

## **The Crisis of European Politics**

*Remarks delivered by Iain Murray, Vice President, Competitive Enterprise Institute, at the Free Market Road Show at the University of Donja Gorica, Podgorica, Montenegro, April 20, 2017.*

Good morning. I stand before you as a living example of globalism. I am a pro-Brexit libertarian Briton, living in America, talking in a non- EU state, about the crisis of European politics. A populist demagogue might say that I am what is wrong with the world. In this talk I hope to explain why, and also convince you that I am not.

Let's turn back to Hayek. I think that if we are to properly understand the crisis of the divided world, especially in Europe, we need to take as our text F.A. Hayek's essay, "Why I am not a Conservative." Many of the insights the great Nobel laureate delivered in 1960 when he penned his piece are vital to understanding what is happening in Europe today, specifically in the rise of populism.

It is my contention that much of what is called European populism is actually a phenomenon of resurgent nationalist conservatism. This ideology has risen thanks to separate crises in the continent's two other dominant ideologies – socialism and liberalism. Something similar is in play in the US, although there the ideologies are somewhat differently arranged.

While Anglo-American conservative parties claim liberty as their heritage, no such strong tradition of liberty exists in European conservatism. We should not forget that it is within living memory that most of Europe was dominated by dictators of one sort or another. Member states of the European Union itself were ruled by dictators in the 1970s, and by communist politburos in the 1980s. But since the fall of the Berlin Wall and the rapid expansion of the European Union, we have seen Europe dominated by two ideologies – socialism, or social democracy, and liberalism, or perhaps, neoliberalism. Both these ideologies are suffering existential crises right now, and it is those crises that underlie the current crack-up in European politics.

Let us take social democracy, the first to collapse. A mere decade ago, it looked like third way socialism of the sort pioneered by Tony Blair in the UK was destined to dominate Europe. This socialism was comfortable with markets, as long as they were heavily regulated, and promised a comfortable welfare state of entitlements and healthcare to all. That brand of socialism is now in retreat all over the world, its internal inconsistencies laid bare.

Friendliness to markets became corporatism and cronyism. Regulation became frustrating barriers to opportunity. Welfare states became defined by the chronically unemployed, often as a result of that tight regulation, or – worse – terrorist sympathizers. Single payer healthcare lurched from one crisis to another, resulting in long waits for urgent treatment.

The result is traditional European socialism in retreat. France – France! – has seen a flight of candidates from the President's socialist party. The Greek and Italian socialist parties have disappeared. The Spanish socialist party is in eclipse. What is replacing them, and what has even taken hold of Tony Blair's British Labour party, is Marxist dogmatism, often in new parties, fueled by popular slogans reminiscent of socialist movements in the 1930s, which ignores the

collapse of central planning in the 1980s as if it never happened. We see it most prominently in the rise of Jean-Luc Melanchon in the French polls.

Most European populations remember Marxist-Leninism, however, and the parties are kept out of power. In many places, like Britain, they are consumed with internal feuding reminiscent of the People's Front of Judea and the Judean People's Front. When they do gain power, like Syriza in Greece, they find they cannot keep their promises. Heaven help us if they can.

Indeed, the only major government in Europe that could currently be described as Blair-style social democrat is headed by a nominal conservative – Angela Merkel's coalition government in Germany – and we will see how long that lasts when that dominant politician leaves the stage.

What of liberalism? Even we avowed liberals often forget that it was liberalism that built the modern Europe of nation states. Liberalism was aligned with nationalism for most of the 19<sup>th</sup> and early 20<sup>th</sup> centuries. It fought for the unification of countries like Germany and Italy and for the freedom of peoples like the Czechs and Serbs to determine their own futures free from imperial control.

Yet after liberalism found that it lost its voter base to more aggressive socialists, it reinvented itself after the War as an internationalist movement, and threw everything it had into building the post-nationalist European Union. Liberals across the continent became the champions of the European project. Yet what profit a man if he gain the world and lose his soul? In building the European project, liberals forgot the central ideal of liberalism – that people should be free to choose their own destiny and lifestyle. The European Union became the flagship of transnational regulation, beating down individual initiative and entrepreneurialism. It mandated working conditions across the continent as aggressively as it imposed standards for bananas.

