



The Making of Eurosceptic Britain

Identity and Economy in a Post-Imperial State

Chris Gifford

ASHGATE e-BOOK

THE MAKING OF EUROSCEPTIC BRITAIN

For my Parents

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Identity and Economy in a Post-Imperial State

CHRIS GIFFORD

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ASHGATE

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Foreword

The book offers a radical interpretation of a major public issue. It goes beyond existing narrative and institutional accounts of Britain and Europe by presenting a distinctive perspective on this troubled relationship by drawing upon theories of populism and political economy. The core argument is that the anti/pro-European distinction is not sufficient for understanding Eurosceptic Britain. Euroscepticism, it is argued, has become fundamental to constituting Britain and Britishness in the post-imperial context, despite membership of the European Union. The book will be organised chronologically providing lucid overviews of key periods in Britain's relationship with the European Union. While it documents a range of historical facts and events, the focus is on how Eurosceptic Britain is reproduced at certain crucial points in post-war history, such as the Conservative government's crisis over the Maastricht Treaty 1992-1993. Significantly it will make the case that forms of Euroscepticism have become embedded across the British political class and culture, and that this is concomitant with a re-assertion of Britain's historic role in constituting the global economy. It therefore combines a focus on political economy with political identity. These themes also have been explored in two articles some of which are reprinted in this book (Introduction, Chapter 7 and the Conclusion): Gifford, C. (2007), 'Political economy and the study of Britain and European integration: a global-national perspective' *British Journal of Politics and International Relations*, 9:3, 461-476; and Gifford C. (2006), 'Post-Imperial Populism: The Case of Right Wing Euroscepticism' in *European Journal of Political Research*, 45:5, 851-869.

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This book is dedicated to my parents for their unwavering love and support.

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Introduction

Britain's relationship to the European Union has been a matter of intense political debate since the Macmillan government first proposed British membership in 1961. The issue goes to the heart of British political identity and organisation since the Second World War, a period during which Britain's role as a world economic power finally came to an end. The political struggles and divisions initially over British membership of the European Economic Community (EEC) and more recently over the extent of integration into the European Community (EC) and, after 1992, the European Union (EU), have reflected deeper conflicts within the British political order. The purpose of this book is to problematise the geopolitical re-organisation of Britain from imperial state to European Union member state that occurred in the later half of the twentieth century. The central proposition is that this change has created and ignited crises of collective identity within British political institutions and civil society that finds expression in the rise of contemporary Euroscepticism.

The central arguments of the book are introduced in Chapter 1. Existing explanations of British Euroscepticism are considered, as is the theoretically contentious concept of populism. The broad proposition that democratic politics is being displaced by populism in late modern liberal democratic societies is set out and it is argued that the rise of Euroscepticism in Britain reflects a particular structural susceptibility to such trends. Notably, British Euroscepticism is considered to be a manifestation and consequence of a distinct post-imperial crisis. A feature of this crisis was the problem of British economic decline. This has been resolved in a re-assertion of Britain's historically globalised political economy and it is argued that this gives a significant material dimension to the making and remaking of Eurosceptic Britain.

In Chapter 2 the problem of British modernisation is shown to be critical in explaining the failure of British governments to constructively engage with the process of European integration in the 1950s. The British problem with European integration is explained in terms of the failure of Fordism in Britain and the continuation of institutions and policies associated with imperialism. The problem of British modernisation was fundamental to the decision by the Conservative government under Harold Macmillan to apply for membership in the early 1960s. Once Britain enters a post-imperial trajectory, governments are forced to address problems of decline. However, the British problem with European integration is explained in terms of failed modernisation and the re-articulation of imperial institutions and policies associated with imperialism. The decision to apply for membership of the European Community was a conservative strategy of contained modernisation designed to secure core elements of the British state. Elite strategies of flawed Europeanism left intact a structural susceptibility to Euroscepticism within the British political order.

The failure of political elites to establish a legitimate European strategy and the rise of modern Euroscepticism is explored in Chapter 3. The attempts by governments to legitimate membership of the European Community lacked commitment across the wider political class and, on both the left and right the differentiation of Britain from the European Community became the basis for the construction of national projects. A trenchant and populist Eurosceptic politics of ‘otherness’ emerged towards European integration that reconfigured and reasserted core features of the British political order. The consequence of this was to distance governing elites from the implications of membership of the Community. A distinctively British national discourse rooted in opposition to European integration challenged British membership. By the end of the 1970s, this was compatible with the strategic subordination of European policy to the goal of establishing a strong British state enmeshed within a US-dominated globalisation project.

Chapter 4 explores the changing European context within which British governing elites found themselves during the 1980s and 1990s. This is referred to as the second wave of European integration. In response to processes of globalisation, European elites engaged in a re-assertion of the European project as a project of political modernisation. The extent and character of this remains uncertain, nevertheless it was a distinctly European response to the shift from Fordism to flexible accumulation. Indeed, it can be characterised as a contested form of post-national modernisation. It is in this context, that the continual problems of Britain’s relationship to European integration are reconfigured. Specifically, the re-assertion in Britain of an aggressive form of neo-liberalism leads us to rethink the relationship between Britain and the EU in terms of globalised political struggles and contexts.

In Chapter 5 the central claim is that, at its core, the Thatcherite settlement was anti-European because it was primarily a project of global economic flexible accumulation concerned with nationalist legitimation. This was most clearly seen in the populist reassertion of British exceptionalism in the form of a Thatcherite Euroscepticism. On a host of issues including the single market, the European budget and monetary union, Thatcher governments re-asserted Eurosceptic Britain contra European integration. This meant it was structurally incapable of adjusting to the second wave of European integration that was launched under the leadership of Jacques Delors. The eventual consequence of this was a crisis in the relationship between Britain and the European Union that came to a head during the Major premiership.

In Chapter 6, the European crisis of the British state is revealed in the crisis of the Major government over the Exchange Rate Mechanism (ERM) membership and Eurosceptic rebellion over the ratification of the Maastricht Treaty. It is argued that during the period of 1990-1993 the attempt to revise the Thatcherite settlement through a renewed Europeanism was fundamentally flawed and crisis prone. Neither the economic nor the political basis for a constructive British engagement with the second wave of integration was in place and the attempts of the Major government to accommodate to these developments backfired. They gave rise to an extraordinary attack on the governing elite by a populist Eurosceptic movement. The consequence of this failure was the further entrenchment of a populist Eurosceptic Thatcherism within the British political order. It led to the assertion of a neo-Thatcherite

European policy that saw the British government exclude itself from core aspects of the integration process and the reassertion of British exceptionalism. The central argument of this chapter therefore is that the renaissance in Britain's strategic role in constituting the global economy finds expression in a right wing populist remaking of Eurosceptic Britain.

Chapter 7 explores the extent to which the New Labour project has been pro-European and generally what 'Europe' means for Labour in power. New Labour represented a fresh start on European issues and the Blair government placed itself in the mainstream of European policy-making. This reflected a modernising agenda and an apparent commitment to political institutional pluralism. Undoubtedly, the Labour government moved the British state towards a form of regulatory state not entirely incompatible with European developments, however the argument in this Chapter is that this occurred alongside the assertion of British state power and an Anglo-American approach to political economy. The prevarication over the Euro and the support for the US in the war in Iraq exposed continued tensions in Britain's relationship with the European Union. Nevertheless, in the long term, such tensions are clearly viewed as acceptable by core sections of the British governing elite. The central argument here is that Labour continues to assert Britain's difference in relation to European integration and, therefore, reasserts Eurosceptic Britain. This also appears to be viewed as compatible with a leadership role in the European Union, the key objectives of which are to make the European Union adopt the British model of political and economic development. Thus, the Labour government's solution to Britain's European troubles is to reassert Eurosceptic Britain within a more Eurosceptic Europe.

The analysis presented of Britain and Europe identifies both the idealist and materialist tensions that underpin this relationship, and their reproduction and re-articulation by political elites within changing historical circumstances. There are structural problems in Britain's relationship to the European Union that are not easily resolved without substantial shifts in the British political economy and culture, however, neither should the contingencies of the relationship be underestimated as subtle shifts could indicate longer term transformations.

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Chapter 1

From British Euroscepticism to Eurosceptic Britain

The purpose of this chapter is to rethink and revise the ways in which Euroscepticism in Britain has been understood and explained. The aim is to make a conceptual leap from viewing Euroscepticism as a feature or element within the British political system and culture to an understanding of the British political order as Eurosceptic i.e. from British Euroscepticism to Eurosceptic Britain. This will involve a comparative perspective on Euroscepticism that highlights the exceptionalism of the British case and the centrality of culture and ideology to the argument of the book. The idea of *Eurosceptic Britain* becomes meaningful once British Euroscepticism is viewed through the conceptual lenses of populism. The ideological practices associated with Euroscepticism are therefore identified as part of a distinct shift towards a British post-imperial populist politics. Finally, the chapter explores the global material interests and conditions that have intermeshed with ideological struggles over Europe and reinforced a right wing Euroscepticism within the mainstream of British politics.

Explaining Euroscepticism, factionalism and opposition?

A considerable amount of research has emerged in recent years exploring party-based Euroscepticism in the EU member-states including new member-states and accession countries (Taggart 1998; Marks and Wilson 2000; Szczerbiak and Taggart 2000; Sitter 2001; Szczerbiak and Taggart 2003; Batory and Sitter 2004; Taggart and Szczerbiak 2004). A key theme of this literature is that the organisation of party politics within national political systems determines the position of parties on European integration. Building on Taggart's (1998) seminal 'touchstone of dissent' thesis, a broad conceptualisation of Euroscepticism has been adopted that attempts to organise Euroscepticism within a hard-soft dichotomy. Hard Euroscepticism can be defined as fundamental opposition to the idea of political and economic integration and expresses itself as 'a principled objection to the *current form* of integration in the European Union on the grounds that it offends deeply held values, or more likely, is the embodiment of negative values' (Taggart and Szczerbiak 2004: 3). In contrast, soft Euroscepticism 'involves contingent or qualified opposition to European integration' and may express itself in terms of opposition to the specific policies or in terms of the defence of national interest (ibid, 4). As Szczerbiak and Taggart acknowledge, these represent working definitions that are not without problems but they provide an important basis for broad European comparisons of

Eurosceptic parties and movements. Alongside these, case studies of individual countries are important in understanding the qualitative complexities of different national expressions of Euroscepticism.

