

## Eight reasons why Britain should leave the EU

. We have nothing to lose but our chains

by John Michaelson / April 15, 2016



David Cameron at the headquarters of "Britain Stronger in Europe," the official campaign for Britain to remain in the European Union. Here he mans the phones with fellow pro-EU campaigners Amber Rudd (far left), Tessa Jowell (third left), Paddy Ashdown (second right) and Neil Kinnock (far right)  
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At times, radical action is the most prudent option. For Britain, leaving the European Union is a safer course than staying in.

The vote on 23rd June to decide whether the United Kingdom should remain in the EU is the most important decision that the British people have faced in decades. Unfortunately, its significance is obscured by political gamesmanship, hysterical headlines and largely irrelevant assessments of short-term impacts. Misinformation and the spreading of fear, uncertainty and doubt are framing the debate.

The 21st-century world economy does not lend itself to the top down planning, cumbersome regulation, cozy relationships between entrenched players and government, discouragement of risk taking and conformity that are the hallmarks of the Brussels model and that of many countries in the EU, including Germany, France and Italy. It has led to static economies dominated by obsolete industries and burdened with outdated social welfare structures.

Of the larger EU member-states, Britain alone has a good shot at succeeding in the dynamic new world economy outside the EU. This country has already set itself apart from the EU. We have a proven ability to attract talent and capital; we have a culture of entrepreneurship; we are open to talented immigration; our regulation is moderate; we have flexible labour markets; we have three of the world's top five universities; and we have a competitive tax system. As a result, we are a vital global hub.

However, the future of this success is not a given. European elites are pursuing greater integration out of conviction and necessity regardless of the cost or lack of public support. Britain does not have the power or influence to halt this drive or slow it materially. The failure of Cameron's recent negotiations with the EU to obtain a meaningful long-term change of course highlights the futility of this approach.

While the claim that the French have no word for entrepreneur may not be true (or said by George W Bush), there are few innovators in the EU. If anything, Europe is attempting to isolate itself from coming changes in technology and business structures. Britain will not escape being drawn ever deeper into this web.

Forbes magazine recently published its annual list of the 100 most innovative companies in the world. Eight of the top ten are in the United States. One (ARM) is in Britain. The next highest ranked EU company is at 22 (Hermes, the French luxury goods company). Nor is the EU home to the world's technology giants (Apple, Google, Facebook, Samsung, Baidu to name just a few) or transportation pioneers (Uber, Tesla).

The referendum is a choice between two irreconcilable visions of society; one fundamentally British and the other fundamentally European. The British vision rests on a conviction that decisions are best made by individuals or accountable representatives. The European vision rests on a conviction that decisions are best made by self-selected and unaccountable elites.

Of course, there are many shades of grey. Britain has many entrenched elites that believe they are entitled to make decisions for others while democracy is not absent from the EU. But the default positions are poles apart. This difference is demonstrated by the reaction to the rejection of the European Constitution in 2005 in the few votes that were allowed. Effectively, the EU elites implemented it regardless. Should Britain vote to remain in the EU, the imposition of the European vision may prove irreversible.

Many Britons understandably find the prospect of leaving the EU frightening. They are not sure what follows Brexit. Actually, the immediate impact of a vote to leave is likely to be immaterial.

There would be life outside the EU. There is a misconception about the EU's trade agreements with the rest of the world - There are hardly any important alliances. The dysfunctional EU does not have a trade alliance with even one of the world's largest trading nations - the U.S., China, India and Japan. Fortunately, trade barriers on manufactured goods are already low under the WTO and other multilateral trade agreements. Britain will remain in the WTO and continue to benefit after Brexit.

While, exports of manufactured goods are important, even more important are our exports of services. Remaining in the EU is actually detrimental to increasing the exports of this vital sector. Substantial barriers exist to the export of our services. Even within the EU, there are many barriers. The EU has done little to assist Britain in lowering these. Many members of the EU oppose reducing barriers to protect their own service industries. Britain is better positioned outside the EU to negotiate trade agreements favorable to our service industries than as part of the EU. Outside the EU, we would be able to build both on the strength of the City as a global financial capital and on our many links beyond Europe with fast growing economies.

