the population of Alberta was American by birth. Conscious competition between the two nations kept taxes down and rules such as terms of homesteading liberal; when America required five years of residence to establish title, Canada lowered their requirement to three.

A Commonwealth Union would create a broad, prosperous economic area much of which is welcoming to immigrants, uncrowded, and with more resources than people to develop them. Its loose confederal form will likely encourage some of its jurisdictions to adopt even more strongly pro-enterprise and pro-newcomer policies than already exist. Although some corners of the CANZUK nations are more social-democratic in nature than the USA, some areas, like Alberta or Western Australia, also have strongly libertarian streaks. The availability of such exit options for Americans would, over time, help create stronger competitive pressures for reform, particularly if the destination jurisdictions were visible successes.

Socialists complain about jurisdictional competition as a “race to the bottom,” as more successful societies put pressure on the less-successful ones to lower taxes, relax irrational regulation, and terminate failed state boondoggles. This is seeing things from the perspective of the state. Viewed from the perspective of the individual, jurisdictional competition is a race to the top: a competition between jurisdictions to provide the better environment for starting or expanding a business, pursuing a meaningful personal goal, or merely living free from the ability of other people to force their views of how you should conduct your life. America benefited greatly from general jurisdictional competition in previous eras, and has suffered from the lack of it more recently. Gaining an attractive partner and a friendly competitor for the talent of citizens and other productive

newcomers would significantly expand national and personal options in coming decades.

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The Facebook page for the Anglosphere, featuring posts from James C. Bennett, Iain Murray and others: <http://www.facebook.com/Anglospherists-289168004467874/>

James C. Bennett's work exemplifies principles of *freedom* important to Explorers Foundation.
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