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**THE INTELLECTUEL DEBATE IN BRITAIN
ON THE EUROPEAN UNION**

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Notre Europe

“Notre Europe” is an independent research and policy unit whose objective is the study of Europe – its history and civilisations, path to integration and future prospects. The association has started work in January 1997. It has a small, multi-national team of six in-house researchers (French, German, Belgian, Italian, Portuguese and British), chaired by Jacques Delors.

“Notre Europe” participates in public debate in two ways. First, publishing internal research papers and second, collaborating with outside researchers and academics to produce contributions to the debate on European questions. The association also organises meetings and conferences in association with other institutions and publications. It published its first book, "*France-Allemagne: le bond en avant*", in March 1998 (Eds. Odile Jacob).

FOREWORD

This paper is the third in a series published by the Research and Policy Unit, "Notre Europe", chaired by Jacques Delors, which aims to take a fresh look at the impact of the process of European integration on the future of the nation-state by examining the intellectual debate within the Member States of the European Union.

The first two studies were published as part of a collection of texts on the Franco-German relationship: *"The nation and Europe: the German debate"*, by Dr. Donat Kluxen-Pyta of the University of Bonn, and *"The new European crisis of conscience: political Europe between nation and federation. A French viewpoint"*, by Laurent Bouvet, Doctor of Political Science and researcher at the Ecole des hautes études en sciences sociales, Paris and at the University of Sienna.¹

Interestingly, this third study differs in style, although not in quality, from those on France and Germany in several respects. First and foremost, the very notion of "intellectual" debate sits uneasily with the traditional British pragmatic approach to all matters European. Stephen George, Jean Monnet Professor at the Department of Politics of the University of Sheffield, argues that Britain does not have a distinct class of intellectuals. As a consequence, some of the debate can be "parochial and somewhat unsophisticated". Second, despite the recent proliferation of so-called "think-tanks" on both the left and right which have an increasing input into the political debate on Europe, this rather small circle of intellectual opinion has little impact on popular perceptions. Another striking feature of the UK debate today is that it tends to focus on the question of economic and monetary union, although the arguments put forward by the left and right reflect more general attitudes towards the EU. Yet, Professor George concludes on an optimistic note, highlighting original thinking on other questions, such as democratic legitimacy, particularly from the pro-European left, which he hopes will make a positive contribution to the EU debate and encourage Britain to embrace a European future.

We hope that *"The Intellectual Debate in Britain on the European Union"* will also complement our publication earlier this year of Lionel Barber's paper, *"Britain and the New European Agenda"* (updated and translated into French and German from the English version, published by the Centre for European Reform, London) and so lead to a better understanding of the debate in the UK.

¹ *"France-Allemagne: Le Bond en Avant"*, Editions Odile Jacob, Paris, 1998.

Our long-term ambition is to publish similar studies for each of the Member States in order to provide a panorama of the intellectual debate on the future of European integration throughout the Union.

INTRODUCTION

The intellectual debate in Britain on the European Union (EU) has divided along political lines. The issue cuts across the right-left division in British politics, and this has produced a debate within the right and a debate within the left, but no real debate across the right-left divide. Many of the arguments are heard on both sides of the political divide, but essentially there are two separate debates.

Recently both the debates have centred on monetary union, and whether Britain should join the single currency, although underlying the arguments put forward on this issue are more general attitudes towards the EU. In many ways the arguments remain essentially the same as they were at the time of the British referendum on membership of the European Community (EC) in 1975. Individuals may have shifted their positions, and the focus of the argument may have moved on with events, but the debate continues to be between a position that believes that British membership of the EC / EU / single currency is a good thing, and another position that doubts it. Following what has become accepted terminology, the two sides of the debate both on the right and on the left will be described as “pro-Europeans” and “Eurosceptics”.

It must be emphasised that this paper is concerned with the intellectual debate, not the political debate. This has two implications. First, the space given to the different voices in the debate does not necessarily reflect their political importance. In particular, the anti-European left is increasingly an isolated group within the politics of the Labour Party. Second, there is a gap between the intellectual debate and popular perceptions. As one academic observer said in private correspondence with the author about this project, “it seems to me that in talking about the intellectual debate in Britain, the point needs to be made about just how far removed this is from popular debate, where the media pick on the extremist anti-integrationist views so readily, turning them into banner headlines, without ever considering any of the reasoned debate that is going on in think-tanks, research institutions etc. I know very little of France or Germany first hand, but I suspect that at least in France, where philosophical debate is more a part of the popular intellectual landscape, reasoned debate is more widespread (or am I just being naive?).”¹

French and German readers of this paper in particular will have their own ideas about whether this view of France and Germany is naive, but the point is valid for Britain that the intellectual debate scarcely impinges on the popular perception. If there is to be a referendum on the single currency, perhaps the national debate will have to be engaged; until then, the discussion remains confined to a relatively small circle of intellectual opinion. However, this does not mean that it is unimportant in shaping the parameters of political debate.

THE DEBATE ON THE RIGHT

Some of the main contributions to this debate have been made by Conservative politicians, including senior former cabinet ministers. This reflects the impact on the Conservative Party of the European issue. It has divided the Party more than any issue since the repeal of the Corn Laws in 1846.²

The Conservatives have always been the party of big business, but also the party of nationalism. The European issue has driven a wedge between these two elements of Conservatism. It has become increasingly obvious that large sections of business are apprehensive about the effect on them of Britain being semi-detached from developments in the EU. This was the reason given by Sir Geoffrey Howe for his resignation from his position as Margaret Thatcher's deputy in 1990.³ At the same time, other leading Conservatives have adopted the argument that the EU must remain a Europe of nation states.