The high level of Euroscepticism in a relatively large and influential EU member state has meant that British Euroscepticism has received considerable academic attention (Baker, Gamble and Ludlam 1993a, 1993b, 1994; Aspinwall 2000; Usherwood 2002; Baker, Gamble and Seawright 2002; Forster 2002). Euroscepticism is particularly associated with those British politicians on the right of the Conservative party who became increasingly opposed to the second wave of European integration during the 1980s and 1990s. There is, however, a longer history of Euroscepticism in Britain that can be traced back to the first British application for membership to the European Community, if not before (Forster 2002). During this history, British Eurosceptics have shared a common hostility towards the European Union, yet they have reflected a range of political opinion. This Euroscepticism is considered to have had a significant impact on British European policy and contributed to its position as the awkward partner within the integration process (George 1998). Specifically, it has contributed to the failure to embed a distinctive cross-party national approach to Europe that has been evident in other member states (Wallace 1995, 50). A key question surrounds the extent to which there is something distinctive and exceptional about British Euroscepticism. While we might argue that all political systems are in some respects exceptional, a central assumption of the comparative literature is that Euroscepticism can be broadly explained in terms of the organisation of competitive party systems that are characteristic of liberal democratic political orders within the European Union. Following on from this, a central finding is that Euroscepticism is the politics of opposition (see Szczebiak and Taggart 2000; Sitter 2001). Szczebiak and Taggart identify two key features of opposition Euroscepticism,

The first is that opposition to the EU brings together ‘strange bedfellows’ of some very different ideologies. Opposition extends from new politics, old far left politics through regionalism to new populism and neo-fascism in the far right. The second point is that opposition to the EU seems to be related to the positions of parties in their party systems. It differentiates between parties at the core and those at the periphery in the sense that wholly Eurosceptical parties are at the peripheries of their party systems while parties at the core are generally not Eurosceptical. (2000, 5)

In the British case, recent studies have focused on the factional nature of Euroscepticism within political parties and this has been accounted for in terms of the distinctiveness of British political institutions in structuring opposition (Aspinwall 2000; Usherwood 2002). In those countries characterised by power sharing governments, a range of institutional mechanisms enables the ‘Euro-sceptic social voice’ to be ‘filtered out’ (Aspinwall 2000, 433). In comparison, British governments operating in a system of one party rule have to give greater consideration to backbench Eurosceptic opinion than PR systems that tend to produce broad centrist governments. Governments in this situation have been shown to adopt negative positions towards European integration as a consequence of strong opposition within party ranks, particularly when faced with small majorities (*ibid*, 434-436). A further feature of these institutional dynamics has been the externalisation of Eurosceptic opposition (Usherwood 2002).

The fudging of European policy, the failure to manage powerful Eurosceptic factions and a lack of salience across public opinion results in a radical extra-parliamentary Eurosceptic mobilisation that has major implications for party cohesion. From this perspective, the significance of Euroscepticism is to be found in a specific set of British institutional dynamics that has allowed Eurosceptic factionalism within the main parties to take on a particular significance. These arguments are consistent with analyses of Euroscepticism as the politics of opposition but they also point to the role a distinctive political system can play in determining the relationship of Eurosceptic politics to the mainstream.

Both Aspinwall and Usherwood downplay explanations of British Euroscepticism in terms of ideological factors, however their analyses suggest a crisis of political leadership and party cohesion that clearly has a significant ideological dimension. If we address issues of ideology, and of political culture more broadly, then the focus on Euroscepticism as the politics of factionalism and opposition becomes problematic. For example, Baker, Gamble and Seawright (2002) have shown that Euroscepticism in the Conservative party is fundamentally driven by a powerful hyperglobalist ideology at the very centre of the party. The key elements of this ideology include national economic and political independence within a global free market and it implies a fundamental opposition to European integration. This position was advocated by leading members of the Conservative party from the early 1990s onwards and opened up critical divisions within the party from which it has yet to fully recover. In the British context, to focus on the politics of opposition and the party system detracts from the extent to which Euroscepticism is intermeshed with the politics of the mainstream. This is clearly evident in Taggart's and Szczerbiak's (2004: 23) most recent attempt to map pan-European Euroscepticism. It is notable that the British Conservative party is the only mainstream European party with the potential capacity to form a government that is placed under the so-called 'soft' Euroscepticism heading. The broader implication of this is that Britain is exceptional in the sense that Euroscepticism has entered into a cartel party i.e. a centre-left or centre-right party that attempts to appeal to broad spectrum of the electorate and alternate in government. Furthermore, we should not allow the focus on the Conservative party to obscure the history of Euroscepticism within Britain's Labour party both inside and outside of office. British Euroscepticism cannot be fully accounted for in terms of the workings of the party system and the politics of opposition and peripherality. A central argument here is that it is in fact a structural crisis within the party system, rather than the system per se, that has allowed Euroscepticism to take a hold in British politics.

On the concept of populism

It has become almost a cliché to start writing on populism by lamenting the lack of clarity about the concept and casting doubts about its usefulness for political analysis. (Panizza 2005, 1)

While highlighting the problematic history of the concept of populism, Panizza goes on to argue that when understood in terms of its 'analytic core' populism

is both theoretically elegant and empirically rich (ibid). At its 'core' the concept refers to constitution and mobilization of 'the people' antagonistically conceived in opposition to an oppressive and powerful 'other' (ibid, 3). This is a useful starting point as it separates the core of the concept from empirical contingencies (as in empiricist conceptions) and specific historical and/or geographical circumstances and conditions (as in historicist conceptions). Panizza also sees populism as a discourse constituting the entities of 'the people' and 'the other' through the act of naming (ibid, 3). This 'symptomatic reading' of populism has, as Panizza notes, some similarities with a political sociological tradition concerned with populism as part of the processes of collective identity formation (Ionescu and Gellner 1969; Canovan 1981). However, the focus has shifted towards discursive practices and away from structural concerns with, for example, social modernisation (Laclau 2005; Mouffe 2005). This shift is significant as it highlights the problem of representation and the non-essentialist conceptions of 'the people' and 'the other' within populism. Laclau is particularly important for developing a theoretically sophisticated understanding of populism. He understands populism as an ontological category characterised by politico-discursive practices that actively constitute popular identities. This involves the re-aggregation of differences within a political subject (logic of equivalence) and the construction of an internal frontier with an enemy clearly identified on the other side of that frontier (Laclau 2005 37-39). Grounding populism in this 'articulatory logic' means it is not associated with any particular kind of political organisation or party but can emerge from different points of the socio-economic structure (ibid, 44).

Once the theoretical core is specified then other characteristics can be identified as potentially part of the general logic of populism (Canovan 1999, 3-7; Meny and Surel 2002, 12-13). A populist appeal to 'the people' for legitimacy therefore emerges out of the pathologies of traditional representative democracy. It has a characteristic mood that sets it apart from everyday, routine politics. It also involves a specific style of politics that involves simple and direct language, analyses and solutions to problems. It dichotomises complex political debates into right and wrong and good and bad based on the core dichotomy of 'the people' and 'the other'. Finally populist movements can have the potential to structure the political debate forcing 'more habitual participants into a defensive posture and into changing the way discussion takes place, issues are framed, and constituencies mobilised' (Taggart 2002, 78).

A central proposition of this book is that populist processes of collective identity formation and articulation positing Britain against the 'otherness' of Europe and European integration have become typical of British post-imperial trajectory.

Conditions of populism, post-imperial Britain

In an important contribution to understanding the legitimacy problems of European liberal democracies, Mair (2002) has argued that modern politics is increasingly characterised by a separation between constitutional and popular democracy. Constitutional democracy refers to the institutional requirements for good governance while popular democracy refers to the will of the people. Mair accounts

for the emerging separation between these two forms of rule in terms of the declining importance of a key mediating institution, the political party. The traditional populist role of the party was to mobilise electorates and achieve meaningful identification to a political ideology. This role has gone into decline and is indicated by political apathy and disillusionment with party politics. In addition, as representative organs for patterns of interest within society, political parties have found their position usurped by a range of agencies and organisations outside of the party system. Nevertheless, political parties remain essential to the procedures of government. They continue to form governments, control key public appointments and enact legislation. This procedural and institutional role of parties has been maintained while their function in securing wider popular support has become problematic. For Mair, an overt populist politics has emerged as a solution to the legitimisation deficit of modern political parties. In broad terms, in a populist democracy parties are no longer partisan but claim legitimacy on the basis that they represent the mass of the people. Populist democracies are not therefore party systems in a traditional sense because parties transform themselves into or are transcended by mass movements for national appeal.

The extent to which populism characterises the political system in Europe and can be identified as a significant political trend remains an empirical question. However, Mair clearly makes a strong case for viewing Britain as a populist democracy in which the recent politics of New Labour represents a significant attempt to transcend the Westminster system. In fact the disillusionment in Britain with the two party system was already evident by the early 1970s. Nairn argues that since the 1970s ‘each party has from the seventies onwards sought *to become the state and the nation*’ (2001, 9 emphasis mine). This emerges out of the post-imperial crisis within the British political party system. This crisis was characterised by the declining legitimacy of an established elite, de-alignment and electoral volatility and the intensification of factionalism within the main political parties. These trends were exacerbated, if not caused by, the failure of governments of both political persuasions to halt British economic decline and realise projects of modernisation. Significant problems of governing a post-imperial Britain such as civil war in Northern Ireland and trade union militancy proved intractable. By the 1970s, there was a growing sense of a crisis of hegemony within the British state (Hall 1983; Leys 1983). In a context in which the traditional party system no longer seemed to provide effective government, one solution was to try and build a popular national consensus that could overcome the impasse in the party system. Both Thatcherism and New Labour were constituted as popular movements in opposition to the political parties that they claimed to represent. These powerful movements have aimed to transcend and marginalise the parties from which they sprang. As Nairn describes it, “salvaging greatness now came to demand a ‘regime’, a Revolution, or a ‘Project’” (2001, 9).

A dilemma for these movements is that Britain remains primarily a multi-national post-imperial order that lacks any deep or unifying conceptions of ethnic or civic nationhood on which to draw (McCrone and Kiely 2000). As Peter Preston (2007, 163) succinctly puts it,

Britain was an elite-dominated project of empire, Britishness a top-down official ideology, and Britishness was forged in quite specific circumstances and energetically sustained during the lengthy colonial era; it was a contingent achievement, not an upwelling of characteristics innate to the denizens of the United Kingdom.

In a context of imperial decline, the nation has had to be persistently regenerated and there has been a need for an ‘other’ against which a ‘new’ Britain can be redefined. Since the 1970s ‘Europe’ and, more specifically the project of European integration, has played such a role.

In the issue of British membership of the European Community, politicians on the left and right found a cause that could allow them to appeal directly to the nation and transcend party politics. It offered a unique opportunity to establish bases of popular legitimation for national projects that could not be accommodated within the main political parties. The best examples of this were Enoch Powell and Tony Benn.

For Powell, anti-Europeanism was a way to assert a political project centred around a revival of English nationhood. For Benn, it was used to legitimate a project of an independent socialist Britain. Thus, Euroscepticism was a way to appeal to *the people* outside of the mechanisms and institutions of the party system. ‘Europe’ was constituted within the British debate as an issue that was fundamental to the nation; it was simply *too important* to be constrained by party loyalty. While Powell and Benn reflected different sides of the political spectrum, they fought together in the No campaign during the referendum on British membership of the European Community in 1975. Both saw in the issue of British membership an opportunity to reconnect with the people and establish movements that could transcend the crisis politics of the party system. This placed Europe at the centre of the crisis of both main political parties. A loose Eurosceptic movement emerged that fundamentally contested British accommodation with the integration process. Consequently, powerful sections of the main political parties mobilised against those pragmatic party elites who maintained the centrality of British membership of the EC to post-imperial economic and geo-political survival.

