

## (Foolish) Federal Fairy Tales

by Edwin van de Haar

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The plea for the revival of an alleged ‘libertarian interstate federalist tradition’, as the editor of this periodical calls it<sup>147</sup>, needs critical scrutiny. This term is used far too loosely, which goes against all existing evidence. Even when the claim would be accepted, many of the underlying assumptions of the idea are under-analyzed or outright overlooked. It all comes down to the conclusion that the idea of a ‘libertarian interstate federalist tradition’ does not go anywhere, not in theory and not in practice.

Christensen’s article on this topic in *The Independent Review* in the winter of 2021 takes central place in this analysis. In the article, four main claims are made:

- ‘That classical liberals and libertarians have long recognized the importance of interstate federalism for not only individual liberty but

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<sup>147</sup> Brandon L. Christensen, "Reviving the Libertarian Interstate Federalist Tradition. The American Proposal," *The Independent Review* 26, no. 3 (2021).

also security for liberal polities in the international arena.

- The American federalists of the late 18<sup>th</sup> century faced the same problems we face, and the distinct interstate order that they patched together to solve these problems is not an outmoded Leviathan: it is the missing piece of the puzzle to the libertarian and classical liberal tradition of interstate federalism.
- The piecemeal federation of political units under the U.S. constitution would achieve more freedom for more people, and this interstate federalism should be enthusiastically embraced as *the* foreign policy principle for libertarians and classical liberals.
- The American Proposal would solve the security (and cost-sharing) dilemma for liberal polities, but it would also contribute to a decline in the worrisome trend of presidential government in the United States.’ (p.2)

The focus in this article will be on the history of ideas, the general constitutional and international aspects, leaving American specifics aside.

**Classical liberal heritage**<sup>148</sup>

Christensen makes two claims: there exists a classical liberal tradition of interstate federalism, and this interstate federalism is important for individual liberty and the security of liberal politics in the international arena. He is clearly overstating his case and remains vague in a number of other ways.

As Christensen recognizes several times, both Hayek and Mises wrote most on federalism in the run-up to the Second World War, and during the war itself. They made their own plans and supported numerous plans by others (Lionel Robinson, Clarence Streit). They also put forward several proposals for a new organization of post-war Europe. Mises' focus was on Eastern Europe, Hayek included Western Europe. Besides a loose remark in the sixties, Mises never returned to the issue, while Hayek proposed to federalize Jerusalem in the early 1980s. It is evident from their comprehensive writings on international affairs, that they did not see federation as a normal state of

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<sup>148</sup> This section is largely based on Edwin R. Van de Haar, "Ludwig Von Mises and Friedrich Hayek: Federation as Last Resort," *Cosmos+Taxis* 10, no. 11-12 (2022).

affairs. They saw it as a last resort resolution when national states did not succeed in living together in a fairly stable way. Federation was the exception, not the rule, in their thought on international politics. They were both influenced by their experiences in the First World war and -like many others in these years- attempted to contribute to the prevention of the outbreak of another war. If one analyses all their writings on international politics it is clear that they recognized the deep emotional attachment between individual and nation. Mises and Hayek fully embraced a world dominated by nation states, and actually saw a lot of danger in transnational or international state systems.<sup>149</sup> Hayek was crystal clear in the late 1970s: 'I am thoroughly opposed to world government..... of any form',<sup>150</sup> and was critical of most ideas we now associate with 'the liberal international order'.<sup>151</sup>

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<sup>149</sup> See Edwin R. van de Haar, Edwin R. Van de Haar, *Classical Liberalism and International Relations Theory. Hume, Smith, Mises, and Hayek* (Palgrave Macmillan, 2009).

<sup>150</sup> F.A. Hayek, ed., *Ucla Interviews with F.A. Hayek* (UCLA, 1979). pp. 66-67.

<sup>151</sup> Edwin R. Van de Haar, "F.A. Hayek and Liberal International Order," *Journal of International Political Theory* 22, no. 1 (2026).

Christensen misses or overlooks important ideas in the thought of the Austrian giants. Mises' ideas about constitutions, states, and state formation were rather versatile. To recruit him for the current 'federation camp' is clearly a bridge too far, without disclaimers about historical context and other foreign policy ideas he supported. Mises' most wide-ranging federal proposal was for an Eastern Democratic Union in Central and Eastern Europe. Yet this federation factually had to turn into a centralized state. Mises wanted to limit the powers of the constituent parts of the federation (the member states), which had to be transferred to the central federal level. This was necessary because there were many difficulties at the member state level, most notably with minorities and their potential access to funds and power to use against other groups. A 'normal' federation was unable to deal with these issues; therefore, his solution was a much bigger unitary state! It is at least unclear whether any modern interstate federation would not face the same prospect. Experiences in the European Union are not encouraging, to say the least. Also, Mises favored secession of small groups of people, openly adding to Christensen's dreaded but undefined 'Balkanization'.