There has been comment that it will be harder to negotiate such alliances outside the EU. Yet, while the EU has failed to negotiate major trade alliances, tiny Singapore has agreements with the U.S., China, India and Japan (an agreement with the EU awaits EU ratification). Of course, Britain will need to conform to EU regulations when exporting to the EU as we conform to U.S. and Chinese regulations when exporting to those countries. Canada conforms to the regulations of its chief trading partner, the US, while resolutely independent. Canada is not forced to contribute to the U.S. budget to access U.S. markets.

A pro-Brexit vote may turn out to be as momentous as the decision made by the American colonies in 1775 to separate from Britain. There are many similarities. The American economy was closely intertwined with that of Britain. Many colonists worried about losing British markets. They also feared the wrath of the Crown. Today, some commentators fear that if Brexit occurs, Brussels will retaliate through bureaucratic means.

Before the 1770s, a break with Britain was unthinkable to the vast majority of Americans. There was growing concern over the authoritarian and intrusive nature of British governance, but the leaders of the colonies were level-headed gentry, farmers and merchants. They assumed an amicable resolution would be achieved through negotiation. America was not France. No overthrow was desired of the social order and none occurred.

It was only reluctantly and after considerable debate that many of the American colonists came to support a break. This had become apparent that the underlying vision of governance held by the Crown and its supporters was not subject to negotiation. This is true today with the EU. The underlying vision of the European elites is not going to change. Britain either accepts this as its future or goes its own way.

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#### About this author

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#### John Michaelson

John Michaelson is Managing Partner at Michaelson Capital Partners LLC. Mr Michaelson is American. He uses the word "we" from a conviction that Britons and Americans are closely bound together by ties of affection, shared history, law, language, literature, values, blood spilled as allies and shared heritage. We will have disagreements and may, from time to time, pursue different paths. These test, but do not break, such strong bonds.

Another example from business casts a useful light on Brexit. For instance, Gordon Moore co-founded Intel in 1968 and built it into a company in which memory chips provided two thirds of revenues and almost all of profits. Yet in the 1980s he had the foresight to refocus the company on its nascent microprocessor operation. This action appeared high risk at the time, but it has proved to be the opposite. Intel's microprocessor business has thrived and it is one of the world's biggest tech companies.

Here are eight main reasons why Britain should leave the EU.

First, as I have said, the stifling, top-down elite-led EU approach will come to dominate Britain. Britain cannot win the fight against conformity, and grinding and ineffective opposition is a terrible waste of energy. Rule by elites lies behind the loss of faith in the democratic process in many western countries. In America, it has fostered the rise of Trump. It does not work economically (slow growth, flat middle-class income, widening income disparity) or socially, with declining belief in institutions and commitment to shared values.

Second, there are irreconcilable differences between Britain's view of the role of the state in the economy and the Union's. This difference dates back to the Enlightenment. England adopted a distinctly empirical approach that focused on what worked in practice, fostering a vibrant and innovative culture. In contrast, the continent embraced Cartesian certainty based upon theory alone, and rule by Plato-style "philosopher kings" which gives the state a leading role in regulating the economy.

Third, Brexit would decrease the cultural and economic North-South divide in Britain. The shift in focus away from Europe can only benefit the North. Brexit would provide a restorative tonic for the British politic.

Fourth, once clear of the EU, Britain will more easily be able to connect with the more vibrant economies outside the continent. We will be a successful, confident and outward looking bastion of innovation, capitalism and free trade, stationed off an inward looking, mercantilist, aging, afraid and stagnant Europe.

Fifth, the EU poses the greatest threat to London's position as the world's professional services and financial centre. Should Britain stay in Europe, London will lose ground to non-EU cities as unsympathetic regulation and hostility undermines its competitiveness. Should Britain exit the EU, Frankfurt or Paris will not replace London as a world or even the European financial capital. They do not have the human capital, openness, infrastructure, regulatory experience, and cultural amenities offered by London.