Euroscepticism emerged as the guardian of powerful national myths and drew on assumptions about British political identity that appeared to further the process of post-imperial decline. From such a perspective, Euroscepticism appears as part of a degenerating approach to international affairs found in the British political culture characterised by ‘the centrality of the Westminster parliament’ and ‘the myth of exceptionalism – a free country confronting an unfree European continent’ (Wallace 1991, 29).

For Wallace the only genuine solution is for a new sense of national identity to be crafted from the realities of an interdependent world. The problem, however, is that the ‘outmoded’ sense of nationhood he refers to has proved to be particularly resilient. Indeed, Euroscepticism can be seen as a distinct movement to defend core principles of Britishness and the British state that have proved resistant to transformation. In particular, right wing Euroscepticism has drawn on ideological strands within Conservatism defined by its opposition to political interdependence in the global economy and interventionist government at the domestic level (see

Baker, Gamble and Ludlam 1993a). This implies a return to *laissez-faire* in the world economy and minimal yet strong government on the domestic front. Right wing Euroscepticism represented something regressive and conservative within the British political culture but its strength lies in its capacity to be populist and appear contemporary and radical. By such means, it has been able to subvert the meaning of European integration within the British context by a revived discourse of British exceptionalism. It is the cultural reworking of this ideological strand within Conservative politics that is central to understanding the importance of a right wing Euroscepticism that became so influential from the late 1980s onwards. The context for this was the second wave of European integration and drives towards greater European unity, notably monetary union, under Jacques Delors as President of the European Commission. The anti-Common Market sentiments of Eurosceptics in the 1960s and 1970s transformed into a profound Eurosceptic opposition to what was viewed as European state building.

A post-imperial crisis in British politics has embedded a *structural susceptibility* to populist politics. The populist manifestation of Euroscepticism has been a significant expression of this crisis. Membership of the European Community could not be debated without evoking the nation and the people. 'Europe' was re-imagined by Eurosceptic forces as the 'other' of British political identity and interests. It was symbolically constituted as a threat to Britain's exceptional social and political development. By turning Europe into a fundamental political issue, what we find is that it was no longer contained by the party system and the capacity to establish the kind of political consensus on the issue that was evident in other member-states proved impossible. Instead, Euroscepticism intermeshes with mainstream politics furthering the crisis of the British party system and the capacity of governing elites to achieve an effective and stable European policy.

Britain, Europe and globalisation

A central argument of this book is that the manifestation of a post-imperial Eurosceptic populism in Britain has a significant material dimension to it. Since the middle of the nineteenth century, the British economy has on a range of measures been consistently more internationalised than its major competitors (Hirst and Thompson 2000, 340). Indeed Britain was no more globalised in the 1990s than it was in the 1890s (*ibid*). The role that recent British governments have played in macro-engineering a liberalised global economic order can be viewed as consistent with a liberal political economic heritage that can be traced back to Britain's position as a hegemonic imperial power. Thus, the representation of Europe's 'otherness' by Eurosceptic forces is related to Britain's distinct political economic trajectory. This is particularly the case when we consider the 'hyperglobalism' of right wing Euroscepticism.

Arguments (*inter alia* Ohmae 1990) claiming that sweeping transnational economic processes have resulted in inexorable state decline remain highly contentious. They have not only been criticised by work on comparative and regional political economy (Mann 1997; Hirst and Thompson 1999) but also by

those who have identified the way in which processes in the global political economy are intrinsically and fundamentally constituted by national states (Poulantzas 1975; Arrighi 1994; Gowan 1999; Panitch 2000; Barrow 2005). The latter kinds of analyses are central to the arguments of this book as they show that globalisation cannot be abstracted from the actions and politics of capitalist states. From this perspective, Britain's role in globalisation is shown to be central but secondary to the United States.

From the middle of the nineteenth century, Britain controlled world money and global investment under the banner of free trade. This placed financial capital interests and three interconnected institutions at the centre of British governance, and therefore, global power, the City of London, the Bank of England and the Treasury (Ingham 1984). This institutional nexus protected the interests of global financial capital against more modernised forms of state regulation and control. The role of the 'official' state institution in this relationship, the Treasury, was to ensure the business of financial capital was not unduly restricted by formal government activities. The Treasury's capacity to maintain a liberal orthodoxy within the British state has been remarkably continuous (see Cain 1997, 97-98). Burn (1999, 251), drawing on the example of the Eurodollar markets, describes the relationship between state and civil society in Britain as a blurred one in which the Bank of England and City operate as a form of 'private interest government'. It implied a more direct relationship between the British state and global capital than in more typical nation-states. A flexible, financially-driven model of capitalism was therefore embedded in the British political economy long before contemporary discourses of globalisation.

The hegemonic role played by the US in post-war Western Europe was central to its reconstruction as a successful capitalist region and to its security in the Cold War. However, with the breakdown of the Bretton Woods order in the early 1970s there was a shift in the economic relationship between the US and Western Europe. At the time, Nicos Poulantzas (1975, 87) noted that the dollar crisis led to a series of withdrawals by the EEC over issues of monetary policy and the energy crisis in the face of US demands. He argued that in the context of the decline of Bretton Woods, Western Europe was more directly penetrated and targeted by US interests. This he believed represented an offensive 'to undermine the place of a *secondary imperialism* that Europe had succeeded in occupying under its hegemony' (ibid, 88 emphasis mine). From this perspective, globalisation represented a reorganisation of international capitalist relations under US hegemony. Since Poulantzas, commentators have shown how US, and US dominated institutions with a global reach have engaged in the restructuring of capitalist social relations across regions and countries (see Panitch 2000). Gowan, for example, identifies 'The Dollar-Wall Street Regime' as the key mechanism bringing about this transformation,

The American Government chooses not to seek fixed exchange rates with the other main currencies, since that would require the US Government to give up its use of the dollar price as an instrument for choosing its other goals. Therefore, under the regime, the dollar moves in great gyrations up and down against the other currencies, utterly transforming their trading and other environments. (1999, 33)

In moves engineered by US governments, the control of the value of exchange rates shifted from governments to international private finance. The turbulence created by the floating dollar and shifts in US interest rates forced increased reliance of states on US-dominated financial institutions. In addition, Gowan notes that Britain's role in this had in fact been established by the early 1960s when the City of London became an 'off-shore' European base for dollars that could be borrowed and deposited by governments and businesses throughout the world (ibid, 22). In particular, it allowed US banks to operate outside of US domestic regulations (ibid). Moreover, Gowan argues that the City's openness to the global economy was a direct consequence of British government policy (ibid, 38).

The emergence of the Eurodollar market in the City of London is generally seen to represent the beginnings of a shift away from nationally regulated capitalism and towards the re-establishment of the hegemony of global finance (Burn 1999, 226). Burn (1999) has documented exactly how its emergence was a consequence of the institutional architecture of British political economic governance established in the nineteenth century; the City-Bank of England-Treasury nexus. Such analyses locate Britain within politically driven processes of globalisation from well before the Thatcher and Blair Governments' espousals of free market principles. This proposition is highly suggestive of the role of British political institutions in transforming the global economy preceding the breakdown of Bretton Woods and contemporary processes of globalisation. However, it is since the 1980s that commentators have particularly emphasised the role of Britain in 'globalising' Europe. Schmitter and Streeck noted that 'deregulation thus spread from the United States to *Britain, the country with the most open capital markets*, and from there to the European continent, meeting with declining resistance in changing domestic political economies' (1991, 148 emphasis mine). The persistent opposition of British governments to a deeper project of European integration can be seen as part of an offensive against the emergence of a 'secondary imperialism' in Europe. From this viewpoint, Britain's role has been to open up Europe to the free movement of capital while at the same time restricting integration so the EC/EU does not develop the kind of political and social structures that could challenge US hegemony.

To conceive of globalisation as a product of contemporary capitalist state relations, suggests that Britain has had a significant global political economic role that is related to its particular incorporation within US hegemony as well as to its own political economic heritage. The proposition of this book is that these material interests intermesh with political struggles over Europe and are central to the reproduction of Eurosceptic Britain.

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Chapter 2

The Missing European Rescue of the Post-War British State

It is proposed in this Chapter that the difficult relationship of the British state to the project of European integration between 1950 and 1963 can be located in the structural resistance of the British state to modernisation. European integration should be conceptualised in two ways, as an extension of Fordist processes of political-economic modernisation; and as a significant transformation of state relations and the beginnings of a regional government and a post-national political community. In contrast the British state was an imperial state that had been constructed without undergoing the forms of state rationalisation that were more typical of European state building. The British problem of modernisation is shown to be central to the relationship between the British state and processes of European integration. Significantly, it is shown to be continuous once Britain enters a post-imperial trajectory and is forced to reconstruct itself as a nation-state. I argue that the decision to apply for membership of the European Community was a *conservative strategy of contained modernisation* that was designed to secure the core elements of the British political economic order and avoid a more profound reconstruction of state and society. The opposition that arose to this governing strategy of flawed Europeanism only reinforced this conservatism by politically mobilising against European integration in defence of the spurious superiority of British institutions. It is in this Post-War and post-imperial context that the seeds of Eurosceptic Britain are sown.

European integration, Fordism and the rise of regional governance

In this section drawing on Milward's (1992) classic discussion of *The European Rescue of the Nation*, European integration is considered to be part of a Fordist mode of regulation.¹ Fordism² has been characterised as a form of social organisation typical of the twentieth century. It involves the economic dominance of mass production

1 The mode of regulation is the 'the overall unification and articulation of specific structural forms into a complex social formation' and 'regulation encompasses all the constraints acting upon the accumulation of capital at a particular phase' (Aglietta cited in O'Connor 1987, 62). It enables a particular regime of accumulation to be reproduced over a period of time.

2 We should note here that Fordist arrangements were far from uniform and few states clearly fulfilled all the criteria associated with this ideal-type. However, here, the concept of Fordism is used because it is heuristically beneficial for elaborating both the process of

and semi-skilled labour, the centralized organisation of both large-scale capital and labour and a more economically and socially interventionist state (Aglietta 1979; Lipietz 1985; Hall and Jacques 1989; Harvey 1989; Rustin 1989; Overbeek 1990). After the Second World War in Western Europe, Fordism was also more likely to be characterised by formal democratic structures, and included features such as constitutionalism. The project of European integration was an expression of the intensification of international relations between Fordist European states. This occurred to the extent that integration is usefully conceptualised independently of nation-state power as an emergent system of regional governance. This is important to the present study because it is this profound transformation and modernisation of European state relations that has been persistently problematic for the British state.