The pro-European right

On the pro-European right the leading voices are those of former cabinet ministers: Sir Geoffrey Howe, Michael Heseltine, Kenneth Clarke, and Sir Leon Brittan (the Vice-President of the European Commission).⁴ However, the Conservative Group for Europe has also contributed significantly through its series of pamphlets by less prominent pro-European Conservatives.⁵

Their argument for British membership of the single currency is that it will be beneficial for business and consumers because it will eliminate the costs of foreign exchange transactions and fluctuations in exchange rates with our main trading partners, make pricing more transparent, and make a reality of the single market. It should also produce the price stability that has tended to evade British governments. Quentin Davies, a Conservative backbench MP, says that all Conservatives should support EMU under the Maastricht conditions because it will erect institutional barriers to governments manipulating the money supply for political purposes. This in turn will lead to lower interest rates and a more favourable environment for industrial investment.⁶

Now that it is clear that the single currency will go ahead, the pragmatic argument is put that it is dangerous for Britain to remain outside of the monetary union. British businesses could be disadvantaged in competing for business within the single market because they are operating in a foreign currency, whereas their competitors will be using the same currency as their customers. The pre-eminence of the City of London in financial markets might be put at risk if Britain remains outside of the single currency. Interest rates will remain higher in Britain than within the monetary union because the financial markets will demand a premium against the greater risk of devaluation. Foreign direct investment might start to go to countries that are inside the monetary union to avoid the risks of exchange rate fluctuations and the transaction costs.

In addition to the economic arguments, the pro-European right have stressed that if Britain remains outside of the single currency, the voice of the British government in deciding the future direction of the EU will be weakened. They argue that the EU has been moving in a direction that is consistent with the objectives of British Conservatives. Today "keeping labour costs down and a flexible labour market are the accepted watchwords".⁷ If Britain

loses influence by not being part of the “inner core” of states that are members of the monetary union, the balance between liberalising and protectionist forces within the EU could shift towards the protectionists. The single market itself, which has been of great benefit to British businesses, could be jeopardised. Certainly the extension of the single market to sectors where British enterprises stand to benefit would become more uncertain. This argument refers specifically to sectors in which the successful privatisations of the 1980s put Britain ahead of the rest of Europe in dismantling former state monopolies: telecommunications, energy, and airlines.⁸

There are also advantages in membership of the EU so far as world trade is concerned. The argument that is sometimes heard, that Britain can and should trade less with Europe and more with the rest of the world, ignores the fact that world free trade does not just happen: it needs to be negotiated. By working together with the rest of the EU, it will be possible to prise open other markets throughout the world in a way that would not be possible for Britain acting alone.⁹

So there is a positive case that is put by the pro-Europeans on the right. However, it is a sign of the ascendancy that the Eurosceptic tendency has established within the Conservative Party, that much of what the pro-European Conservatives write about the single currency is devoted to countering the arguments of their opponents on the right.¹⁰

The Eurosceptical right.

A Conservative case has emerged against membership of the single currency which builds on the arguments of Margaret Thatcher's Bruges speech.¹¹ That speech was not primarily concerned with monetary union, which was only mentioned briefly. Its target was much more the argument that the single European market needed to be accompanied by a social dimension. However, the premise on which the speech rested was that the EC (as it then was) should remain a “Europe of nation states”. It is that theme which has gradually become dominant in the arguments of those on the right who oppose monetary union.

The former Chancellor of the Exchequer, Norman Lamont, in a series of speeches made between 1993 and 1995, developed the rudiments of the argument that has been subsequently further refined by others, and Lamont recently restated his views in a newspaper article on the single currency.¹²

Lamont's argument may be briefly summarised as follows. Unlike the ERM, EMU is irreversible. Speculators will not be able to tear apart a single currency as they could a system of fixed exchange rates because there will be no target for them to aim at: separate currencies will disappear in January 1999 so far as the financial markets are concerned, even though national notes and coins will continue to circulate until 2002. For supporters of the single currency this is an advantage of monetary union, which will bring greater economic stability. However, absolutely fixed exchange rates only give a spurious appearance of stability. Differences in the economic structures of member states will not disappear, nor will the differences in economic performance. A single interest rate for the whole of the EU cannot work because it is not an optimal currency area. An average of national rates will cause some national economies to overheat, while others are pushed into recession. The stability pact, which is designed to produce convergence between national economies, will only make problems worse by enforcing inappropriate budgetary policies on states that are experiencing the greatest strain from being in the monetary union.

The ability to vary the national exchange rate provides a safety valve which will be blocked off by a single currency. The pressure that could have been released by a devaluation or revaluation of the national currency will instead build up ever more insistently, and will put a strain on jobs, on firms, on house prices, and on share prices. Constrained by the stability pact, national governments will find there is little that they can do to counteract these adverse effects. Yet people expect their national government to deliver economic benefits. When monetary union produces hardship, they will want to see a change of policy, but governments will not be able to change policy because they will have their hands tied. A change of government will make no difference if the new government continues to accept the commitment to the single currency and the stability pact. Faced with the impossibility of enforcing a change of policy through democratic means, people will increasingly turn to direct action and to supporting extremist parties and groups.

John Redwood, now the Conservative spokesman on Trade and Industry, develops similar arguments.¹³ Strangely for one who defends market economics, he adopts the argument of the left that the Maastricht convergence criteria are “destroying jobs and raising taxes across western Europe”.¹⁴ He also argues that most British businesses serve national and local markets, and so will not benefit from the savings on exchange transactions that will result from a single currency, but will have to bear the costs of converting from sterling to the Euro, which Redwood estimates at £2bn or more. But his main argument is not primarily economic: it is about the effect of the single currency in displacing British national identity with a spurious European identity.

In common with Lamont, he links the single currency with several other symbols of nationhood that the EU has acquired over the years: a common passport, a flag, an anthem, a parliament, a supreme court, and an executive. For Redwood the argument that the EU is not a supranational state in the making is contradicted by these symbols. A single currency will be not just another symbol, but the most powerful symbol short of a European army.

Not only is the EU constructing the iconography of statehood: it is also acquiring the power that goes with it. Already the ability of Britons to govern themselves has been severely weakened. Decisions that once were taken by Parliament are now taken in Brussels. The European Court of Justice (ECJ) has the power to overturn democratic decisions of the British Parliament. Redwood quotes the case of the Spanish fishermen, which continues to cause considerable resentment in Britain.¹⁵ First, an Act of Parliament was suspended and subsequently overturned by the ECJ, a startling constitutional development because never had any court had the power to suspend, let alone overturn, a parliamentary statute. Then, to add insult to injury, the ECJ ruled that the Spanish fishermen had to be compensated financially for being prevented from taking fish from British waters.