Also lacking is the acknowledgement that both Mises and Hayek supported a whole number of different federal proposals, such as Count Coudenhove-Kalergi's Pan-Europe, Lionel Robbins' federal ideas, the plan to unite the United Kingdom and France, and the ideas for different versions of a transatlantic Union by Clarence Streit. Their own proposals also changed regularly. This seems of no importance to Christensen; he does not even discuss these differences and the potential impact for his own plea. That was not a matter of these different proposals being 'unclear' as Christensen erroneously writes (page 3). Hayek and Mises just focused on the bigger goal (the prevention of another war) and were willing to support all kinds of proposals for that purpose. After the war they did no longer see a need, possibility, or a desire to federalize Europe, let alone in any transatlantic version thereof. Interstate federation was not 'simply too much to fathom', as Christensen errs again. This seriously underestimates the Austrian's intellectual abilities, but more importantly, overlooks that world politics changed. There was no longer any pressing need to continue along this path. Therefore, Hayek and Mises never 'dismissed the idea as far too radical

for a postwar world' (page 5), they just did not return to it. It is also telling they never even endorsed or mentioned the plans to federalize Europe from the 1950s onwards, did not join the European Movement, et cetera. Nearly forty years later, Hayek focused on another geography where nation-states were unable to deal with each other. Yet nothing in between, even when writing positively about federation in a domestic political setting in mainly the *Constitution of Liberty*.

Adam Smith is the third classical liberal giant recruited in support of his alleged 'libertarian interstate federalist tradition'. He does so on the basis of a memo that Smith wrote on the 'American question', which was discovered in the papers of his friend Alexander Wedderburn, found in the 1930s. Smith generally disapproved of empires, arguing that the (American) colonies actually cost money, while he did not believe that the British had the civil or military capacity to keep their empire across the Atlantic. In the paper, he indeed supported a federal union, which he saw as an arrangement where the colonies paid for defense and the general expense of government, while the Americans would remain part of the British Empire. Yet he foresaw that this would never materialize, as there was no support for

it on either side of the Atlantic.<sup>152</sup> Not much has changed since.

Again, this was not the only or last word Smith wrote about international politics. He did not favor federal union in other situations, not even for other parts of the British Empire. Smith also recognized the emotional attachment between individual and state, which he saw as the ‘outer circle of sympathy’ or a meaningful explanation of human behavior.<sup>153</sup> He never embraced Stoic ideas of cosmopolitanism, and saw many benefits for the preservation of ‘natural liberty’ in a nation-state setting.<sup>154</sup>

Clearly, Christensen is claiming the exceptions in the international thought of Mises, Hayek and Smith for his own purposes. He consciously overlooks the partly contrasting main trends and ideas in their

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<sup>152</sup>Edwin R. van de Haar, Edwin R. Van de Haar, "Adam Smith on Empire and International Relations," in *The Oxford Handbook of Adam Smith*, ed. Berry et al. (Oxford University Press, 2013).

<sup>153</sup> Fonna Forman-Barzilai, *Adam Smith and the Circles of Sympathy. Cosmopolitanism and Moral Theory* (Cambridge University Press, 2010).

<sup>154</sup> Edwin R. Van de Haar, "Human Nature as the Foundation of Adam Smith's International Theory," in *British Modern International Thought in the Making. Politics and Economy from Hobbes to Bentham*, ed. Bourcier and Jakonen (Palgrave Macmillan, 2024).

views on international politics. To claim a ‘classical liberal interstate tradition’ just on this basis is erroneous. The idea of ‘federation’, even ‘federation as last resort’ is hardly – if at all- found in the writings of other classical liberals. Let alone that more recent writers explicitly refer to the work of the older writers, which is a prerequisite for claiming the existence of a tradition.

### **Origin of federations**

When you hold a plea for the federalization of (parts of) the world, you need to have some idea how to achieve it. Christensen focuses on the American case (especially the role of the Senate) and easily dismisses the German and Italian experiences of the 19<sup>th</sup> century. Yet if one considers the wider history of federations, there is little comfort on offer. There are hardly any examples of peaceful federalization by sovereign states, the old Swiss confederation perhaps -more or less-excepted.