Milward (1992) has identified the formation of the European Community with the emergence of a common state model across Western Europe after the war. He argues that European integration was a core dimension of the post-war establishment of a new state form, the Keynesian welfare state. This model of the nation-state was predicated on the securing of legitimacy by responding to a greater set of demands from citizens than ever before (Milward 1992, 26). It was organised in terms of a wider social consensus than had been seen in the past, including 'labour, agricultural producers, and a diffuse alliance of lower and middle income beneficiaries of the welfare state' (ibid, 27). There was a virtual guarantee of full employment via Keynesian demand management, and political parties competed with one another for electoral support on the basis of their commitment to welfare programmes (ibid, 31). The success of this post-war welfare state has been identified in its twin settlements (Offe 1984, 147). Firstly, the productivist or redistributive settlement, which formally incorporated organised labour into collective bargaining and recognised its role in public policy formation. With varying degrees of success, this reconfiguration of the power relationship between labour and capital was the mechanism by which the capitalist welfare state attempted to overcome the disruptive struggles and contradictions of liberal capitalism, and enable Fordist economic modernisation to take place (ibid). Secondly, the state secured legitimation by a redistributive settlement institutionalised in the extension of welfare provision and the establishment of the 'social wage' (Rhodes 2000). The implication of Milward's analysis is, however, that for a number of Western European states the construction of the welfare state involved a third settlement, one that redefined the relations *between* these states and secured future growth and stability. The welfare state was dependent on economic growth and the European Community was a key mechanism that secured and stimulated the burgeoning European market (Milward 1992, 223). National protectionism had been seen as one of the main causes of economic instability in the pre-war period, thus it was in the interests of these European states to avoid it. There was a need for a system which allowed governments to subsidise, protect and modernise industries without using tariffs and quotas which closed national borders to trade. This was achieved by the limited surrenders of national sovereignty within the framework of the European Community (ibid, esp. Chapter 4; Milward and Sorenson 1993,

European integration and highlighting British exceptionalism. It should not be read as a final statement on the substantive and diverse trajectories of post-war European nation-states.

15). For Milward, the key political goal behind the integrationist project was to secure the allegiance of citizens to the nation-state, which had been weakened by the catastrophe of the Second World War. This went hand in hand with the need to incorporate Western Germany into a European commercial and political framework (ibid, 134).

In placing Milward's classic account of integration within a broader framework, it is therefore useful to identify the European Community with the post-1945 Fordist solution to the problem of maintaining capitalist growth and stabilising state boundaries. Integration put in place an organised European economic space that allowed capitalism to expand in the interests of the nation-state. In this sense, it was part of a mode of regulation that involved,

highly diversified attempts within different nation-states to arrive at political, institutional and social arrangements that could accommodate the chronic incapacities of capitalism to regulate the essential conditions of its own reproduction. (Harvey 1989, 129)

From the perspective of this model of post-war political economy, European integration provided a *regional* solution to regulation. A solution that was between the nation-state and the broader set of international institutional arrangements that came into place after the War under American hegemony. The elitist and technocratic features of the integrationist project were part of the international spread of Fordist political economic structures. These structures established national societies of citizens whose lifestyles were geared to consumption and who had expectations of rising standards of living. It was in this respect that Milward can legitimately argue that integration was, and remains, primarily 'a response of national governments to popular demand' (1996, 65).

However, Milward understates the role of post-national political developments in the process of European integration and, in particular, Federalist forces³ (1992, 16-17; Anderson 1997, 59). The post-war problem of allegiance led to the extension of the formally rational structures of political authority of which the European Communities were a part. In the nation-state, these structures organised and neutralised political conflict by the extension of bureaucratic institutions that processed the claims of citizens (these included corporative arrangements, welfare organisations, mass political parties, interest groups and parliaments) (Habermas 1976, 37; Offe 1984, 163; 1996, 14). Underpinning these developments were modern principles of political legitimacy, legal constitutionalism and popular sovereignty (Anderson 1992, 340). In Germany and Italy, new forms of regional and federal government were imposed in the wake of fascism. While France remained a unitary state, the solution to its post-war imperial crisis involved the rewriting of the constitution and the establishment of the Fifth Republic. The formal implementation of European integration, the Treaties of Paris (1951) and Rome (1957), were an extension of processes of political modernisation and were part of broader processes of constitution making that underpinned post-war reconstruction. The Treaties linked together elites (national Ministers, officials and interest group representatives) within a formal

3 Milward's cursory dismissal of Federalist forces results in an unnecessary overstatement of his own argument.

framework of institutionalised rules and rule making, which enabled the pursuit of defined economic and political objectives (Wallace 1990a, 79). Within this elite context, the principles of Federalism and the possibilities of European unity had real political meaning (see Lipgens 1982). The central argument of this chapter is that the project of European integration cannot be reduced to mere intergovernmentalism, because it involved an effective transformation of state power and the emergence of a distinctively post-national form of public governance. While this was occurring in the context of post-war American hegemony of the Western world, it represented a distinctive reorganisation of European economic and political relations that could not be reduced to American domination. It was against this background of state reorganisation and post-national modernisation that British opposition to European integration must be understood.

The missing European rescue of the British state

Let us now consider the relationship of the British political order to these processes of modernisation and state reconfiguration. Here Milward's historical account is highly suggestive about the difficult relationship between Britain and the EC. At first sight the social and economic consensus that brought the EC into being was also evident in Britain (Milward 1992, 436). The 'ambitions and functions' of the British state were extended in a variety of ways including, a commitment to full employment; agricultural protection; demand management and state control over industry; and the extension of welfare (*ibid*, 345). A key difference, however, was that on the continent these goals were underpinned by an industrial and commercial policy explicitly designed to support the modernisation of industry and to encourage an export led recovery of national industry primarily within a European trading bloc. Milward argues that British commercial policy was fundamentally at odds with this regional solution to the economic problems of the post-war era (*ibid*, 433). In contrast, British post-war economic policies were based rather on the Bretton Woods agreements and related Anglo-American agreements for a worldwide economic system (*ibid*, 347). British politicians in general believed that this was the basis for the reconstruction of an international economy in which Britain would take second place only to the United States (*ibid*, 347). A key feature of the relevant agreements was the re-establishment of sterling as an international currency in exchange for a substantial dollar loan. The resultant problem, however, was that it put into place a system of fixed exchange rates that could only secure sterling as an international currency against a strong dollar. The 1947 experiment with conversion led to a sterling crisis and had to be abandoned in a matter of weeks (*ibid*, 348). In 1949, sterling had to be devalued because of a balance of payments crisis and by 1950 the solution of the incoming Conservative government was to pursue plans for the floating of sterling on the exchanges (*ibid*, 351). Milward claims that the aim was to restore Britain's national prestige by securing its role in an international financial system (*ibid*, 354). As part of this strategy, there were persistent British attempts to dissolve the European Payments Union (EPU). The EPU was a soft-currency zone that supported European trade and allowed European countries to obtain credit on

easy terms (ibid, 350). British elites, however, believed it diverted trade away from hard currency markets and between 1950 and 1957 they attempted to lead Europe into a 'one world system' (ibid, 352, 387). In general, British governments were fundamentally opposed to the programme of economic modernisation that was underpinning institution building at a European level in the post-war period.⁴

Milward identifies this failure of British governments to take seriously European integration as a failure of British economic modernisation (ibid, 395). He argues that the continued pursuit by political elites of currency convertibility and the 'one world system' was a consequence of the primacy of the interests of the City in economic policy (ibid, 395). The City was in no position to facilitate the introduction of policies of economic modernisation as it was a 'closed social circle protected by its own restrictionist politics' (ibid, 395). Its dominance over economic policy continued because of the weakness of industry with the British state lacking the deep association between commercial and industrial policies that had been developed elsewhere. Industry had a far more limited role in government compared to the Bank of England and the Treasury (ibid, 394). Industry itself did not challenge government policy but rather pursued economic strategies that were defensive, retreating into what were perceived to be 'safe' world markets and failing to take advantage of European opportunities (ibid, 403-424). According to Milward, the new political consensus that was typical of the reconstructed European state was absent in Britain (ibid, 433). The core political institutions of the British state, the Foreign Office and Treasury were dominated by an amateurish and socially prejudiced monied upper class (ibid, 431). Milward argues that the developments underway in Europe were to a large extent an anathema to the British political class,

The startling absence of genuine comparison with any other European country in the many memoranda and analysis of Britain's economic position gives the impression of a hermetically sealed system with so little outward vision that no understanding of European developments could be possible. (ibid)

At this point it is necessary to question whether Milward has accurately pinpointed the problem of the British state and European integration. He places considerable

4 As Milward notes, 'The gulf between British views of a reconstructed world economic order and those of the other OEEC members by summer 1954 were so wide that they were talking about different worlds. The other OEEC members held certain ideas in common about the nature of that order; preserving the common trade rules and practices of EPU and disbaring retaliation and discrimination between its members; removing non-tariff barriers in common with a carefully balanced avoidance of any serious damage to national interest; maintaining predictable exchange rates; retaining a system of mutual consultation at least as institutionalised as that which existed in the Management Board of EPU. Behind these common positions was also the desire of Dutch and the Belgians to formalize the existing practices even further by creating a purely European political framework for the mutual reduction of tariffs. Against that, the United Kingdom could see no reason for any uniquely European commercial institutions once convertibility was established other than a rump body created out of OEEC to supervise the completion of the trade liberalization programme, the only one of the above interests they believed they had in common with the continent' (1992, 385).

emphasis on the limitations of the British post-war consensus and argues that it is this weakness that explains why British governments were later to lead the attack on the post-war welfare state (*ibid*, 433). It is possible to see Milward's analysis of the current problems of the British state with European integration as rooted in this fundamental opposition to European social capitalism (*ibid*, 444). Nevertheless, it is clear that there was a strong commitment to the welfare state in post-war Britain and Milward is noticeably tentative about this explanation (Anderson 1997, 64-65). As Anderson points out, 'consensus is an evasive term, notoriously close to euphemism, which parades rather than defines the democratic will' (*ibid*, 65). The key question here concerns whether we are talking about the particular nature of the consensus in Britain or rather the weakness of that consensus. Is it a problem of actors failing to achieve a consensus or of a structural context which only allows a certain form of consensus to arise? I would argue that it is the latter that is significant. Milward importantly does not explicate this structural context because of his focus on elite motivations. If the problem of the British state and European integration is a problem of British modernisation, and the argument of this book is that it is, then it is necessary to consider the problem of national modernisation in the context of post-war Britain.