Joining the single currency would further erode British democracy because economic decisions would be taken from Parliament and given into the hands of a non-elected European central bank. For Redwood it is the biggest single step yet on the road to a state called Europe. The next step, he believes, will be the acceptance of a common foreign and defence policy, which will imply a common European army. At that stage the loss of Britain's voice in the world and of the capacity of the British for self-government will become final and irrevocable.

The European state that Redwood envisages would not be stable. He is dismissive of the argument that only through closer integration can war in Europe be averted: “the nations of

western Europe are peace-loving democracies".¹⁶ The European state that would emerge would consist of up to forty Quebecs, all feeling that they had lost power and influence, and all trying to get out of a state called Europe.

Lamont makes this same point about the need for European integration to preserve peace in Europe. He argues that the collapse of the Soviet Union, rising prosperity, and the entrenchment of democracy have overtaken the arguments that were perhaps relevant in the immediate aftermath of the second world war. However, it is another former Conservative cabinet minister, Michael Portillo, who develops these arguments furthest.¹⁷

While accepting that there are strong economic arguments against a single currency, Portillo insists that the main motivation of the project is political, something that people in Britain find it difficult to grasp. He quotes Chancellor Kohl as saying: "We want the political unification of Europe. If there is no monetary union then there cannot be political union, and vice versa."¹⁸

Portillo accepts that those who advocate closer European integration are motivated by a desire to ensure peace and stability, but argues that they are pushing in the wrong direction. The best guarantee of security and peace is democracy, and the institutions that will be running the single currency, the European Central Bank and the European Commission, are not democratic.

If Britain joined the single currency, the government would lose control over levels of public spending and taxation. Decisions about interest rates determine levels of inflation and unemployment, but these would be taken by the European Central Bank. People would feel resentful and cheated because they would see that their democratically elected government had less influence than unelected institutions elsewhere in Europe. They would come to feel that voting in elections could make no difference to who made the decisions, or to what decisions were made, and this would undermine democracy. Electors would become vulnerable to extremist influences.

Nor is the answer to give more power to the European Parliament. In an echo of the German constitutional court's argument that there cannot be an effective democracy without a people (*Volk*), Portillo argues that democratic accountability cannot be established at the European level because there is no such thing as a European people. Democracy can only operate within the context of national cultures. If an attempt is made to force the diverse peoples of Europe into an artificial union, nationalism will be stirred up rather than abolished. The peoples of Europe are too different from one another, their histories, cultures and values too diverse for them to be brought together in one state.

All the Conservative Eurosceptics therefore develop essentially the same theme: the dangers of a supranational European state, which monetary union makes inevitable. Theirs is rather a negative position, but it should not be dismissed as simply an attempt to take control of the Conservative Party by playing to the prejudices of its ordinary members. There is a serious issue to be addressed about the legitimacy of a system that becomes too remote from the people. The Conservative Eurosceptics are unwilling to abandon nationalism as a basis for that legitimacy, and this could be seen as a backward-looking position in the modern world. However, they are at least addressing the political issue, whereas their Conservative pro-European opponents tend to ignore it and to assume that closer economic integration in the EU will automatically bring material benefits to the British people, and that will be enough to

legitimate the loss of national political control over key economic decisions. This is a considerable gamble in the light of Britain's experience of the first 25 years of membership.

THE LEFT DEBATE

As on the right, most recent discussion on the left about the EU has focused on the question of whether Britain should join a single currency once it became apparent that it would come into existence anyway. Implicit in this debate, though, are different attitudes to the EU as a whole.

The pro-European left.

The left-wing case for British membership of the Euro is put succinctly by Dan Corry, the Senior Economist at the Institute for Public Policy Research.¹⁹ For Corry, the idea lying behind the European project as a whole, and monetary union in particular, is “to transcend national rivalries and to bring the power of public action to bear in a world otherwise dominated by unaccountable multinational companies and global capital” .²⁰ For the left this is the fundamental issue: whether monetary union helps to realise the objectives of growth, jobs, social cohesion, democracy, and environmental sustainability. Corry argues that it does.

Monetary union, by eliminating exchange rates fluctuations, will lead to higher investment, more trade, and more stability. It will benefit consumers because there will be greater transparency of pricing across Europe, and more competition. The single market will work better, and interest rates will be lower. These are general economic advantages, to which Corry adds certain specific advantages from a left-wing perspective.

First, the power of currency speculators over the pound will be ended. This is a particularly salient issue for the left in Britain, because speculative pressure on the pound has undermined previous Labour Governments.²¹

“No more will a Labour government have to glance over its shoulder all the time to see how the currency dealers like their latest action. No more will a Labour government come to grief on the back of a currency crisis.”²²

Second, key objectives of New Labour are more likely to be achieved in a context of monetary stability. Fluctuations in exchange rates undermine the basis for social cohesion, partnership, solidarity, and stakeholding. Corry thus associates the expected stability from monetary union with the wider project for reconstructing Britain that has been mapped out on the centre-left.²³

To the left of Corry, but close to his position on this issue, is John Palmer, until recently the long-serving Brussels correspondent of the *Guardian*.²⁴ Palmer argues that the biggest problem facing the left today is how to respond to the negative impact of globalisation on jobs, communities, and the environment. These threats cannot be countered by individual states acting alone. The correct response, Palmer believes, is for states to share sovereignty in key areas such as monetary policy, social and human rights, and the environment. The EU already exists as one such structure for sharing sovereignty.

In an argument that is the mirror-image of one used by proponents of the EU on the right, Palmer argues that the EU can be a powerful force pressing for global constraints on, and greater accountability of global capital. This forms an interesting counterpoint to the argument that is often put by Sir Leon Brittan that the EU is a powerful force for prising open markets globally.

