

The British election: ruling circles remain divided over Europe

Socialist Equality Party of Britain
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The Conservative Party has tried to make opposition to Britain joining the euro, the common currency adopted by the majority of European Union (EU) countries, the central issue in today's general election. With opinion polls generally showing a large majority against adopting the euro, the Tories had hoped this would revive their flagging electoral fortunes. However, they failed to obtain any significant response. Their standing remains at an all time low, despite the fact that several national newspapers, including Rupert Murdoch's *Sun*, support them on this issue.

Opinion polls also show that on most voters' list of priorities, the euro ranks toward the bottom, with basic questions such as education and health care considered far more important. Largely for this reason, the Tories' appeals to jingoism have failed to compensate for their deep unpopularity, a result of the constant attacks on workers' living standards and democratic rights during their 18 years in office. Even the coalition of businessmen and politicians, from both the Conservative and Labour parties, running the "Save the Pound" campaign decided to dissociate themselves from the Tories, for fear it would discredit them.

This should not be interpreted as confirmation that the Labour Party's generally pro-European line has won the day. The British ruling class is deeply divided in its attitude towards Europe, and any serious debate would expose the fissures within both Tory and Labour ranks.

Fundamental questions are involved in adopting the euro, which will shape the economic, political, social and even military future of Britain.

The official launch in January 1999 of the euro, which becomes the common currency circulating in the majority of EU states next year, is the culmination of efforts by the various national political elites on the continent to create a Single European Market. It is part of Europe's response to the challenges posed by globalisation and the need to compete against the US and Asia. The central aim of the European governments has been to overcome the restrictions imposed by the division of the continent into a patchwork of national economies, with separate currencies, conflicting monetary and fiscal policies, varying tariffs and other hindrances to trade and investment.

There are currently 12 countries participating in the single currency: Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. During a transitional period, a single monetary policy for the eurozone has been established by the European Central Bank, all new government debt is issued in euros and the financial markets have begun switching over to the new currency. By February 28, 2002 at the latest, all national currencies in these participating states will be withdrawn and replaced by the euro.

The single currency has been accompanied by efforts to create an independent European military capability and to integrate the former Eastern European countries into the EU's orbit. This has exacerbated already fractious relations between the major European powers and the US on a whole range of trade and military issues.

Britain's position within these conflicts has always been problematic. That is why every effort is made to couch the debate over British adoption

of the euro solely in terms of what course is best for the economy. Nevertheless, the conflicts between different sections of the establishment constantly threaten to burst out of these narrow confines.

Perhaps the greatest mistake made by the Tories during the election campaign was the decision to bring forward former Prime Minister Margaret Thatcher, in an attempt to mobilise the party faithful. Until then, despite the heated rhetoric, the distinction between the Tory and Labour positions on the euro was somewhat nuanced and vague. Though the Tories presented themselves as the patriotic defenders of the pound and opponents of the "Brussels bureaucracy", their position, like Labour's, was constrained by the need to placate both sides of the debate in business circles: those anxious to adopt the euro at the earliest opportunity, and those with deep reservations over the possible impact of abandoning the pound.

Labour's answer has been to draw up a "five point test" of the UK's readiness to join the euro, covering interest rates and other financial criteria supposed to indicate a high degree of convergence between the British economy and the eurozone. Prime Minister Blair promises that a referendum on the euro will only be held after these criteria have been met. For its part, the Conservative Party does not feel able to rule out adoption of the euro altogether, insisting only that it not take place during the five-year term of the next parliament.

Neither party felt it could go further, particularly given the existence of pro- and anti-euro wings across the political spectrum. Thatcher smashed this political consensus when she declared on the hustings at the end of May that she would "never, never" join the euro.

Her speech was framed in the most chauvinist terms, combining hostility to Europe with an anti-foreigner tirade. She demanded the preservation of the "British character" and insisted that Britain must not be "a soft touch" for asylum seekers. But her speech claimed to address the historic issues that have so far been swept under the carpet.

"Keeping our currency is not, as Labour would have it, just a matter of economics—though the economic case grows weaker as the Euro grows sicker, by the day... To surrender the pound, to surrender our power of self-government, would betray all that past generations down the ages lived and died to defend. It would also be to turn our back on America, leader of the English-speaking peoples, to whom Europe—let's remember—also owes its freedom."