The currently existing federations were mostly formed at a special historical moment, or as a result of specific circumstances. For example, some federations are the result of imperialism and occupation (the former Soviet Union, Russia), yet

most were constituted at the end of a war (Germany, Venezuela, Bosnia-Herzegovina, Iraq, Somalia), or when they gained independence after a period of colonization (Latin American federations, Canada, Australia, India, Nigeria, Pakistan, Malaysia). In some cases, the country was already organized as a federation before independence, while other federations have shifted between other constitutional orders, such as confederation and unitary state (Argentina, Nepal). While all the countries have different experiences, these need not concern us here. The main point to take is that federations seldom develop from the bottom up, due to a combination of sovereignty, cultural differences, power considerations, national sentiments, et cetera. It usually requires an external shock to change the constitutional set-up of a country.

Of specific importance in the context of Christensen's article is the experience of the European Union and its member states. In the past decades, the many initiatives for transnational regional cooperation (ASEAN, Mercosur, APEC, et cetera) remained instances of international cooperation between sovereign states. Moves into a transnational, let alone federal direction, were

hardly ever made. The European Union went furthest into this direction. Yet it is a rather peculiar ('sui generis') mix of a semi-federation, a confederation and international cooperation of sovereign states. Despite the desire and moves of the European Commission to become the European government, most power still rests with the member states, in the European Council and Council of Ministers, respectively. At the same time the EU has developed into a monstrous bureaucracy, failing spectacularly in protecting the liberties cherished by classical liberals. It is a collectivist undertaking, ever increasing its regulatory power. So, it is certainly not suited to be included in a federation aiming to increase individual liberties.

### **Federalism and the protection of liberty**

What about the protection of liberty in an interstate federal system, one of Christensen's stated goals? Hayek was clear about it. When he proposed a 'model constitution' in the third volume of *Law, Legislation and Liberty* (1979), he explicitly mentioned the USA as the place where the constitution had failed to protect the liberties of its citizens, or in his words 'we know now why the hope of the authors of these documents [the

Founding Fathers and their constitution, *EvdH*] that through them they could effectively limit the powers of government, has been disappointed'.<sup>155</sup>

There are no guarantees that a federation is better at protecting individual liberties. Christensen correctly recognizes the danger of increased Presidential power in the US system, underlining the imperfections of US federalism. Yet the issue is broader. Just like any other state system, classical liberties may, or may not, be protected in a federal union. Indeed, Hayek and in particular Mises, as already noted above, were at pains to stress the need for a *classical liberal* federation, which in their view only had a limited number of tasks at the federal level, had to combat economic nationalism and preserve the rights of all minorities in a balanced way. For them, there was no automatic relation between the protection of liberties and federation at all. A federation could just as easily be abused for illiberal purposes, for example when one

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<sup>155</sup> F.A Hayek, *Law, Legislation, and Liberty. A New Statement of the Liberal Principles of Justice and Political Economy. The Collected Works of F.A. Hayek, Volume 19, Edited by Jeremy Shearmur* (The University of Chicago Press, 2021). Page 462.

minority uses the federal power structures to abuse the rights of other minorities.

In line with Hayek's remark above, any Google or AI-search reveals the continual increase of the levels of taxes in America (both at state and federal level) and the increasing number of rules, regulation and legislation. Overall tax levels approach those in Europe, which is of course a very bad development from a classical liberal perspective. In general, the situation in Europe may be worse in some respects, although Freedom House, CATO and the Fraser Institute rank many European countries above the USA in overall liberty levels.<sup>156</sup>

In short, the constitutional set up of a country does not say much about the protection of liberties. Liberties are preserved when the leaders of the country want it, when the population demands it and when the dominant culture favors liberty over state involvement. That can materialize anywhere, and can be under threat anywhere. There is no natural relation between federalism and liberty, as Christensen over-optimistically alleges.

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<sup>156</sup> [Explore the Map | Freedom House](#); Cato: [2025-human-freedom-index.pdf](#) (accessed: 5 January 2026).

### **Europe and USA in one federation**

It is not very realistic to expect a federal union to ever emerge through voluntary action. Let alone that it would increase the freedom of the people living in this union. Yet, if one still wants to pursue this idea, it is reasonable to expect a detailed plan and serious analysis of the most likely obstacles and how these can be overcome. Yet, that is also lacking in Christensen's article, as it focuses on the unique American experience, but mostly ignores other relevant aspects. His comparison with the US experiences clearly falls short. To think states would give up their independence as the thirteen American states did in the 1770s is outlandish, to say the least.