Palmer insists that the system for which the left should be working is a system of democratic global governance, and for this reason his support for monetary union is conditional on it being accompanied by a strengthening of the democratic elements of the EU. He wants to see more powers for both the European Parliament and national parliaments in EU decision making, and a bigger voice for the regions, for local communities, and for “the organisations of labour and civil society”.²⁵

There is concern even among the most convinced pro-Europeans on the left about the degree of democratic control and therefore the legitimacy of the EU system. David Marquand, one of the foremost British intellectuals on the left, warned as long ago as 1982 about the dangers of economic and monetary union becoming separated from progress towards political union.²⁶ This is exactly what seems to many on the pro-European left to have been happening. Donald Sassoon argues that economics has been for too long the driving force of the EU, while politics has taken second place. He believes that the need now is to build a suitable political framework for further economic and social progress. For Sassoon, “The guiding tenet should be that of *la politique d’abord*.”²⁷

However, the adoption of a political agenda does not just simply mean increasing the powers of the European Parliament. The problems of achieving legitimacy for democratic procedures at the European level, which for the Eurosceptic right provide an argument for not proceeding further with European integration, for the New Labour left provide a challenge.

Sassoon argues for a European Charter, that will incorporate the rights of European citizens, but will also establish the purpose of the Union, and what its values are; how to defend and enhance the cultural and political rights of participating individuals and nations; and the decision-making structure within the Union. This Charter would be part of the irreducible core commitments of EU membership: no member state could opt out of it.

“The Charter would give all Europeans a real stake in the Union. The EU would be seen to reinforce rights they already have as national citizens, and in some cases establish some they do not have. It would counteract the notion of the Union as a purely economic construct, and help calm fears among northern Europeans that integration will undermine existing social rights. It would also assuage the anxiety that national cultural differences would be wiped away.”²⁸

Although Sassoon’s Charter is designed to do more than just reinforce the rights of European citizens, citizenship is seen as one means of providing the link between the EU and its people that is such an important gap in the present situation. Sassoon’s Charter would entrench human and social rights and would thus become a guarantee to citizens that their own governments could not deprive them of those rights.

There has been considerable debate both on the left and more widely in the academic community about the efficacy of citizenship as a bridge between the EU and the people. For example, Síofra O’Leary questions whether European citizenship can perform all of the functions that are expected of it, especially in its present form, and argues that it is exclusionary because third-country nationals are denied the right to Union citizenship even if they have lived and worked in a member state for the same period as nationals of other member states.²⁹

One point that Sassoon makes in passing is that although the Charter that he proposes should deal with the powers of the European Parliament, it cannot by itself give increased status and respect to the Parliament. That can only be earned by MEPs, and he argues that, “MEPs are still behaving far too much as delegates of their home parties and not yet thinking in a sufficiently trans-national way.”³⁰ Mark Leonard addresses the same issue in another contribution to the debate on how to institutionalise the link between citizens and the EU, by proposing the development of multinational political parties. While acknowledging the difficulties in developing genuinely European parties, Leonard believes that they are the only real solution to the problem of the democratic deficit, which he prefers to describe as a political deficit.³¹

Leonard is the leading European expert of the think-tank Demos, which is closely associated with the New Labour government, even though his ideas on European political parties did not receive an enthusiastic welcome from that quarter. He quotes Lord Whitty, Labour’s European co-ordinator, as exclaiming in an interview, “Genuine European Parties? Not in my lifetime!”³² However, other ideas coming from the same source have been better received by the government.

In a series of expert seminars, focus group discussions, in-depth interviews, and opinion surveys carried out over six months in 1997-8, Demos attempted to discover what people across Europe think the EU is about, and what they want to see from it in the future. The results inform another pamphlet written by Mark Leonard.³³ Here he argues that the EU is suffering from a legitimacy crisis because people do not recognise in it an organisation that is addressing their concerns and fears. Although many people feel “European” as a result of increased foreign travel, the breaking down of national barriers in food and cuisine, and even the mobility of footballers within Europe, they do not associate this sense of Europeanness with the EU. They see the EU as remote and bureaucratic. They know what they want it to be doing: overwhelmingly they want to see it tackling the problems of unemployment, poverty and exclusion, maintaining peace and security, and protecting the environment. Instead they see an organisation that is obsessed with agriculture, budget contributions, and institutional reform.

Most people do not feel that they personally derive tangible benefits from the EU. Nor are they inspired by the official line on what the EU is about. The peace mission that is still quoted, notably by Chancellor Kohl, has little resonance for young people. They cannot imagine war between the member states of the EU, and they perceive the EU as impotent in the face of the war in former Yugoslavia. The argument that the EU is the key to prosperity is greeted with disbelief in a situation of high unemployment and economic insecurity. Many people blame the Maastricht convergence criteria for their economic problems. The role of the EU as guarantor of democracy is not credible to people who cannot understand its decision-making system, and who believe that it is taking power away from the national democratic institutions that they are used to.

Giving more power to the European Parliament will not in itself solve the problem, because people do not recognise it as a meaningful democratic institution. European citizenship will not attach people more closely to the EU unless it confers real entitlements. At present it confers the right to vote in elections to the European Parliament and in local elections in another member state if you are resident there. This is not meaningful to the vast majority of the citizens of the EU. The positive rights with which citizenship are linked at the national level - human and civil rights, political rights, social rights - are not primarily within the

mandate of the EU. Building a European identity runs into the problem of what lies at the core of being European. Christianity perhaps once did, but today Europe is multi-religious. The same applies to ethnicity, and anyway that is a very dangerous card to play. Democracy is a universal value, more likely to be associated with Washington DC than with ancient Athens. The symbols, such as the flag, carry no meaning unless they are linked to a clear story of what Europe means.

Another approach to the problem of low legitimacy which Leonard identifies has been to try to improve communication. It is true that there is a lot of misinformation about the EU in circulation, and that the Commission has in the past failed to communicate a clear message about its achievements. However, the root of the problem is not that people do not know enough about what the EU is doing; it is that the EU is not doing what they want it to be doing. Rather than improving one-way communication, the EU should be looking at ways of increasing two-way communication, of developing a dialogue. If the political leaders listened to what people wanted and tried to supply it, the legitimacy problem would start to disappear.

Leonard proposes seven ways in which the EU can develop to make itself more meaningful to the people of Europe:

- by tackling problems that states cannot tackle alone such as international crime and environmental problems;
- by devoting more resources to scientific and technological research at the EU level;
- by improving public transport to facilitate economical and easy travel;
- by devoting more resources to underpinning the quality of life in cities, and less to rural support;
- by addressing the people's top concerns of unemployment, poverty, and social exclusion;
- by addressing issues to do with the quality of life, such as placing further limits on working hours, or supporting the protection of areas of outstanding natural beauty;
- by stressing that Europe is a continent of diversity - in cultures, religions, forms of economic activity - and drawing back from tendencies to impose uniformity.