In a subsequent interview with the *Daily Mail*, Thatcher attacked Blair for a lack of attention to history. Her own position was expressed in terms of crude anti-European chauvinism: "All my life, our problems, our wars have come from mainland Europe. All my life the upholding of liberty has come from the English speaking peoples of the world." As opposed to Britain and America, "Germany has a different viewpoint. A different philosophy."

Britain's attitude to Europe cannot be understood outside of an historic framework. Thatcher was making a direct appeal to Britain's historic enmity towards Germany and its post-war political alliance with the US,

coupled with her constant argument for national sovereignty and unrestricted international free trade.

Britain's relations with Europe over the past half-century have been characterised by a high degree of aversion on both sides. In the aftermath of the Second World War, the British ruling class was financially bankrupt and, like the rest of Western Europe, had to rely on massive injections of US capital under the Marshall Plan. The Suez Crisis of 1956, in which the US humiliated Britain and confirmed American domination of the Middle East, served to underline the political realities flowing from Britain's loss of Empire.

The British ruling class was faced with the task of developing new economic and political strategies through which to defend its interests against its international rivals, mainly the US and France, but as post-war reconstruction got underway, also Germany and Japan.

Cold War divisions facilitated Britain's ability to maintain a global role exceeding its economic and military weight. With Europe, and particularly Germany, split in two, the UK cast itself as America's most loyal ally on the continent and within NATO, receiving access to nuclear weaponry and other favours in return. The British ruling class viewed participation in the European economy as essential. But this was bound up with the key political objective of ensuring that Germany could never again dominate Europe and develop as a world power. As Tory party leader Harold Macmillan put it in 1949, "The only guarantee is if the soul of the German people is won for the West. If Germany enters a Western European system, as a free and equal member, then indeed German heavy industry can be subject to control."

With US backing, Britain sought membership in the European Economic Community (EEC, the precursor to the EU) as a means of curbing Germany's growing political and economic power, while also ensuring that Europe remained steadfast against the Soviet Union. France initially blocked UK membership, when President de Gaulle said "Non!", vetoing Britain's applications in 1963 and 1967. The UK finally entered the EEC in 1973 under Conservative Prime Minister Edward Heath. Ever since then, Europe's importance for British trade and investment has increased. Even though Thatcher was less enthusiastic about Europe than her predecessor Heath, she signed the Single European Act in 1986, the legislation that led to the formation of a single European market in 1992.

Thatcher's attitude to Europe was shaped by her commitment to free trade and allowing unrestricted access to the big transnational corporations. She supported every measure designed to end tariff barriers and facilitate the free movement of capital throughout Europe, but opposed all other legislation that would restrict business freedoms, and demanded an opt-out from the minimal reforms included in the EU's "Social Chapter" on labour relations.

Above all, Thatcher was politically hostile to the domination of Europe by Germany and France, and saw membership of the Single European Market as a platform for promoting Britain's interests within Europe, while maintaining the "special relationship" with the US. In 1988, she delivered a speech in Bruges in which she declared, "We have not successfully rolled back the frontiers of the state in Britain only to see them re-imposed at a European level, with a European super-state exercising a new dominance from Brussels."

The collapse of the Stalinist regimes in Eastern Europe in 1989/90 and the reunification of Germany changed the balance of forces within Europe irrevocably. Germany now became the largest single state in the EU, and its position as Europe's economic powerhouse was strengthened. The Tory right concluded that Germany would now become so dominant within the institutions of Europe that Britain should remain outside the euro, and renegotiate or even pull out of treaties with the EU. But Thatcher failed to convince the majority of her party and was removed from leadership in 1990.

"Black Wednesday", September 13 1992, revealed the underlying

weakness of the British economy. The Tory government was forced to pull out of the Exchange Rate Mechanism (ERM), the forerunner to the euro, due to massive speculation against the pound. Since then the Thatcherite wing of the Conservative party has become ever more bellicose against euro entry, leaving her successors, John Major and now William Hague, to balance between the two warring factions.