The British post-war consensus, the imperial state and the problem of modernisation

The extent to which we can apply the idea of a post-war consensus to Britain requires clarification. Hay points out that 'consensus is perhaps the most disputed term in the academic vernacular of post-war British political history' (1999, 21). The concept is used to describe a degree of bipartisan convergence that existed in the post-war period (Beer 1965, 1982; Miliband 1973; Gamble 1974; Barnett 1986; Lowe 1990; Addison 1994). The clearest demonstration of this convergence was when the 1951 Conservative government took office and retained the commitment to full employment and the welfare state (Jessop 1980, 29). However, the extent to which a consensus existed amongst British elites, let alone across society as a whole, remains highly debatable (Pimlott 1988; Addison 1994, 279-292; Hay, 1996, 44-48). Consensus can be used to refer to agreements on policy objectives across the main parties. However, it becomes more analytically significant when it is used to illustrate a broader political settlement characterised by the structured acceptance and reproduction of the broad parameters of the state (Hay 1996, 44-45).⁵ Such a usage helps to clarify the problem with Milward's analysis which fails to relate

5 Hay argues that consensus and settlement are analytically separate; the former refers to a contingent agreement over policy while the latter reflects the broad architecture of the state (1996a, 45). Heffernan uses the idea of a 'consensual settlement' in order to reflect a broader state settlement that also includes policy convergence. He describes it as a form of 'conformity (if not outright compliance) with an established political agenda which defines what governing actors can do and what they should aspire to do' (1999, 148). Consensus and settlement are both used here to refer to established paradigms and parameters of state activity.

the British consensus to the British state regime, a failure that contrasts with his discussion of the European nation-state. In Britain, the post-war consensus was shaped by existing structures of spatial, political and economic organisation that substantially set it apart from Western Europe. Up until the late 1950s, the British state was primarily an imperial state and, as a consequence, its post-war consensus was only superficially similar to those states who went on to form the EC. The British political culture was imbued with a model of political development that set it apart from the continent and from Fordist modernisation.

Cain and Hopkins (1993b, 266) have argued that the fruits of the victory in 1945 included the survival of Britain's cultural and institutional heritage. Hay points out that the post-war politico-economic settlement was largely inherited from before the war (1994, 45). This inheritance consisted of the dominant institutions of the British imperial order that had been gradually adapted to the development of mass democracy in the late nineteenth and early twentieth century. Initially, when the political order had been threatened by working and middle class radicalism in the eighteenth and nineteenth centuries, the solution was the formation of a cadre of intellectuals and administrators imbued with the elite ethos by the institutions of the public schools, Oxford and Cambridge who were able to actively constitute a hegemonic order (Nairn 1977, 22; Gowan 1987). In her analysis of the 1867 Reform Act, Catherine Hall characterises the formation of this imperial political status: 'property was no longer the basis of the suffrage, but 'race', gender, labour and level of civilisation now determined who was included in and excluded from the political nation' (1994, 27).

These developments were indicative of piecemeal and conservative forms of state rationalisation that took place in the nineteenth century in reaction to domestic pressures and included the extension of the franchise and the establishment of elementary state education. However, it was in the context of a combination of internal and external threats at the beginning of the twentieth century that the British state went through a more intense period of rationalisation. This was a response to a crisis of the British state that stemmed from German and U.S. threats to its global hegemony and the rejection of the authority of the state by Irish nationalists, suffragettes and a growing minority of anarcho-syndicalists in the labour movement (Leys 1983, 39). Significantly, these threats gave rise to a strategy of social imperialism that was centrally dependent on a programme of social reform and attempted to institutionalise conflicts over class, gender and nation (Nairn 1979, 54; Leys 1983, 50; Williams 1989, 156). This strategy saw the Labour party fully incorporated into the state and accepting the 'soundness of Constitution and Parliament' (Nairn 1979, 54). It culminated in what Middlemas (1979) has described as a system of corporate bias,

Under the double system of government's needs and the changing economic and social conditions of their membership what had once been interest groups outside of the formal constitution – what Hobbes called the 'lesser Common-wealths in the bowels of a greater, like worms in the entrayles of a naturale man' – became governing institutions, existing thereafter as estates of the realm, even if they retained the customary habit of opposition to the specific Party governments. (1979, 371)

These developments represented a particular form of British state rationalisation that was firmly established as a necessary condition of state survival around the time of the First World War. Due to both internal and external threats, British political elites committed to the construction of a national political order and established the hegemony of a more revisionist liberal ideology. During the 1920s, this involved the establishment of a system of imperial preferences that allowed newly emerging Fordist industries, such as the car industry, to flourish (Overbeek 1990, 76). However, these developments co-existed with the continuation of a liberal orthodoxy and a commitment to the central principles of *laissez faire*. The British post-Second World War consensus was, therefore, largely a modification of this social imperial consensus, which had been intellectually fashioned towards the end of the nineteenth century and established at the beginning of the twentieth century. The British state did not construct a national Fordist mode of regulation and to do so would have been at odds with the international accumulation strategy of the dominant economic elite.

The post-war Labour government was, therefore, entrenched within an existing conservative liberal imperialist political order that largely remained the basis for social cohesion (Halsey 1986, 63; Nairn 1979, 60). Nairn points out the Second World War provided the Labour party with a 'real opportunity' to move forward but was 'circumscribed' as the war also validated the existing ethos and class structure (Nairn 1979, 60). Labour's incorporation into an existing conservative national consensus was evident on taking office, when the Labour government ended its hostility to imperialism and 'hoisted the burdens of Empire with all the enthusiasm of the converted' (Cain and Hopkins 1993b 277; also Fieldhouse 1984). Initially, Britain was to be the third force in global politics in-between America and USSR, although this ambition was later modified to being the junior partner of America (Curtis 1995, 14). Crucial to securing this world power status was both the extension and reinforcement of the concept of empire (Cain and Hopkins 1993b, 276-277). The Colonial Office was reinvigorated and set about coordinating a post-war renewal of the imperial project (Lee 1977). This strategy could not be dismissed as either inept or based on a nostalgia for the past but rather 'the renewed commitment to Empire was as much a matter of calculation as it was of sentiment. Quite simply, the imperial option appeared to be far more promising than the alternatives, especially in war torn Europe' (Cain and Hopkins 1993b, 276).

While Britain ended the war financially dependent on the United States, it was believed that economic recovery would follow from an eventual revival of free trade imperialism. The economic strategy to enable this to take place initially involved a form of imperial preferential trading and the establishment of the sterling bloc and later by a return to multilateralism and convertibility. The implications of this for the economy were profound as it meant a commitment to shrinking imperial markets, external investment and the pursuit of a high and stable exchange rate. The commitments to full employment, stimulating domestic demand and domestic capital investment were fundamentally compromised (Hay 1994, 45; Anderson 1992, 166).

The popular 'radicalism' that emerged during the war in support for social reform did not, therefore, threaten the imperial order. The social reformist project

was encapsulated in the reports produced by William Beveridge, Master of University College, Oxford and a senior civil servant. The tremendous support for the Beveridge proposals represented a Gramscian passive revolution controlled from above, encapsulating the principles of a revisionary imperialist liberalism (Hay 1996, 30). Social imperialism was not only renewed by Beveridge but also by the Keynesian economic strategy that promised full employment and material prosperity. Importantly, it seemed to promise that there would be no return to the economic crises of the inter-war period. This strategy did not however threaten City and Treasury dominance and this was illustrated by Keynes' commitment to the international role of sterling: 'sterling must itself, in due course, become once again convertible. For, without this, London must necessarily lose its international position, and the arrangements of the Sterling area would fall to pieces...' (Keynes 23rd May 1944 cited in Nairn 1979, 66).

The renewed commitment to a one-world system did not merely represent a weaker version of the European post-war consensus. In Britain, it was a fundamental feature of a wholly *different* consensus involving a renewal of social imperialism under the intellectual guidance of Keynes and Beveridge. Specifically, the agreement to move towards the liberalisation of British foreign economic policy in exchange for American financial support was crucial to this renewal of traditional institutions of the imperial state. The belief in the symbiotic relationship between the international interests of financial capitalism and the national interest was instinctively accepted by British governing elites. This was particularly reflected in the Labour government's attitude to the City and the role of sterling. The Atlee government 'was active in Commonwealth conferences in promoting the solidarity of the sterling area and the use of sterling as a reserve currency. It also took the first tentative steps towards reopening the doors of the London market-place' (Strange 1967, 232). It reinforced the international outlook of the British economy however this was fundamentally dependent on American support. While the aim was to reinvigorate Britain's position as the centre of a global market society, the reality was of inexorable and terminal decline. The continuation of sterling's role as a reserve currency, that provided some basis for the economic and political coherence of the Commonwealth idea, was underpinned by American financial support which had been agreed during the Anglo-American Loan negotiations of 1945 (*ibid*, 60-61). It meant, however, that the so called 'special relationship' developed on the basis of 'an instinctive conjunction of financial interests, so that it seemed impossible, on either side, to imagine life without it' (*ibid*, 72). This had significant implications for the post-imperial restructuring of the British economy, as Overbeek comments,

Increasingly, however, the role of the City in the world economy changed and its place was now clearly defined by the contours of the Atlantic economy and Pax Americana, and by the dominance of those fractions of capital associated with that of American hegemony – the internationalizing 'Fordist' industries such as automobiles, chemicals, and consumer electronics. (1990, 107)

In effect, the renewal of the imperial state became chronically dependent on the United States, a position that proved to be extremely constraining on the reassertion of British power.

The British consensus was inherently hostile to forms of corporatism that were the product of Catholic social theory and the dominant continental model of state building through economic integration (Skidelsky 1993, 354). Indeed much of the British economy was characterised by businesses that lacked the Fordist managerial professionalism that was becoming typical on the continent (Barnett 1986; Pollard 1980). British industry continued to have the hallmarks of the first industrial revolution and was characterised by small capital, coal and cheap unskilled and intensive labour (Overbeek 1990; Hay 1994, 47). Thus the domestic economy was characterised by chronic weaknesses.

The social reforms that were embodied in the post-war welfare state lacked the politico-economic foundations that were evident in continental Europe. The nationalisation of industry and the establishment of corporatist structures did not lay the basis of an industrial citizenship and management continued to operate along similar lines to the past. In effect, corporatist structures became a façade designed to achieve the acquiescence of labour after decisions had been agreed (Panitch 1976; Leys 1983; Coates 1989). In the context of an unreformed polity, the idea that the post-war welfare state implied the establishment and extension of social citizenship was highly dubious (Marshall 1950). Marshall's analysis of the development of citizenship in Britain ignored British imperial history and its archaic political structure. The depoliticization inherent in state-centered conceptions of citizenship has been particularly acute in Britain because of the continuation of monarchical sovereignty and shadow of empire. As Roche notes,

Each of these factors has promoted images of dutiful service and 'loyal subject' status, the latter status often requiring the reactive, military and administrative attitudes of obedience rather than the proactive and autonomous political attitude appropriate to citizenship. (1987, 386)

The post-war British welfare state can be seen as the extension of a form of state sponsored philanthropy, primarily concerned with securing the status of the 'respectable' male white working class and 'his' family. However, this commitment was compromised by the emerging weaknesses in the British internationalised economy and the failure to secure union support for the concept of the social wage (Rhodes 2000, 165-166).⁶

The consequence of domestic conflicts and two world wars had irrevocably put the British state on a path to becoming a nation-state. As Taylor argues, 'the history of the English people and of the English state merged for the first time' (cited in Gray 1986, 35-36). This development however was characterised by contradictions

6 The 1947 sterling convertibility crisis and the 1949 devaluation both resulted in cuts in social spending. A problem for the government was that a fragmented union movement would not accept wage restraint in return for social spending (Rhodes 2000, 165-167). It was early evidence of the incoherence and crisis of the British variant of the social democratic project.

and tensions evident in Taylor's use of the phrase 'the English people'. The post-Second World War British state remained primarily a world state because of its immense colonial possessions, the position of its institutions in the global economy, the continued political currency of free trade imperialism and the role of British elites in global governance. Most strikingly it gave rise to fundamental conflicts at the heart of British economic policy that arose as a consequence of its increasingly contradictory commitments to the global and national orders,

Policy lurched between contracting the economy when a failure to achieve balances, above all in foreign payments, threatened sterling, and expanding it when unemployment started to rise. The excessive use of monetary and fiscal instruments to engineer deflation was highly damaging to investment – both public and private. The manipulation of current and capital social expenditure, had damaging effects on social provision. (Rhodes 2000, 166)

Underlying this failure to sustain a coherent project of post-war modernisation was the dominance of regressive imperial institutions that prioritised the imperial state's role in servicing internationally mobile capital. The construction of Britain as a national order is, therefore, best viewed as a domestic strategy employed by elites to secure Britain as a world state. In this respect it represents a compromised form of state management rather than proactive state modernisation.