These themes fed into New Labour's programme for the British Presidency of the EU in the first half of 1998, and may underpin the reformulation of the approach of the British government to the EU in the future.

The Eurosceptical left

A left-wing Eurosceptical case is argued in a number of publications by a group of economists from the European Economies Research Unit at the University of Bradford.³⁴ They argue that European monetary union is a dangerous experiment, "a leap in the dark". There has never previously in history been a monetary union without political union, and no sovereign state has ever willingly given up its currency. Nobody knows what the effects will be, and they could well be negative. Under the circumstances it is prudent for Britain to remain outside for the time being.

They go on to argue that there are certain peculiarities of the British position which make it particularly risky for Britain to join. The British economy differs in fundamental ways from those of the continental European economies. Britain has a greater volume of high-technology exports; its economic and business structure is more oriented towards services; it has a smaller agricultural sector and larger gas and oil sectors; it has a larger financial sector; it earns more from overseas investments; its currency is more closely linked to the US dollar than to any European currency; and its exports to the rest of the world outside of Europe are higher and growing more rapidly. Britain also has a lower level of unfunded pension commitments than other states; and there are far more people holding variable-rate mortgages, which increases the impact on households of changes in the short-term rate of interest.

However, the objections of these economists are not just that Britain is different from other EU members. They consider that monetary union is itself a mistake. It will have negative effects on the whole of the EU, imposing deflation as a permanent policy. In a clear echo of arguments on the right, they see control over monetary policy being transferred away from democratically elected national governments to unelected central bankers, and control over fiscal policy being severely constrained by the stability pact. Like their counterparts on the right, they see in the combination of deflationary policies and a widening democratic deficit the potential for growing support for extreme nationalist parties of the right.

Underlying their concern about the impact of monetary union on Britain is a concern about deindustrialisation, which they believe that membership of the EC / EU has accelerated. Also implicit in their arguments about monetary union is a continued belief in the ability of Keynesian interventionist policies to relieve unemployment. These same beliefs can be seen operating in the arguments of other left-wing opponents of British membership of the single currency.

More fundamental objections are presented from a perspective further to the left by Jonathan Michie.³⁵ For Michie, the essence of the question is that, “The Maastricht Treaty reflects a fundamentally free market view of how the economy operates”, which should come as no surprise because it was, “drafted by (and for) central bankers”.³⁶

As seen by Michie, the issue for the left is not how many currencies Europe has, but whether there will be government intervention in the economy to force socially beneficial outcomes, or whether the arguments of *laissez-faire* economics will be accepted: that you cannot go against the market, that public investment will crowd out private investment, that fiscal deficits will be unacceptable to the markets. He believes that it would be worth creating “a new superstate” if it were to be a political force capable of counteracting market forces; but for Michie it is clear that Maastricht is the opposite.

He argues that through the single market programme, and through enforcing the removal of exchange controls, the EU has enhanced the power of international capital to dictate to governments. A single currency will further enhance that power. It will prevent governments from delivering any programme other than that which suits international capital, and this will eventually lead to a political backlash that may prove to be unpleasantly nationalistic, just as happened in the 1930s.

“To respond effectively to the challenges of growth and employment, and of social and environmental policy, will require the exact opposite of everything that the Maastricht Treaty represents.”³⁷

Michie blames the European crisis of low growth and unemployment on deindustrialisation. This is occurring despite continuing demand for industrial goods, which increasingly have to be imported from outside of Europe. Meanwhile, the only jobs that are being created in Europe are low-paid jobs in the service sector.

Although the Delors White Paper shifted attention to the problem of unemployment, it was soon compromised by “the Maastricht straitjacket”, and the positive elements were sidelined. Plans by the Commission to respond to unemployment by reducing taxes on labour ignore the British experience, where labour taxes are as low as in the United States, but high levels of unemployment persist. Plans to subsidise low-wage, unskilled labour would only have the effect of reducing the incentives for firms to invest in technology.

The comparison with the 1930s is very prominent in Michie's arguments. He refers to it again when arguing that Britain will do better outside of the European monetary union. He argues that the Maastricht convergence criteria caused recession in Europe, and that the requirement for monetary policy to be run by an independent central bank with an overriding commitment to price stability risks locking the EU into permanent recession. He points out that in the 1930s, those countries that left the Gold Standard grew more rapidly than those that tried to maintain it.

Michie seems to be arguing that the commitment of the other leading EU member states to the single currency gives new validity to the proposals that the British left were advancing in the 1980s under the title of the “Alternative Economic Strategy” (AES). This argument is made explicit elsewhere by one of Michie's intellectual collaborators, and an advocate of this position within the Labour Party, Bernard Moss.³⁸

Moss argues that the Maastricht version of monetary union commits governments to driving down wages and social spending. In Keynesian terms this amounts to saying that the solution to the problem of unemployment lies in competitive deflation. Moss argues that the answer lies in economic growth, which the Maastricht formula can never provide. He argues instead for promoting growth through the controlled use of devaluation and inflation.

In support of his argument, Moss points out that the economies of those states that left the ERM in 1992 fared much better than those of the states that remained inside and that continued to observe the disciplines of the system. The EU as a whole could pursue this path to stimulating growth, but it will not do so because of the dominance of the general commitment to *laissez-faire* policies, and because it would lead to friction with the United States, which both Britain and Germany want to avoid. Given that there is no prospect of a co-ordinated European socialist strategy, the solution is to pursue a socialist strategy at the national level, which means remaining outside of EMU.

Moss advocates allowing a degree of inflation as a means of reducing unemployment, but this is qualified by a recognition that inflation is a dangerous instrument that has its limits. In the long term, active state intervention to tackle structural problems in the economy is needed. This was what the British left advocated in the 1980s as the AES.

The AES advocated the reconstruction of the British economy behind temporary controls on imports and capital movements. It was characterised by its opponents as advocating the “siege economy”, and it was eventually replaced even on the left by advocacy of co-ordinated management of the capitalist economy through co-operation with other governments in the EC. Moss argues that this possibility has disappeared with the adoption of a *laissez-faire* philosophy in the single market programme and Maastricht.

