



## **Brexit Is Freedom**

**June 7, 2016**

**by Brian Wesbury, Robert Stein**  
**of First Trust Advisors**

Earlier this year, NHL hockey fans were asked to vote for the captains of the four teams to face off in this year's new All-Star tourney. Three of the picks were players you'd expect: Jaromir Jagr from the Florida Panthers, Alex Ovechkin from the Washington Capitals, and Patrick Kane from the Chicago Blackhawks: True Gods of the Rink, who have scored hundreds of points.

But not the fourth. In a huge surprise, the fans gave the most votes to a long-time journeyman enforcer named John Scott. At age 33, earning the league's minimum salary, Scott had scored a grand total of five goals in his entire NHL career.

Needless to say, the hockey "experts" who run the NHL were not happy. They manufactured a trade to push Scott out of the division he was supposed to Captain. His new team sent him down to the minors. The Establishment NHL bureaucrats thought they had dodged a bullet. But the fans went nuts, pounding the NHL through Social Media with outrage. And guess what? The NHL relented, agreeing to let Scott take on the captain role the fans picked him for.

The result: not only did Scott's team win the All-Star tourney, Scott scored twice against the league's best and was named the MVP. The fans won! Democracy won. The Establishment won, too, but only after being forced to do the right thing, not just what it thought was best.

Obviously presidential politics isn't the same as voting for the NHL All-Star Game. And there are plenty of factors behind the rise of Donald Trump. But one of them is that many voters think "the system" is rigged against them, that maybe the US really isn't a Democracy anymore and that no matter what they do, someone else is ultimately making key political decisions.

And the best way to test that theory is to vote for someone who the anointed elites and experts universally revile. Because if Trump wins, then, yes, many of these voters will have the proof they need to show the US is still a democracy. How else could Trump win, if the elites are so stacked against him!

We get the sense that this same phenomenon is, in part, also behind two recent polls showing the British public favors exiting the European Union, or "Brexit" for short. It is obvious that those who consider themselves sophisticated experts want the British to remain in the EU. The leaders of the three largest parties in Parliament are locked arm-in-arm wanting to stay, while the Bank of England warns of recession if Britain leaves. Former Tory Prime Minister John Major attacked fellow Tory Boris Johnson as a "court jester" for supporting Brexit.

With the vote now only 17 days away, the noise will grow. We expect the political establishment to level even more vitriol against those who support Brexit.

And, yet, the momentum is on the side of those who want to leave. They are just fed up. And why shouldn't they be? Britain is a sovereign nation. Its people are supposed to be able to make political decisions for themselves, through a democratic system. But now many decisions the British people consider important are made by unelected European bureaucrats. Transient parliamentary majorities are not supposed to be able to delegate decision-making authority to foreign capitals, just like they can't install a dictator. The decision itself negates democracy.

And you don't have to disagree with the EU on policy issues to take this position. International trade is generally freer because of the EU and that's a good thing. But it's not necessary to trade sovereignty for freer trade. Immigration and what welfare benefits immigrants can get, if any, are clearly sovereign decisions. That's what Margaret Thatcher would have wanted, as opposed to the Europhile bureaucracy-believers, like John Major, who removed her from office without the voters ever having a say. That Major prefers the EU over the British people is really no surprise.

The bottom line is that investors should ignore scare stories about what would happen if Brexit wins. Great Britain runs consistent trade deficits with the rest of Europe. Regardless of what foreign leaders say before the vote, if the British vote to leave, the rest of the EU is going to chase them to the ends of the earth. No

way will they allow one of their biggest export markets to become more distant. They will beg the UK to sign a free trade deal. In addition, and this is actually great economic news, it would free the US and UK to sign a free trade deal that the EU is now holding up.

Any market volatility would be short-lived and any swing to the downside would be a buying opportunity. Brexit is not a reason to sell. In fact, freedom is a good thing.

---

This information contains forward-looking statements about various economic trends and strategies. You are cautioned that such forward-looking statements are subject to significant business, economic and competitive uncertainties and actual results could be materially different. There are no guarantees associated with any forecast and the opinions stated here are subject to change at any time and are the opinion of the individual strategist. Data comes from the following sources: Census Bureau, Bureau of Labor Statistics, Bureau of Economic Analysis, the Federal Reserve Board, and Haver Analytics. Data is taken from sources generally believed to be reliable but no guarantee is given to its accuracy.

© First Trust Advisors