So far this account has been suggestive of the structural tensions and contradictions that underpin the relations between the British state and European integration. However, it tells us little about the specific content of this relationship and how the problem of British modernisation expressed itself in specific events and elite practices. The remainder of the chapter demonstrates the ways in which this took place by exploring the historical relationship between the British state and European integration between 1950-1963. The aim is to show that when faced with the radical reconfiguration of state power that the project of European integration represented, the particular features of the British state discussed so far began to vividly express themselves.

The Labour government and the Schuman Plan 1950; an imperial approach to European integration

A number of commentators have documented the British response to the post-war proposals for a European Coal and Steel Community (Greenwood 1992; Deighton 1993; Young 1993; Dell 1995; Gowland and Turner 2000a). This was conditioned by the desire of governing elites to re-establish and maintain the British state's role as a significant global power despite its evident economic and military weakness. In this respect the key objective of policy was to secure a wider Atlantic community consisting of the United States, British Empire and Commonwealth and Western Europe. Without doubt this policy contributed towards the wider geopolitical framework within which European integration could happen (Deighton 1993). However, British priorities also reflected the inherent features of the British state and imposed limits on British participation in the European project. This was

encapsulated in the British opposition to the principals of supranationalism and Federalism that were enshrined in the Schuman Declaration (1950).

The formal beginnings of European integration⁷ can be traced to the Schuman Declaration of May 1950 when the French Foreign Minister put forward the idea of a supranational European authority to govern coal and steel industries,

...the French government proposes to take action immediately on one limited but decisive point...to place Franco-German production of coal and steel under a common High Authority, within the framework of an organisation open to the participation of the other countries in Europe. (cited in Pinder 1991, 1)

The European Coal and Steel Community was the brainchild of Jean Monnet, the head of the French *Commissariat du Plan* that formed the basis of post-war French reconstruction. Monnet persuaded Schuman of the idea because it was seen at the time as a solution to containing a reconstructed Germany. By placing the German steel industry under a supranational authority, the backbone of the German economy was secured within a European framework (Pinder 1991; Anderson 1997). European control over the German steel industry eventually meant any future German rearmament could be monitored and contained. It also resolved the problem of the Ruhr Authority that had been set up in 1948 to watch over Germany's main steel making region.

The question that arises is why did the solution to the control of the Ruhr encompassed the wider ambition of European Federalism? Anderson (1997, 58) raises this issue in his discussion of Milward's intergovernmentalist analysis of the origins of the European Community and argues that Milward understates the role of Federalist forces. In particular, Anderson points out that it was the role of Monnet that led to the proposal of a supranational solution to post-war European cooperation. Monnet was an exceptional historical figure who was capable of turning a vision of a new post-national political order into a practical reality. Anderson identifies his ability to think beyond national differences as stemming from his career as an international banker. This gave him a very different outlook on world affairs to other members of the French political class,

The small, dapper Charentais was an international adventurer on a grand scale, juggling finance and politics in a series of spectacular gambles that started with operations in war procurements and bank mergers, and ended with schemes for continental unity and dreams of a global directorate. (ibid, 59)

Anderson points out that Monnet consistently worked for supranational goals in Europe. He wanted to see a united Europe that would rival the power of the United States. These ideas found favour during the 1950s notably because of the support

7 Discussion on the idea of a European Customs Union had actually begun in 1947 at the instigation of the Americans. In 1949 the Council of Europe was established and called for greater unity. Although Churchill had been a key figure behind these developments, his position on European unity remained ambivalent and he did not appear to envisage any loss of British sovereignty or change in Britain's world role. The Labour government went on to obstruct attempts to give the Council of Europe supranational powers (Young 1998, 20, 43).

for a Federal Europe amongst the smaller nations of Europe (ibid, 63), but also because of the influence of Monnet in the United States and the support he received for the goal of a United Europe. As Grosser argues, ‘in practice, the collaboration of Monnet’s American Friends led all the way to the drafting of entire Treaty articles...’ (1980, 104).

When the Schuman Declaration was published, under Monnet’s influence, it made explicit reference to the goal of political union. This position was restated by the German Chancellor, Konrad Adenauer, who made it clear that the project ‘was above all political not economic’ (Nugent 1994, 39). While the immediate concerns were economic growth and the position of Germany within Europe, the technocratic solution envisaged by Monnet had the wider ambition of binding the relations between European States within a legal constitutional order. Monnet and his supporters who set about constructing the ECSC were part of a European federalist movement that had been born out of resistance to fascism and then to Stalinism. They believed they had found a practical method for achieving integration that would involve the gradual transfer of national sovereignty to a supranational community as national governments came to recognise that this was the most effective way of achieving specific policy goals. Its legitimacy stemmed not from direct support amongst electorates for the European ideal but from an acceptance of the social and economic benefits that accrued from integration. The task of the ECSC was to provide ‘economic expansion, growth of employment and a rising standard of living in the Member States’ (The Treaty of Paris [1951] 1987, 23). A Federal Europe was to be founded on a form of civic supranationalism that mirrored the civic nationalism that formed the basis for post-war reconstruction. Citizenship was partially delinked from traditional ideas of national assertion and relinked to economic growth and welfare. A nascent European civic supranationalism was initiated with the Treaty of Paris and the setting up of the ECSC and reflected the Federalist principle that the peoples and states of the Six members were, at least notionally, equal. The ECSC was therefore an attempt to construct Europe as an organised economic and political space. As I have argued, it was part of Fordist processes of modernisation that supported and mirrored developments at the national level as well as establishing a post-national form of European governance.

The reaction of the British Labour government to the Treaty of Paris indicated the extent to which there was a fundamentally different consensus at work in Britain. The initial plans for a supranational Europe surprised the British. Bevin,⁸ Foreign Minister at the time, was shocked and annoyed by the French proposals and, in particular, at the lack of prior consultation. Both the Germans and the Americans were aware of the impending declaration while the British were taken unawares because they were not consulted on the proposal (Lord 1996, 6; Young 1984, 150). British annoyance with the French proposal was unsurprising as it represented a significant shift in French foreign policy. The British were keen to promote European

8 Although early in his career Bevin had called for a United States of Europe, by 1950 his position was Atlanticist and in May 1950 he put forward the idea of an Atlantic Community and argued for the need to get away from ‘talk about Europe’ (Gowland and Turner 2000a, 26).

cooperation through the framework of the Council of Europe and the Organisation for European Economic Cooperation (OEEC), an approach the French appeared to support. The British policy was to support gradual moves towards European unity based on intergovernmental cooperation,⁹ a policy that was designed to secure a particular form of British leadership of Western Europe. In fact, Bevin had gone so far as to propose the idea of a European 'Third Force' based on Anglo-French cooperation and, in particular, using French and British colonial possessions in Africa as a basis for European recovery (Greenwood 1992, 66). Yet it appears that Bevin, as Foreign Secretary, was unable to change the fundamental direction of an Atlanticist policy that was being pursued by the Treasury,

On every occasion when Bevin actively tried to get the customs union rolling, the economic departments kicked it into touch, the Americans who opposed regional economic arrangements would be offended, that trade with the Commonwealth might be injured and that, anyway, economic integration with the dislocated French economy held no advantage. (ibid, 65)

In general, British financial and military weakness and the emerging Soviet threat meant that the 'special relationship' was to be the basis for any post-war re-establishment of Britain as a global power (Deighton 1993, 13).

This was the post-war consensus on foreign policy that Churchill encapsulated in his 'three circles' speech in 1950 that was made to the Conservative party conference in October 1948. The three circles were the British Commonwealth, the United States and Europe. Churchill had stated that there was an order of priority to these three circles, 'the first circle for us is naturally the British Commonwealth and Empire... then there is the English speaking world. and finally there is Europe.' (Churchill cited in Lord 1996, 62).

The British position was to participate in increased European cooperation but this was to occur alongside the construction of a wider Atlantic community (Deighton 1993, 13). It was believed that this would allow Britain to support European co-operation and maintain its independence and sovereignty as a global power. Inevitably, the Federalist vision of the ECSC was unacceptable and viewed as a threat to the pursuit of a global role.

The French were sceptical, however, of the British commitment to Europe, both because of the Empire/Commonwealth and because of its special relationship with the United States. The supranationalism of the Schuman Declaration therefore represented a new direction in French European policy that broke with the strategy being pursued by the British. As we have seen, this change of direction by the French was given added impetus by American support who increasingly viewed Western Europe as a separate unit (Grosser 1980, 119). This represented a fundamental challenge to the historical British claim to rule over the inter-state system and, therefore, a clear challenge to the British state as an imperial state. As Lord notes,

9 This was most clearly seen in the Treaty of Brussels of 1948 which was signed by Britain, France and the Benelux countries. It committed these countries to support one another in the case of attack and also put forward proposals for cooperation in social, economic and cultural matters.

The preservation of British leadership and an intergovernmental approach to European cooperation were inseparably linked in the minds of British decision makers. Any supranational authority would act as a substitute for British expertise in devising initiatives and brokering between states. (1996, 33)

From a broader perspective, the success of the Schuman Plan can be seen as consistent with the breakdown of British hegemony over world governance that had been occurring since the beginning of the twentieth century (Kennedy 1989, 298).