The issue of Europe's political future has come to prominence once again, with competing proposals to develop the governing bodies of the EU as it expands eastwards presented over the last month by German Chancellor Gerhard Schröder, French Prime Minister Lionel Jospin and President of the European Commission Romano Prodi. Together with the call for a European army, separate from NATO, the Tory right regard these proposals as a move toward an "EU super-state" that would be dominated by Germany. Typical of this outlook was the remarks made by right-wing Tory MP Sir Peter Tapsell, who compared Schröder to the Nazis. Britain, he said, "may not have studied Hitler's *Mein Kampf* in time but, by heaven, there is no excuse for us not studying the Schröder plan [for European integration]."

At the same time there is concern that the US Republican administration under George W. Bush may pursue a more isolationist stance, raising the possibility of Britain falling between two stools.

Thatcher's campaign speech was a major escalation in the campaign by the right wing against Europe. Its strident anti-euro tone almost led to the defection of former Tory Trade Minister Anthony Nelson to the Labour Party. There is no doubt that the future will see further splits and defections.

Thatcher's invocation of Anglo-American links is bound up with preserving Britain's ability to play a leading role on the world arena as well as in Europe. The difficulty for the Tory right wing is that their arguments have failed to convince their previous constituency within the major corporations, and find little support in the US. Divisions inside the ruling elite focus on the degree to which the development of international investment and trade is compatible with further European integration.

On this question, no consensus has been reached by the corporate and political establishment. Contrary to the euro-sceptics, who portray the EU as a quasi-socialist state, Europe's social democratic governments have made serious advances in developing the type of economic and political framework conducive to international capital. The welfare states that were set up in mainland Europe after the Second World War to prevent the spread of revolution are today being dismantled. In order to prepare the way for the euro, the Maastricht summit in 1991 agreed austerity measures that have been used to slash state spending across the continent. Polarisation between the wealthy layer at the top of society and the broad masses at the base is accelerating in Europe, if not yet reaching the same extent as in Britain and the US.

The "restructuring" of industry, in the sense of removing all protection guaranteeing job security and conditions, and the destruction of welfare provisions have proceeded more slowly in Europe than in Britain and the US. But there is no justification for the claim that there is a fundamentally different "social Europe" as opposed to "Anglo-Saxon" capitalism. The ripping up of the social gains of the working class and the levelling down of wages and conditions are part of an international process that has been pursued by the bourgeoisie in all countries, regardless of their political colouration. As the *Economist* magazine put it, "Europe's economic rigidities have not got worse relative to America's over the past two years: on the contrary, European economies have become more flexible far faster than most observers had expected."

As far as big business is concerned, much remains to be done. European industry and agriculture require further rationalisation, inevitably leading to tens of thousands of job losses. The remaining welfare provisions—such as health, unemployment benefits and pensions—represent an unwelcome burden on the rich and the major corporations, which are demanding ever-

greater inroads into public spending.

This has been a factor in the continued decline of the euro against the dollar, down from \$1.17 at its inception in 1999 to below \$0.90. Finance capital and the speculators were attracted by the faster growth of the US economy, and particularly of Wall Street. They regarded the pace of restructuring taking place in European companies and financial institutions as too slow. At the same time, the pound has kept its relatively high value against the euro, as London has maintained its position as the biggest financial centre in Europe, despite competition from Frankfurt, the site of the European Central Bank. Whilst manufacturing industry in Britain complains that the high pound is a barrier to exports, contributing only one fifth of value added, it represents a declining part of the economy compared with the financial and service sectors.

In spite of the high pound and its position outside the eurozone, Britain has continued to be the biggest attractor of inward investment into Europe, with 39 percent of all direct investment going to the UK. The reason is that Britain enjoys a certain competitive advantage as a low wage economy. After the defeat of the miners and other major strikes in the 1980s, low pay, paltry social benefits, flexible working and longer hours than the rest of the EU have been imposed on British workers. Remarkably, Britain's long-term decline in gross domestic product growth relative to Europe has actually reversed from the mid 1990s as a result of the increased exploitation of the working class.