In addition, nowhere else in Europe outside non-EU Switzerland offers wealth holders the security of a centuries-old safe haven. Many of the world's wealthy look to London to protect their capital and this appeal will be enhanced by Brexit. It is difficult to imagine money fleeing to a Europe with a recent history of wealth confiscation (see the raid on uninsured savings in Cyprus) and arbitrary imposition of taxes (see France), let alone a recent history of default (Greece) and upheaval.

Sixth, Brexit would enhance our security ties with the US. America's disgust at the unwillingness of most members of the EU to spend money or effort for their own protection does not apply to Britain; quite the opposite. The US military looks to Britain as a true partner. As one example, the RAF and US air forces have worked closely together in many operations including in Iraq and Afghanistan. This partnership is assisted by officer exchanges, interoperability of equipment and communications, joint training exercises and a shared history spanning 100 years.

Seventh, Brexit removes the danger that the inherently unstable EU governance model will spill over to Britain. The European model of rule-by-elites may be initially efficient and even beneficial to a country. However, it inevitably degenerates until those in power primarily serve themselves. These leaders do not then yield power gracefully. Following civil war and regime changes in the 17<sup>th</sup> century, Britain learned to peacefully accommodate massive shifts to its governing order. Europe never did.

Over time in an unresponsive system, tensions build. Periods of seeming stability are followed by sudden upheaval. In the past, this often took the form of blood-soaked revolutions and repressions. In the 20<sup>th</sup> century, they took the form of horrific regimes, wars and destruction. The builders of post-war Europe determined to ensure that the continent never again experienced such horrors. However, the system they adopted is likely to ensure continued instability.

Eighth and finally, Brexit would increase accountability in the British government. Within the EU it is not clear who is in charge, with opaque layers of government offering endless opportunities for obfuscation and dissembling. With Brexit, once again it will be clear who is responsible for what.

Brexit will, of course, have potential losers. These include farmers who will be left without EU agricultural subsidies. It may include workers in industries dependent on exports to the EU. However, should we want to continue various subsidies or provide workers with assistance in the transition, discontinuing the British contribution to the EU budget—approximately £13bn a year—will make available ample funds.

Access to the single market and freedom of travel are attractive benefits of EU membership. There is a legitimate fear that Brussels bureaucrats will punish Britain out of spite and impose onerous restrictions. Balancing this, Britain's trade deficit with the EU translates into over 1m high-paying jobs in Germany alone. National leaders, who need to face their electorates, may be less inclined to support spiteful actions.

There is overwhelming consensus among economists that Britain must stay in the EU. But then, a consensus of economists supported Britain joining the euro. More recently, economists failed to predict the crash in 2008, the slowness of the recovery and the euro crisis. With a few notable exceptions such as Alan Budd, they have inaccurately predicted economic trends and the impact of monetary and fiscal policy.

The opinions of large business associations are no better. These associations almost always support the interests of established large companies that are not overall generators of new jobs or growth. They do not represent the views of the thousands of smaller and growing businesses that represent the economic future of Britain rather than its past.

The future is Britain's to lose.

Should we adopt protectionism, expand crony capitalism and limit competition. Should we impose high regulatory and tax burdens. Should we close our borders to talented immigrants. Should we fail to strengthen our ties to the dynamic economies outside Europe. Should we let our ties to America and to the old and new Commonwealth atrophy. Should we fear change. Then, we will not become a world hub and a vibrant participant in the new economy. Then, we will lose the future.

Should we fail to encourage and support those British values of compassion, decency, fairness, integrity, tolerance, respect for others and respect for democracy and the rule of law (values that for centuries lit a dark world). Should we allow unfettered self-interest to flourish. Then, the glue that binds us together as a people will continue to weaken. Then, respect for our economic system will continue to decline. Then, support for rewarding risk taking will continue to erode. Then, we will lose the future.

Should we not resolutely challenge attacks on our values and institutions. Should we allow ourselves to wallow, as some advocate, in self-loathing. Should we no longer be willing to sacrifice to defend our beliefs. Then, we will lose our direction, purpose and courage. Then, we will lose the future.

Britain is tied to an anchor in the shape of the EU. It is time to sever the cable.

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