The Labour government's official rejection of a closer economic union was laid down in a paper presented by Bevin and the Chancellor, Stafford Cripps. It outlined the following implications,

- i. Loss of Her Majesty's Government's responsibility for the budgetary and credit policy and the management of reserves;
- ii. Hindrance to our efforts to reach and maintain equilibrium between the dollar area and the sterling area, we cannot sacrifice opportunities for dollar earning (or dollar saving) in order to make it easier for other European countries to earn or save dollars;
- iii. Opening to European decision making the size of strategic dollar earning and dollar saving of United Kingdom industries;
- iv. Materially affecting the system of imperial preference. (cited in Moon 1985, 71)

Moon points out these implications which 'effectively distanced the Cabinet from European aspirations of economic unification, was accepted by the Cabinet and became its official policy'¹⁰ (ibid, 71). It reflected the traditional economic priority of the British state which was with securing sterling as an international currency and highlighted continued Treasury dominance over policy making. It was part of a strategy that placed multilateral world trade and establishment of a global liberal economic system over intra-European trade or a national accumulation strategy. This was evident in the use of Marshall Plan funds which went towards supporting the international financial position of Britain rather than supporting the modernisation of the domestic industrial sector (Overbeek 1990, 91).¹¹

The British government did not, however, reject the Schuman Declaration out of hand and recognised its contribution to Franco-German reconciliation. A Foreign Office report argued that the plan would be a pragmatic solution to the German problem and that therefore Britain should join it or at least be positive about it, while

10 However, opposition to European integration did not represent the opinion of the Labour party as a whole. The party remained split on the issue with a substantial minority of the Labour movement in a favour of Federal Europe. A motion proposed by a backbench MP at the 1948 conference for a United States of Europe was accepted by the Conference and opposed by the NEC (Moon 1985, 74). The issue was effectively diffused by Dalton, Chancellor of the Exchequer, who emphasised the need for a policy of gradualism and questioned the 'political complexion' of those involved in the European cause (ibid).

11 8.8 per cent went on the financing of machinery and equipment in Britain compared to an average of 10.2 per cent and in the case of France the figure was 11.9 per cent (Overbeek 1990, 91).

acknowledging that supranationalism remained a major problem (Moon 1985, 153). However, the Cabinet position was that they were not prepared to enter into talks unless the supranational principle was negotiable. What is clear from these events is that the British government was not prepared to accept a proposal that might imply unlimited loss of sovereignty and movement towards federation. The formal decision not to participate in the ECSC was taken on 2nd June 1950 and emphasised the prior commitment to submit resources to the jurisdiction of the High Authority as the fundamental reason for non-participation,

The main issues are really political. The exchanges with the French Government have brought out that their proposals, which started in a Franco-German context, have not been given a wider application. It is not merely pooling of resources, but also, in the first place, the conception of fusion or surrender of sovereignty in a European system which the French are asking us to accept in principle. M. Schuman's original memorandum said in terms that his plan would be a step towards the federation of Europe. It has been our settled policy hitherto that in view of our world position and interests, we should not commit ourselves irrevocably to Europe either in the political or the economic sphere unless we could measure the extent and effects of the commitment. (PRO, CAB 129/40, C.P. (50) 120, 2 June 1950)

The Labour party response to the issue was the publication of a pamphlet by the NEC entitled *European Unity* (1950 cited in Lord 1996, 50-51). This rejected the Schuman Plan because it appeared to threaten the Labour party's economic policies. In particular, the coal and steel industries were regarded as part of the commanding heights of the economy and needed to be nationalised in order to maintain full employment. Other European governments reluctance to nationalise their industries meant that the British nationalised coal and steel industries would be combined with private industries in an 'unstable market'. The High Authority was seen as too weak to regulate these industries in comparison to national governments. There was also the fear that the Authority would be dominated by a non-socialist majority. *European Unity* argued that it was better to go with the 'winner takes all' British political system. The threat to the Labour government's national governing strategy was summed up by Herbert Morrison when, in the absence of Bevin, Atlee and Cripps, he was asked to give a final decision on whether Britain would participate, 'it's no good. We can't do it. The Durham miners will never wear it.' (cited in Young 1998, 64).

European Unity went on to refer to how closer involvement in Europe could jeopardise relations with the Commonwealth. It stated that 'Britain has to remember that it is the nerve centre of a Commonwealth that extends over every continent...not just an island off Western Europe'; the Commonwealth, it argued, was the 'nucleus of a potential world society' (National Executive of the British Labour Party, 1950 *European Unity* 1950). The document went on to express fears over the implications of the plan for domestic control of defence matters and on relations with the United States. This document reflected the dominant view within the Labour party towards Europe and alternative views 'achieved no prominence at all within the anatomy of the issue derived from the Parliamentary debate' (Moon 1985, 81).

For the Labour government, involvement in the Schuman plan would have meant challenging some of the core elements of the British state. The priority of the Labour government was to maintain strong single party rule. Indeed, membership of the ECSC was perceived as a weakening of a strategy designed to secure the representation of the organised working class within the British state. This can be seen as paradoxical since the opposition was part of a national class project that was already chronically weakened by its support for the structures of the imperial state. Nowhere was this more evident than in the failure of Labour's nationalisation policy to restructure the 'commanding heights' of the economy and to secure the representations of labour that were found in industry on the continent (Cronin 1991; Hay 1996).

These economic, political and geopolitical constraints on British participation within the Schuman Plan reflected the underlying social imperial consensus within the British political order. The ECSC implied a territorial and capitalist reorganisation of the British state that was profoundly unacceptable at the time. This opposition was most succinctly summarised in a Foreign Office memorandum of 12 December 1951 which outlined a commitment to Atlanticism and Empire/Commonwealth that was to remain unchallenged until the late 1950s,

The United Kingdom cannot seriously contemplate joining in European integration. Apart from geographical and strategic considerations, Commonwealth ties and the special position of the United Kingdom as the centre of the sterling area, we cannot consider submitting our political and economic system to supranational institutions. Moreover, if these institutions did not prove workable, which their dissolution would not be serious for the individual countries which would go their separate ways again; it would be another matter for the United Kingdom which would have had to break its Commonwealth and sterling area connexions to join them. Nor is there, in fact, any evidence that there is real support in this country for any institutional connexion with the continent. Moreover, although the fact may not be universally recognised, it is not in the true interests of the continent that we should sacrifice our present unattached position which enables us, together with the United States, to give a lead to the free world. (DBPO [1986], series II, vol. I no. 414)

The dismay and anger at the Schuman proposals indicated the extent to which the British conception of the European order was being challenged. However, its rejection by British elites also indicated a continued confidence in the principles of British liberal imperialism. The latter was not based on formal legal constitutional arrangements and Fordist economic organisation but on a more informal political domination from London (which in the aftermath of the Second World War meant in partnership with Washington). The British position was to support looser, more intergovernmentalist arrangements such as the OEEC that limited its obligations to Europe and enabled it to concentrate on orchestrating the global political arena. It was informal global political domination that mattered and in this respect Britain treated Europe, the third of Churchill's three circles, in the same way as the colonies of white settlement. In 1863, Disraeli had remarked in the House of Commons that 'colonies do not cease to be colonies because they are independent' (cited in Cain

and Hopkins 1993a, 469). The trappings of formal political independence were often necessary to secure informal political domination,

As they [former colonies] increased their formal political independence, so they became reliant on flows of British capital to an extent that limited their freedom of action in crucial respects and tied export interests and their political representatives to policy norms, the rules of the game, set by London (ibid).

The point here is that real power remained in London; in the case of Europe the attitude was similar. Ultimately, power within Europe was not considered to lie in its sovereign nation-states or in the pooled sovereignty of a unified Europe and its supranational institutions but in the partnership between Washington and London and the establishment of the one world system. While it caused some disturbance for the Labour government, the importance of the ECSC for the government should not be overemphasised. There was a general belief that the ECSC was unlikely to succeed, to the extent that it was perceived as a challenge to existing forms of global governance, it was not considered to be a particularly strong one. Its importance as a fundamental reorganisation of global power relations was therefore underestimated.

The failure of the European Defence Community 1951-1954, a British victory

We may characterise the emerging British position as one of tolerating the moves towards formal integration so as not to jeopardise the ideal of an Atlantic community. European integration was therefore to be viewed as a peripheral element of a form of association that had been enshrined in NATO¹² and the Bretton Woods agreements. This policy of ‘toleration’ hid a more deeply structured British opposition towards European integration that emerged in response to the setting up of the ECSC. This opposition continued with attempts to form a European Defence Community (EDC).

The background to the EDC was the intensification of the Cold War as a consequence of the outbreak of the Korean war (George 1990, 24; Gowland and Turner 2000a, 56). There was a growing fear of a Soviet threat to Europe, which was compounded by the overwhelming superiority of Soviet forces compared to NATO. As a solution to this, the Americans promised extra troops for Europe but in return wanted to see German rearmament. The response of the French was the *Pleven Plan* which advocated a European army, an independent European Defence Minister and eventually a European foreign policy (Northedge 1974, 160). It was also agreed that Federal institutions would be required to control such a structure and that the newly formed Assembly of the ECSC was to be given the task of drafting a treaty for a European political community. The Labour government’s reaction to these developments was critical, in the House of Commons Bevin stated that ‘Europe is not enough; it is not big enough, it is not strong enough, and it is not able to stand by

¹² The outlines of this policy are found in the Foreign Office memorandum of 12th December 1951 DBPO 1986, series II, vol. I no. 414.

itself. It is this great conception of an Atlantic Community that we want to build up' (cited in Evans 1975, 15).

The Plan however had strong American support and the British government agreed not to stand in the way of the French if it was decided to go ahead with the EDC. In September 1951, a joint declaration was signed by France, America and Britain supporting the EDC but without any commitment to British participation. Herbert Morrison, who had replaced Bevin at the Foreign Office, stated that Britain wanted to see 'the closest possible association with the European continental community' (cited in Gowland and Turner 2000a, 58). However, Morrison failed to outline what this closest possible association actually meant.

The election of a Conservative government in October 1951 under Churchill did not change the official policy and the events seemed to strengthen this position. On the 28th November, Eden as Foreign Secretary informed a NATO meeting that British troops would not be part of a European defence force. This was seen by many as a reversal in Conservative thinking as Churchill had been a strong supporter of European unity during the war and while in opposition. In August 1950, he had spoken out in favour of a European army. Eden himself had criticised Labour's isolationism and their refusal to join the Schuman negotiations. However, once in power the Conservative government's support for European unity appeared to be more a matter of rhetoric than reality. Membership of a European Defence Community was seen as potentially undermining the unique relationship that Britain had with the United States, a development which would have allowed a disengagement of American forces from the continent (Young 1998, 75). Although Churchill was viewed as one of the main supporters of European unity, his position was in fact exceptionally ambiguous and he never embraced the idea of any curtailment of British sovereignty. A Cabinet note of October 1951 restated Churchill's position,

Our first object is the unity and the consolidation of the British Commonwealths and what is left of the former British Empire. Our second 'fraternal association' of the English speaking world; and third, United Europe, to which we are a separate closely and specially-related ally and friend.' (PRO, CAB 129/48 C. 51, 29 November 1951)

Eden was primarily an internationalist and, after 1951, an upholder of imperial preference, who saw British national identity as antithetical to European unity (Young 1998, 74).¹³ The position of both Churchill and Eden was therefore that Britain would remain a 'benevolent spectator of the progress of the EDC' (Northedge 1974, 162).

The consequence of this cold British attitude was to leave the French feeling isolated and concerned over German domination of Europe (*ibid*). British refusal to join the EDC was a main factor in its failure and led directly to the refusal of the French Assembly to ratify the Treaty¹⁴ (*ibid*, 166).

13 Young cites a speech by Eden made at Columbia University in 1952 in which he stated that European Federation was something 'we know in our bones we cannot do' (1998, 74).