The most obvious objection is that there are not many people who share his analysis and the proposed solution. There is no European country who actually wants to join the USA. This is not just about leaders who want to protect their positions or privileges, it concerns the whole European population. The differences in history, culture, language and customs are simply too large, and also much larger than those in the new territories that joined the USA in the course of time. Many European states are much older than the USA, do

not share the language, have different customs, media, et cetera. The emotional angle is overlooked, as feelings for the nation are part of individual human nature, as Smith, Mises, and Hayek clearly recognized. Also, there is the obvious geographical fact of the Atlantic Ocean separating the two areas.

Sure, there are many people in Europe (like myself) who would love to see a firm injection of American capitalist practice and culture into the socialist European welfare states, a decrease of the size of the state, and an increase of economic and societal dynamism. Yet, giving up sovereignty and joining the USA is a few hundred bridges too far. That also applies to North America itself. While Canadians generally hate to admit it, they are culturally the closest to the Americans. Yet they responded furiously when President Trump hinted at integrating them into the US. The more serious attempts to take over Greenland from Denmark are another point in case. This only drives the USA and Europe further apart. The current administration is perhaps unique in this respect, but there is no indication it would be any different under other administrations.

One also looks in vain for ideas about the exact constitutional content of the Union. Christensen proposes that the USA should remain as it is, while the new members of the Federal Union need to drop their entire constitutional and legal arrangements to fall in line with American federal laws and regulations. In our modern world, for better or -often- for worse, that means discarding centuries of legal tradition in penal law, but also economic and social laws, security, and all other issues taken care of at the US federal level. It would entail discarding and annulling hundreds of treaties between European countries, et cetera. Also, he writes about the EU, but does not seem to recognize that the European Union is a different entity than the member states. Should the EU members first discard the EU and then join the USA, or should they first fully federalize the EU and they join? Clearly, his idea is too simplistic to be taken seriously.

The most recent proposal for a federal Atlantic Union that gained wide circulation and some traction was Clarence Streit's book *Union Now* (1938). Christensen does not mention it, let alone that he uses it as a spring board for his own ideas. It was one of the federal ideas circulated when the

Second World War loomed large. Yet even at that dramatic moment in time Streit was aware that his plan would not go anywhere without popular support. Hence, he proposed that the Federal Union needed a new common constitution (with input from all member states), and needed to be limited to five policy areas: citizenship, defense, customs-free economy, money, and postal and communications systems.<sup>157</sup> Needless to say nothing came from these ideas. Perhaps NATO comes nearest, but that is an alliance based on sovereign member states.

### **Conclusion**

Christensen's goal is 'methodological...to foment a shift in vision among classical liberals and libertarians that is essential to our understanding of international relations and political economy' (page 16). Yet it is not essential at all. It is perfectly possible to understand the world without supporting the federalization of large parts of the world. There is also no need to share Christensen's concern of the Westphalian foundations of the current world order, as this order makes a fine fit with classical liberal

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<sup>157</sup> Clarence K. Streit, *Union Now* (Jonathan Cape, 1939).

thought.<sup>158</sup> Rather, the foundations of the interstate idea are shaky, if not completely absent.

Introducing new ideas is never foolish, and the future is impossible to predict. Yet the plea for reviving an alleged libertarian federalist tradition is really far-fetched. The existence of such a tradition is questionable, the proposed founding thinkers of such a tradition were not even united in ideas, and recruiting them for this purpose seriously takes their ideas out of context. The idea that sovereign states will voluntarily form federations lacks solid historical evidence, while there is hardly ground to regard a federation as particularly well-placed to protect individual liberties. To expect European countries to join the current USA is frankly outlandish. This idea is not a solution for anything, not even from a purely theoretical perspective. The need to protect individual classical liberties is real, but the solution is not to be found in international constitutional hobby-projects, founded on shaky foundations and bad analysis. So indeed, here we are talking about foolish federal fairy-tales.

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<sup>158</sup> See Edwin R. Van de Haar, *Human Nature and World Affairs. An Introduction to Classical Liberalism and International Relations Theory* (Institute of Economic Affairs, 2023).

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*Dr Edwin van de Haar is an independent scholar, specializing in liberal international political theory. See [www.edwinvandehaar.com](http://www.edwinvandehaar.com).*

### Endnotes

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