The clinching argument in the original debate on the British left between the advocates of the AES and the advocates of European co-operation was the experience of the socialist government in France between 1981 and 1983, which tried to reflate the economy unilaterally and was forced to abandon the attempt and to turn instead to a European strategy. Michie and Moss accept that co-ordinated expansion of European economies is preferable to unilateral action, but because they are convinced that Maastricht cannot achieve this, they argue for unilateral expansion of employment in one state, which could then have “a contagious impact” on other states.³⁹ In arguing this, they attempt to re-write history to demonstrate that the French socialist government of 1981-3 was not defeated in its attempt to reflate by the realities of the European economy, but that the left-wing programme was never actually given a chance to succeed. The potential problems of the unilateral strategy were well understood before the socialists took office, and the additional policies that would be needed were clearly identified; but they were never implemented. The left's strategy was not tried and found wanting: it was sabotaged.⁴⁰

Not only does the position taken up by Michie and Moss involve them in reinterpreting the history of the French socialist government of 1981-3; it also leads them to reject the argument, which is heard on both the left and the right of the European debate, that globalisation has rendered national approaches to the control of capitalism obsolete. Michie and Moss do not believe in globalisation. Moss describes it as a “myth”, and “a self-fulfilling neo-liberal prophecy”.⁴¹

In pursuing this line of argument, Michie and Moss are adopting an analysis of globalisation similar to that developed at length by Hirst and Thompson.⁴² These authors argue that although the international economy has changed since the end of the post-war boom in 1973, it remains an international rather than a global economy. In particular, they argue that one of the main changes, the big increase in financial flows across national boundaries, is the result of governments adopting floating exchange rates and abandoning exchange controls. The means to control these flows exists, it is the political will that is lacking. They also argue that most large companies remain essentially national companies which also operate in other countries, rather than being genuinely transnational corporations. Although they may threaten to relocate their operations if faced with government policies that they do not like, in practice they rarely do so because they have too big a commitment to their existing bases of operation.

Hirst and Thomson, though, accept that the greater internationalisation of the world economy makes it more difficult for national governments to regulate the system, and they look for new forms of governance, including co-operation by governments in the EU, to perform the regulatory functions. In contrast, Michie and Moss use this type of analysis to argue for a renewed attempt to regulate capitalism through national government intervention.

Starting, then, from a discussion of the advisability of Britain joining the single European currency, Michie and Moss come round to advocating a strategy that would set any British government on a course that would severely compromise British membership of the EU.

Although both Moss and Michie state that they do not advocate withdrawal of Britain from membership of the EU, it is difficult to see how their unilateral approach is compatible with continued membership. Even in a Europe of variable geometry, there is general agreement that members must sign up to a core of common policies, of which the single market is one.

While Michie accepts that a European socialist strategy, were it on offer, would work better than a national strategy, Moss contradicts him, when he says that while capitalism is inherently international because it “speaks a single language of profit”, labour can only defend its interests from within a system of values (“social norms”) which does not exist at the European level. Europe is divided by linguistic, cultural, and political barriers. There is no such thing, Moss implies, as a European people. Democracy and the public good remain rooted in national cultures and values.⁴³ At this point he is putting forward an argument that is very similar to one of the main arguments of right-wing opponents of further European integration.

Moss also comes close to restating an argument that was once commonly heard on the left, but which has not re-emerged in the current debate. That view was based on the argument that British parliamentary democracy is the product of hundreds of years of evolution, and must not be subverted. It was a view strongly argued by two former leaders of the Labour left, Michael Foot and Tony Benn. Perhaps its absence from the present debate indicates a recognition that it is an argument too beloved of the right to be acceptable to the left.

A different version of the argument that national strategies are more appropriate for the left than European strategies is that associated with the Green Party, which has adopted the slogans “Act local, act global” and “Protect the Local, Globally”.⁴⁴ The argument is developed in Colin Hines's reply to the pro-European socialism of Palmer, which was outlined above.⁴⁵

Unlike Michie and Moss, who deny the reality of globalisation, Hines accepts its existence and sees its effects as deleterious. In this respect there is little difference between Hines and Palmer. However, they differ considerably in the responses that they advocate to the problem. Whereas Palmer wants to democratise the EU and employ it as a tool against the effects of globalisation, Hines does not believe that this is possible because he believes that the EU, in common with much of the rest of the world, is dominated by the ideology of globalisation.

In common with Michie and Moss, Hines argues that the single market programme, the removal of capital controls, and especially the Maastricht blue-print for monetary union have all contributed to institutionalising *laissez-faire* economics in Europe. The blame for this he places on the European Round Table of Industrialists, the organisation of “45 highly influential captains of industry from transnational corporations”.⁴⁶ This is just one of a number of organisations that have acted as global apostles of the ideology of globalisation. Others are the Council on Foreign Relations and the Trilateral Commission.

The idea that an ideological hegemony has been established through the agency of such organisations is particularly associated with Stephen Gill, who has written a study of the Trilateral Commission along these lines.⁴⁷ Gill's specific contribution on monetary union is to argue that Maastricht is an attempt at “locking in” political commitments to what he calls “orthodox market-monetarist fiscal and monetary policies”.⁴⁸

There is another implication of this line of argument, though. If the intellectual hegemony of the global free-market ideas has been established, it is not just a matter of institutions buttressing the system; the leaders of national governments will come to accept the ideas as the basis of their own thinking about public policy. So, Hines argues that the impact of the evangelical groups like the European Round Table has been to shift the agenda of politicians away from meeting the needs of their citizens towards meeting the needs of big business.

If this is correct, then there is no point in relying on elected politicians to build defences against globalisation, because they will be intellectually committed to dismantling such defences. This is presumably one reason why Hines advocates building coalitions from the bottom upwards, because he believes that the only way to counter the damaging effects of globalisation is to construct local coalitions, embracing socialists, environmentalists, and even conservative groups, such as small and medium sized businesses, which will also be damaged by globalisation.