The Conservatives point to these factors to press their argument against euro membership. But the same factors are also cited by sections of the ruling class to support British entry.

America's *Wall Street Journal*, which represents the most rapacious sections of US finance capital, gives the best indication of the type of considerations that lie behind the Blair government's own stance on European integration.

A recent editorial notes with approval that Thatcher's free market philosophy is now the governing philosophy in Britain. "Would that other European countries could have had a Thatcher," it comments. But insists that Thatcher is wrong on the euro. Blair must oppose Thatcher with free market arguments. The government's five economic tests, the *Wall Street Journal* warns, "do not really address the objections of the europhobes."

Britain should enter from the standpoint of seeking to dominate the eurozone, rather than back off out of fear that others may do so. Europe need not be under the thumb of a pro-German European Central Bank, the *Wall Street Journal* argues. In a single currency zone, the paper contends, "money sloshes around free of exchange rate risk, looking for a home." Entrepreneurs' demands for credit should determine the flow of money, not the European Central Bank. Rather than giving up the power to govern itself by joining the eurozone, "fiscal policies decided in London would be more important than ever in providing the environment that entrepreneurs need." In other words, Blair must lead the free market case in Europe, and the lower tax regime in Britain would set the trend, attracting US investors into the eurozone.

The *Wall Street Journal*'s analysis is hardly exhaustive. It does not raise the conflicts over trade questions between the US and the EU. Neither does it mention the whole range of political disputes between the EU and the US, from issues such as Iraq and North Korea to the vexed matter of America's nuclear missile defence shield. But as far those layers for whom the *Wall Street Journal* speaks are concerned, their own political and economic interests will hold more sway the more the European markets are fully opened to US commerce and finance.

In the months following the election, should Labour be re-elected, as is likely, it will be forced to finally grasp the European nettle and begin the process of holding a referendum on adopting the single currency. The working class cannot support either the "Yes" or "No" campaigns. Both sides of the official debate on the euro defend economic liberalism, and advocate the destruction of job security and the further privatisation of

healthcare, education and pensions. The only alternatives that are being offered to the British public are to either accept the EU institutions and the euro, or uphold the pound and the British nation state. If opponents of the euro have insisted on discussing somewhat broader issues than Labour, it is only from the standpoint of defending the wealth and world position of a tiny elite. On this basis, a referendum would only provide the seal of approval to one or another reactionary alternative.

There has been no discussion of the common interests of working people throughout Europe, who face growing social inequality and attacks on the welfare state. In so far as social issues are raised, it is from the standpoint of seeking to identify the interests of workers with the pro-business orientation of Europe's social democratic parties.

The efforts of political leaders like French Prime Minister Jospin to promote a bogus "social Europe" against the "Anglo-Saxon" capitalism of the United States are based on lies. Behind the rhetoric about "social standards" is the attempt to tie working people to national and European institutions, pitting them against their fellow workers throughout the world, and against American workers in particular. At the same time, the type of restructuring of industry and decimation of welfare measures that has occurred in the US is becoming the norm on the continent.

Nor can the working class support the demand to protect "national sovereignty" as some guarantor of its own democratic rights against the EU bureaucracy. National antagonisms within Europe have already led to two world wars. The harmonious unification of the continent is a progressive development, but it cannot be realised under the profit system, where mutually hostile financial institutions and their political representatives dictate the political agenda. A progressive solution to the national divisions in Europe can be achieved only in a struggle to unite the millions of working class people throughout Europe on the basis of socialist policies, in opposition to the transnational corporations and the banks.

The working class should not oppose the development of globalised production and the superior levels of productivity the new technologies offer. Socialism can only become a reality if the vast productive potential of humankind, developed today on a global scale, is taken out of the hands of private corporations. Working people should take over democratic ownership and control of the key areas of production and economic life, against a Europe dominated by transnational corporations and finance institutions only motivated by the drive for more profits. The outmoded system of nation states and national divisions in Europe should be dismantled. A rapid expansion of the healthcare, education and welfare systems to meet the needs of the whole population must be a priority. The struggle along these lines for a United Socialist States of Europe and for a socialist world is the only answer to both the "Yes" and "No" positions on the euro advanced in the British elections.



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