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Brexit: What Kind of Dependence Now?

By Sheldon Richman
June 29, 2016

Is Brexit a move toward British independence? Some Leave and Remain partisans may believe so, differing only over whether that's good or bad.

But, as usual, things are more complicated. We should hope that, in one respect, Britain's exit from the EU will create a kind of *dependence* that did not exist while it was still a member of the union.

To see how, one must take note of the original (classical) liberal case for competing political jurisdictions rather than one unified authority: competition tends to generate liberty and prosperity by lowering the cost of "exit" — that is, of voting with one's feet to relocated from more-onerous to less-onerous jurisdictions.

Legal and political scholars have long understood that decentralization of power in Europe accounts in large measure for its unique achievements both in terms of individual autonomy and prosperity. During the Middle Ages, instead of one superstate united with a single religious authority, Europe consisted in many small jurisdictions and a transnational church, each of which jealously guarded its prerogatives. In England, when kings tried to consolidate their power, they met resistance from barons and others who expected to lose from the centralization of power.

Although the players in this drama did not intend to liberate the common people, to an important extent, that was the world-changing consequence of this struggle, aided by direct popular

resistance to oppression when opportunities arose. When the Middle Ages ended, this proto-liberal tradition, though under assault, was invoked in defense of liberty and economic progress. The result, imperfect as it has been and constantly in jeopardy from those who favor power over freedom, is what we call the western liberal spirit.

To repeat: the key was decentralization. Without it the liberal revolution could not have occurred.

Here's the complication: while decentralization indicates legal and political independence, it can also entail economic and social *dependence* (or, better, interdependence). If voting with one's feet is cheap, then jurisdictions must compete with one another to keep and attract people and capital; failure to do so — autarky — brings social and economic stagnation.

So the question is not really dependence or independence, but *what sort of dependence*. Will it be the political dependence that comes from membership in a union of states? Or the economic and social dependence engendered by the competition among politically independent states.

The EU in essence is a cartel intended to suppress competition among the states of Europe — which is not to say it has had no liberalizing objectives or effects, such as freedom to move and work without visas, and disincentives for corporate subsidies. (I said this is complicated.) Competition, however, is too important to be suppressed because it reveals critical information we are unlikely to acquire otherwise. Since vital knowledge is disbursed among large numbers of people, competition is, as Nobel laureate economist F. A. Hayek put it, a unique “discovery procedure.” It's not just a matter of freedom; it's a matter of progress, and of life and death for those in the developing world.

EU bureaucratic harmonization of regulations and tax rates — despite possibly liberal intentions — assures that individual states won't engage in a race to liberalization to attract people and capital. The absence of that race necessarily means a lack of discovery, as well as of liberty. It also provides abundant opportunity for corporatist rent-seeking, with which the EU is rife.

The late British political philosopher Norman Barry warned of the dangers of EU membership in 1999. “What the enthusiasts for [the political unification of] Europe do not understand,” he wrote, “is that freedom is better protected by competition, both in economics and law, than by constitutional documents: ‘exit’ always beats ‘voice’ (democratic privileges).” Of course, the ability to exit a country requires the ability to *enter* others — immigration restriction is deeply illiberal.

Barry went on: “It is not the case that British Euroskeptics are necessarily fanatics for parliamentary sovereignty [although Nigel Farage and his UK Independence Party apparently are], the very system that has done so much to undermine the market economy and the rule of law in their country. What they fear most of all is the reproduction of that institutional phenomenon on a much more dangerous scale in Europe.”

Finally: “The only virtue of retaining independent states (which could still bind themselves by minimalist general rules, mainly for promotion of free trade and protection of the right to free movement) lies in the possibility of preserving genuine institutional competition.”

Brexit will have no *automatic* consequences beyond formal exit. What matters now are the policies the British (and others — European, American, etc.) undertake. If the Brits go the xenophobic, protectionist way of Farage or Donald Trump, they will suffer. But if they follow the cosmopolitan peace-and-free-trade program of the great 19th-century Little Englanders Richard Cobden and John Bright, they will prosper in freedom.