Liberal parties have been seen as champions of the unpopular, globalist side of the European Union. The result has been disaster. The Liberal Democrats in Britain and the Free Democrats in Germany, in coalition government within the last decade, are down to a handful of representatives or even none in their national parliaments. Only in countries like Estonia, where the parties are more libertarian than liberal, have they retained influence.

So with both socialism and liberalism in retreat, who was to fill the gap? Christian democracy had been in full retreat for decades as the continent became more secular. The answer was quite clearly conservatism. Yet as Hayek asked, what do we mean by conservatism when we talk about continental Europeans? The old traditions are, frankly, dead. Previous generations of European conservatives would have been pushing for the restoration of monarchies. This is off the table now. What do they stand for now?

This is where Hayek's essay is again relevant. He said, rightly, "Conservatism proper is a legitimate, probably necessary, and certainly widespread attitude of opposition to drastic change." What are the drastic changes afoot in Europe at the moment? For the large part they are the products of the European project. Mass immigration from the Middle East and North Africa fueled by the abolition of internal borders is the big one – whatever we as liberals may think of the benefits of immigration and free movement of peoples. Couple that with mass

unemployment of native populations thanks to the disaster of the Euro experiment and continent-wide employment regulation and you have a crisis that will provoke political reaction. So it should be no surprise that the conservative revival in Europe is nationalist.

Yet there is another drastic change afoot that results in an interesting dynamic largely alien to Anglo-American conservatism. Mass unemployment, a creaking tax base thanks to the suppression of entrepreneurial activity, large numbers of immigrants and other factors all contribute to an entitlements crisis. Yet the reaction of continental conservatives, as Richard mentioned on the previous panel, has generally not been to reduce entitlements – it has been to defend them. The nationalist conservatives in Europe have sought to shore up their entitlement programs, mainly by threats to end entitlements to out-groups like immigrants. Many of these parties are avowedly big-government.

Why is this? Again, Hayek has the answer. As he says, two “characteristics of conservatism [are]: its fondness for authority and its lack of understanding of economic forces.” Or, as my friend Janet Bufton of the Canadian Institute for Liberal Studies puts it, “conservatives tend to: be over-skeptical of economic theory and open-ended change, and be under-skeptical of authority and the use of government power.”

The result is big-government, nationalist, muscular conservatism. Marine le Pen and Geert Wilders exemplify it in the West. Eastern Europe has seen a succession of nationalist conservative governments elected. Nationalist Conservatives are in coalition with Syriza in Greece.

In many cases, these parties are led, as in Hungary, by people who believed in economic liberalization in the 80s and 90s, but who have changed their mind. They believe they have seen proof that these policies failed – again, something that Hayek notes as an identifying characteristic of the European conservative. Yet they fail to appreciate that this is at least partly because of the transnational restrictions on economic freedom imposed by the European Union rather than any intrinsic problem with privatization and small government (again, demonstrating Hayek’s contention that European conservatives are over-skeptical of economic theory). This rejection of Reagan-Thatcherism is why I believe that European conservatism is also in crisis. Their infatuation with big government will mean big problems for their economies.

And the problem has spread even as far as the US. What we are seeing in the Trump administration is a similar though less extreme skepticism of free market economics and an embrace of government authority in a manner more usually associated with Democrats. Yet the problem is not as bad as it is in Europe. The administration has achieved most so far in the area of deregulation. It is also committed to returning power to the states. We shall see where it goes, but except in the area of trade, as Prince Michael mentioned, at the moment it looks like the difference between American and European conservatism remains of philosophy rather than of degree.

There is no guarantee that the nationalist wave will continue, at least in its conservative form. It is plausible that their big government flirtation will lead to economic incompetence and their rejection in favor of one of the other ideologies once more, or perhaps even a darker one, like

fascism or outright communism. Europe is going down a dark tunnel, and there may not be light in sight for a while.

What's a liberal to do? As Hayek said, the political philosopher will influence public opinion "effectively only if he is not concerned with what is now politically possible but consistently defends the "general principles which are always the same."" We must fight for individual freedom. We can hope that Britain and America continue to provide the free market example Europe needs. And as liberals we must defend this central principle – that freedom is the greatest engine for human progress we have ever seen, internationally and nationally. It is an argument, as Hayek taught us, that we literally cannot afford to lose.