“The divide that will dominate politics into the next century is not left versus right, but globalisers versus localisers”.⁴⁹

CONCLUSION

There are two vigorous debates taking place in Britain about the European Union, one on the right and one on the left of the political spectrum. Despite some overlap in the arguments, particularly the economic arguments for and against British participation in the European single currency, the debates remain separate. Participants in one rarely if ever call to their support the arguments of their counterparts on the other side of the political divide. A book such as Martin Holmes's *The Eurosceptical Reader* only succeed in compiling arguments from both the right and the left by taking the readings out of context.⁵⁰

Each of the debates is concerned with a rather different issue. For the right, the central question is that of national identity. The importance of this issue has been highlighted by a group of predominantly Irish writers, in a collection of essays edited for the Irish Institute of European Affairs by Paul Gillespie. The contributors argue that Britain faces an identity crisis which has four dimensions: the European, the Atlantic, the internal, and the Irish dimensions.⁵¹ The European dimension raises fundamental questions about how Britain views itself and its place in the world; but it is not the only issue that raises similar questions. As Brendan Halligan puts it "Britain's crisis of identity is a multiple one, with Europe as the most dramatic manifestation of its depth and intensity, but it is not fundamental in the sense that it is an effect rather than a cause. The roots of the problem lie in questions about Britain's own vision of itself as a society, a polity, an economy and as a participant in international affairs."⁵²

So, for these Irish observers of the British debate, the problem is national identity, and Europe is only one context in which it is exposed. This shows through most clearly in the debates on the right, which have been predominantly debates within the Conservative Party. However, it is also evident in the debate on the left. Tom Nairn long ago pointed out that the British left was as wedded to nationalism as was the Conservative Party,⁵³ and this comes out in the current discussion among left-wing intellectuals of the merits of the EU as a vehicle for achieving socialist objectives, with some of the participants seemingly still wedded to the idea of national solutions to the problems posed by capitalism.

However, the more general context of the debate on the left is the phenomenon of globalisation: the supposed transformation of a system of national economies linked by trade into a genuinely global economy in which national borders are increasingly irrelevant to production processes and financial flows, and governments are increasingly powerless to exercise control over the activities of global capitalists. These are issues for all socialists, not just for the British left.

There is disagreement about whether globalisation even exists, but most participants accept that at least there is an intensified degree of internationalisation of the capitalist system. There is strong disagreement, though, about how to respond to this. The pro-European left see co-operation through the EU as a necessity, but worry about the democratic implications of shifting competencies to the European level. The Eurosceptic left, on the other hand, either despairs of effective socialist action through the EU, or has never believed in its possibility anyway. These rather diverse writers want to return to national solutions.

For many other European socialists there must be something depressingly narrow and backward-looking in the focus of the British nationalist left. In the end, although they want a different type of state, they resemble their counterparts on the Eurosceptic right, with whom they would have great political difficulty in associating. Eurosceptics on both sides of the political divide tend to see only the negative aspects of the EU. Of the Eurosceptics, the only really radical ideas are coming from the Green Party, which despite having an idealistic tinge to its attachment to local initiatives, at least manages to avoid the complete rejection of European co-operation or a complete retreat to faith in national central government.

On the other side of the debates, the pro-European right, while being strong on arguments from economic necessity, appears to avert its eyes from the problems of democracy and legitimacy that are involved in shifting competencies from the national to the EU level.

It is difficult to avoid the conclusion that such original thinking as there is on how to embrace a European future for Britain is coming from the pro-European left, and in particular from left-of-centre think-tanks such as Demos and the Institute for Public Policy Research (IPPR). Although some of their ideas are speculative, and possibly even unrealistic, they are at least generating new ideas about the EU, which could feed into a national debate about the future of Europe that would be more than just a narrow discussion of the future of Britain. They are also ideas that are relevant to other member states, which are in some cases having to face up to the issue of the legitimacy of the EU among their own people for the first time. While some of the debate in Britain may be parochial and somewhat unsophisticated, on issues like the problem of legitimacy, issues that are central to the future of European integration, the British contributions to the European debate are perhaps more sophisticated than those to be found in other member states.

NOTES

¹ Dr Robert Ackrill of the University of Leicester; a similar point was also made in correspondence by Professor Clive Church, University of Kent at Canterbury.

² David Baker, Andrew Gamble, and Steve Ludlam, '1846 ... 1906 ... 1996? Conservative Splits and European Integration', *Political Quarterly*, 64/4, 1993, pp. 420-34.

³ *Hansard: Parliamentary Debates, House of Commons*, 13 Nov. 1990, cols. 461-5.

⁴ Sir Geoffrey Howe, 'A better European policy for Britain' *Financial Times*, 30 January 1995; Sir Leon Brittan, 'Can British National Identity Survive Further European Integration?' (Debate with John Redwood), *Politics Review*, vol. 6, no. 4, April 1997, pp. 22-3.

⁵ Quentin Davies, *The United Kingdom and Europe: A Conservative View*, London, Conservative Group for Europe, 1996; Ray Whitney, *Time to Return to Euro-Sanity*, London, Conservative Group for Europe, 1996.

⁶ Davies, *The United Kingdom and Europe*, p. 22.

⁷ Brittan, 'British National Identity', p. 22.

⁸ Davies, *Time to Return to Euro-Sanity*, p. 6

⁹ Brittan, 'British National Identity', p. 22

¹⁰ For example, Whitney, *Time to Return to Euro-Sanity*, consists entirely of attempted refutations of the Eurosceptic arguments.

¹¹ Margaret Thatcher, *Britain and Europe*, London, Conservative Political Centre, 1988

¹² Norman Lamont, *Sovereign Britain*, London, Duckworth, 1995; 'The People will Kill the Euro', *Daily Telegraph*, 30 Mar. 1998.

¹³ John Redwood, 'Can British National Identity Survive Further European Integration?' (Debate with Sir Leon Brittan) *Politics Review*, vol. 6, no. 4, April 1997, p. 23; John Redwood, *Our Currency, our Country: The Dangers of European Monetary Union*, London, Penguin, 1997.

¹⁴ Redwood, 'Can British National Identity Survive?' p. 23

¹⁵ Redwood, 'Can British National Identity Survive?' p. 23

¹⁶ Redwood, 'Can British National Identity Survive?' p. 23

¹⁷ Michael Portillo, *Democratic Values and the Currency*, London, Institute of Economic Affairs, Occasional Paper 103, 1998.

¹⁸ Portillo, *Democratic Values*, p. 17, quoting Helmut Kohl's speech to the Council of Europe on 28 Sept 1995

¹⁹ Dan Corry, 'Why the Left Should be for EMU' in Dan Corry and Jonathan Michie, *EMU: The Left Debate* Sheffield, Political Economy Research Centre, Policy Paper No 4, 1997, pp. 1-10.

²⁰ Corry, 'Why the Left' p. 1

²¹ For a succinct history of the relationship between the Labour Party and the pound sterling see Andrew Gamble and Gavin Kelly, *The British Labour Party and Monetary Union*, paper presented to a conference on Social Democrats and Monetary Union, Oslo, May 30-31 1998, available from the Political Economy Research Centre, University of Sheffield

²² Corry, 'Why the Left...' p. 3

²³ See, for example, Will Hutton, *The State We're In*, London, Jonathan Cape, 1995; Gavin Kelly, Dominic Kelly and Andrew Gamble (eds), *Stakeholder Capitalism*, Basingstoke, Macmillan, 1997

²⁴ John Palmer and Colin Hines, 'For Good or Evil?' *Red Pepper*, August 1998, pp. 18-21.

²⁵ Palmer and Hines, 'For Good or Evil?' p. 19.

²⁶ David Marquand, 'The Politics of Monetary Union', in *The New Reckoning*, Cambridge, Polity, 1997, pp. 93-109

²⁷ Donald Sassoon, *Social Democracy at the Heart of Europe*, London, IPPR, 1996, pp. 11-12

²⁸ Sassoon, *Social Democracy at the Heart of Europe*, Summary, p. iv.

²⁹ Síofra O'Leary, *European Union Citizenship: Options for Reform*, London, IPPR, 1996. This whole issue of whether, in the process of trying to overcome the problem of lack of identification of its citizens with it, the EU is in danger of becoming a community that excludes other peoples has much exercised the New Labour left, and has also generated a wider debate. See Paul Howe, 'A Community of Europeans: The Requisite Underpinnings' *Journal of Common Market Studies*, 33(1), 1995, pp. 27-46; Theodora Kostakopoulou, 'Why a 'Community of Europeans' Could be a Community of Exclusion: A Reply to Howe', *Journal of Common Market Studies*, 35 (2), 1997, pp. 301-8; Paul Howe, 'Insiders and Outsiders in a Community of Europeans: A Reply to Kostakopoulou', *Journal of Common Market Studies*, 35 (3), 1997, pp. 309-14

³⁰ Sassoon, *Social Democracy at the Heart of Europe*, p. 36

³¹ Mark Leonard, *Politics without Frontiers: The role of political parties in Europe's future*, London, Demos, 1997

³² Leonard, *Politics without Frontiers*, p. 69

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- ³³ Mark Leonard, *Rediscovering Europe*, London, Demos, 1998
- ³⁴ Brian Burkitt and Mark Baimbridge, 'Britain and the European Community: Past, Present ... and an Unravelling Future?', in Martin Holmes (ed) *The Eurosceptical Reader*, London, Macmillan, 1996, pp. 167-85; Mark Baimbridge, Brian Burkitt, and Philip Whyman, 'Economic and Monetary Union in Europe: A Critical British Perspective' *New Political Economy* 2(3), 1997, pp. 491-5; Brian Burkitt, Mark Baimbridge and Philip Whyman, *A Price Not Worth Paying: The Economic Cost of EMU*, London, Nelson & Pollard, 1997.
- ³⁵ Jonathan Michie, 'Why the Left Should be Against EMU', in Dan Corry and Jonathan Michie, *EMU: The Left Debate* Sheffield, Political Economy Research Centre, Policy Paper No 4, 1997, pp. 11-17.
- ³⁶ Michie, 'Why the Left Should be Against EMU', p. 11
- ³⁷ Michie, 'Why the Left Should be Against EMU', p. 12
- ³⁸ Bernie Moss, 'EMU: what the government doesn't want you to know', *Labour Left Briefing*, April 1998, pp. 14-15; Bernie Moss, 'EMU and the ghost of Thatcher', *Labour Left Briefing*, June 1998, p. 16.
- ³⁹ Michie, 'Why the Left Should be Against EMU', p. 16
- ⁴⁰ Bernard H. Moss, 'Economic and Monetary Union and the Social Divide in France', *Contemporary European History*, 7(2), 1998, pp. 227-47; Bernard H. Moss, 'France: Economic and Monetary Union and the Social Divide' in Bernard H. Moss and Jonathan Michie (eds) *The Single European Currency in National Perspective: A Community in Crisis?* London, Macmillan, 1998, pp. 58-86.
- ⁴¹ Moss, 'EMU' p. 14
- ⁴² Paul Q. Hirst and Grahame Thompson, *Globalization in Question : The International Economy and the Possibilities of Governance*, Cambridge, Polity Press, 1996.
- ⁴³ Moss, 'EMU' p. 14.
- ⁴⁴ Colin Hines, *Act local, act global: Greening the European Union - a challenge to globalisation*, London, The Green Party, 1998.
- ⁴⁵ Palmer and Hines, 'For Good or Evil?'
- ⁴⁶ Palmer and Hines, 'For Good or Evil?', p. 19
- ⁴⁷ Stephen Gill, *American Hegemony and the Trilateral Commission*, Cambridge, Cambridge University Press, 1990
- ⁴⁸ Stephen Gill, 'European Governance and the New Constitutionalism', *New Political Economy*, 3(1), 1998, p. 5
- ⁴⁹ Palmer and Hines, 'For Good or Evil?', p. 21
- ⁵⁰ Martin Holmes, *The Eurosceptical Reader*, Basingstoke and London, Macmillan, 1996
- ⁵¹ Paul Gillespie (ed), *Britain's European Question: The Issues for Ireland*, Dublin, Institute of European Affairs, 1996.
- ⁵² Brendan Halligan, 'Britain, Ireland and EMU: the Currency Dilemma' in Gillespie (ed) *Britain's European Question*, p. 126.
- ⁵³ Tom Nairn, *The Left Against Europe?* Harmondsworth, Penguin, 1973