14 The socialist opponents on the Foreign Affairs Committee of the National Assembly voted against because of British refusal to take a stronger commitment to the EDC (Northedge 1974, 166).

The failure of the EDC opened the space for a British initiative for extending the Treaty of Brussels to include Italy and Germany. This new organisation, the Western European Union (WEU), was a loose consultative organisation which put in place procedures for checking German remilitarisation. Its primary objective was therefore to incorporate Italy and Germany back into the Western defence system. For the British government, NATO remained the most important international defence organisation and the WEU was viewed as the best way of maintaining Anglo-American leadership of the West European bloc. However, damage had been done, Maxwell Fyfe, Home Secretary at the time, stated that the refusal to commit British troops to the EDC ‘destroyed Britain’s name on the continent’ (cited in Turner 2000, 50).

The Conservatives under Churchill appeared more supportive than the Labour government of the idea of European unity. However, the general attitude in the Conservative party reflected a confidence in the ‘solidity and superiority of British institutions and this made the European vision of transcending existing political structures unacceptable’ (Morris 1996, 125). On the issue of supranationalism, there was no similarity between the European Christian democratic parties and the British Conservatives (*ibid*). Yet some sort of leadership role within Western Europe was a fundamental feature of British foreign policy at the time and the failure of the EDC and the formation of the WEU was viewed as a success by the Conservative government. However, this did not prevent the widening of the gap between Britain and her West European allies.¹⁵

In general it can be argued that for both the Labour and Conservative governments the relationship of Britain to Western Europe was framed within the broader parameters of global strategic objectives of an Atlantic community. As we shall see this is a recurring theme in determining the parameters of Britain’s relationship with the EC/EU. Governing elites were at times prepared to be supportive of proposals for greater European unity but without giving any indication of British involvement. They remained imperious and aloof. In many respects, such a policy was realistic considering the devastation of post-war Europe and the continued authority of the British state across the globe. However, it also reflected a structured opposition to the form of political modernisation that was evident in Europe and was finding its most radical expression in the supranationalism of the project of European integration. This was highlighted by the refusal of British governing elites to open up to serious public debate the possible gains and losses of different forms of membership and association with Western Europe (Northedge 1974, 171).¹⁶

15 The Six were also frustrated by the depoliticisation of the OEEC that was being orchestrated by the British and was evident in the opposition to using the OEEC as a framework to discuss tariffs. Instead the British insisted that this could only take place inside GATT (Kaiser 1996, 25-26).

16 Northedge notes that this policy did little to help consolidate Anglo-American relations and suggests that the Americans increasingly viewed the British as ‘an ageing, self-satisfied prima-donna who insisted on holding the limelight though the glory and beauty of her youth were long passed, while her friends were forming successful business partnerships after their retirement from the political theatre’ (1974, 171).

Sabotaging Messina and the free trade proposals

The failure of the European Defence Community did not however end the drive for more Western European integration. Proposals for an economic union were put forward in a memorandum from the Benelux countries presented to the ECSC in 1955. It contained measures for the establishment of a Common Market as well as for joint action in the areas of transport and energy and, in particular, for atomic energy. The Benelux proposals, plus Monnet's proposals for an atomic energy community, were examined at the Messina Conference in 1955 and the outcome of this was the Messina Resolution. This committed the member-states of the ECSC to 'continue the creation of a united Europe through an expansion of joint institutions, the gradual fusion of national economies, the creation of a common market, and the gradual coordination of social policies' (Nugent 1994, 44).

The result of the Messina Conference was the setting up of the Spaak Committee (named after the Belgian Foreign Minister) to put together specific proposals in line with the resolution. The position of the British government was that it was not in Britain's interests to join the negotiations and anyway it was believed that the proposals were likely to come to nothing. The British position reflected the dominant view of the Treasury and the Foreign Office that had been evident in the British response to the ECSC and EDC. Butler, at the Treasury considered membership of a Customs Union to be incompatible with Britain's role at the centre of the Sterling Area and Commonwealth, while Macmillan, at the Foreign Office, prioritised Britain's historic world role (Kaiser 1996, 40-41). However, between 1955 and 56 this stance was challenged on two fronts. Firstly, there was growing concern amongst economic ministries over Britain's declining economic position and, secondly, the success of the Customs Union proposals added to the growing fears over British marginalisation from European developments. Divisions were beginning to open up in Britain's position towards European integration that reflected the concerns over Britain's declining global position.

The British were invited to participate on the Spaak Committee and agreed to do so on the understanding that they had 'special difficulties' with any proposal for a European common market (Camps 1964, 30). This was in line with the official position of appearing to be a benevolent supporter of moves towards integration. It was hoped that Britain would be able to steer the talks 'along the most sensible lines' (PRO, CAB 134/1026 MAC (55) 20th, 16 June 1955 cited in Young 1993, 95). The British representative at the negotiations was not a Minister but rather a civil servant, Russell Bretherton, an Under Secretary in the Board of Trade. This demonstrated the low priority awarded to participation. Bretherton reported to the Spaak Committee that Britain was apprehensive about the moves towards economic integration because of its commitments to the Commonwealth and Empire (Moon 1985, 144). In particular, there was the issue of whether the Treaty of Rome would cover the overseas territories of the member states. The response of the other states was that they were prepared to negotiate on British conditions for entry and wanted to see its participation in a customs union. Bretherton informed his superiors that they were in a position to shape the negotiations to suit British interests (Young 1998, 91). It was therefore clear by August 1955 that Britain had to decide whether or not to take

an active part in the negotiations and, as Bretherton informed his superiors, to do so would have meant a commitment to the final results (Young 1995, 96; Kaiser 1996, 47). The British government decided to withdraw its representation from the Spaak Committee in November 1955, arguing that it was a replication of the OEEC.

However, there was a growing concern in government circles over potential success of the Spaak committee (Kaiser 1996, 48). There had already been some recognition within both the Board of Trade and the Treasury over the economic consequences of British exclusion from European developments (Young 1995, 94; Kaiser 1996, 34-36).¹⁷ These fears were reflected in Peter Thorneycroft's¹⁸ (President of the Board of Trade) letter to Macmillan in January 1956 in which he stated,

I am convinced that the Americans are living in a fools' paradise about Messina, and I strongly recommend that you and the Foreign Secretary should seek to bring home to President Eisenhower the gravity of the dangerous situation which is rapidly developing against the interests of both our countries and all our joint work since the war to build up a 'one-world' trading system'. (cited in Milward 1992, 428)

Thorneycroft went on to charge the integrationist project with 'undermining our security and economy' and stated that it would inevitably lead to German domination of Europe (*ibid*, 429). It was evidence of a more aggressive opposition to European developments underlying diplomatic manoeuvring. By the beginning of 1956 it had been agreed that Britain should attempt to sabotage the proposals for a Customs Union by having the Brussels's proposals redirected through the OEEC (Kaiser 1996, 48). The aim was, as Gladwyn Jebb described it, to 'embrace destructively' the proposals for an economic community (cited in Kaiser 1996, 48). The objectives of the British government were to attempt to politically isolate those governments who favoured further European integration and convince the Americans that the Messina initiative would split Europe. Neither of these objectives proved to be successful and the OEEC strategy was reformulated in 1956 into a more constructive set of counter-proposals to the Customs Union. Plan G, as it was known, proposed a European industrial free trade area (FTA) that would preserve British Commonwealth trade and protect British agriculture while opening up the markets of the Six to British industry. Kaiser claims that the FTA proposals were indicative of different positions within the British government (1996, 73-74). For Thorneycroft and the Board of Trade the proposals represented a radical reorientation of British trade policy which involved removing Britain's protectionist trade legacy. It was conceived as a vital modernising strategy formulated in the context of an emerging understanding of the realities of British decline. However, this has to be seen in the context of a post-imperial internationalisation of the British economy that was characterised by two significant features. Firstly, the American penetration of the British economy as American investment into the UK increased by 151 per cent between 1950 and 1958 (Overbeek 1990, 105). Secondly, the EEC's share of British overseas investment

¹⁷ Kaiser notes that in 1955 'the economic ministries already operated against a backdrop of Britain's relative economic decline relative to the Six' (1996, 35).

¹⁸ In fact, Thorneycroft and the Board of Trade stand out in terms of their concern over British exclusion from the EEC (Kaiser 1996, 42).

began to increase dramatically (Overbeek 1990, 106). Membership of the EC particularly suited large British capital that was traditionally outward looking as well as American multinationals that were increasingly basing themselves in Britain. The growing significance attached to EC trade can be seen as part of an emerging post-imperial accumulation strategy that had a distinctly international focus. What was missing was the internalisation of Fordism without which a lot of British industry remained ill-equipped to face the demands of the increasingly competitive European and world economy (Gamble 1994, 115).

For Macmillan, EC membership was increasingly being viewed as part of a revision of the three circles policy designed to secure Britain's position as the mediator between the United States, the Commonwealth and Western Europe. While there was support amongst economic interest groups for Plan G, there was however continued Cabinet opposition against a proposal that might weaken Commonwealth ties and weaken Britain's world role. As we shall see, Cabinet opposition to the proposals only collapsed after the Suez debacle.

The free trade negotiations went ahead but were viewed by the member states as not in their interests. Britain would be able to import relatively cheaply from outside of Europe because of its system of Commonwealth preferences, and still take advantage of the free trade area for exporting within Europe. A free trade area lacked the systems of bargains and sacrifices that characterised the EEC and ensured that everyone benefited. In short, it implied 'commercial advantage with fewer obligations' (Camps 1964, 167; Gowland and Turner 2000a, 108) and lacked the commitment to wider European unity that such obligations implied. Negotiations became polarised between the British and the French; the former being concerned with international free trade, the latter with European unity. Although it was de Gaulle who actually vetoed the free trade proposals, in the end the 'free trade area was defeated by loyalty to the Treaty of Rome' (Camps 1964, 172). It appears that the negotiations never were likely to succeed even before since the Six had become suspicious of British motivations after the earlier attempts to sabotage the Messina initiatives (Kaiser 1996, 91-92; Young 1993, 104). Despite the relaxation of domestic constraints, these suspicions of British motives were justified considering the continued ideological opposition that remained entrenched within the British state to the integrationist project. Ultimately, what divided the British from the rest was the level of regional integration that was being proposed. When FTA negotiations finally failed in 1958, Macmillan told a small meeting of colleagues that 'there were three groups who wanted supranationalism and who were playing no small part on the Commission... the Jews, the Planners and the old cosmopolitan elite' (cited in Young 1998, 118). What had emerged amongst the British governing elite was an 'increasingly desperate antagonism to the Six' (Young 1998, 116). It was viewed as an inward looking protectionist bloc that was antithetical to the kind of world order envisaged by the British governing elites.

Towards the first application for EC membership

The decision to apply for membership of the EC, as revealed by Foreign Office and Cabinet papers, can be viewed as a largely conservative and tactical shift in British policy (Ellison 2000). The decision was designed to secure fundamental geopolitical objectives in the context of imperial decline (George 1990, 1991; Young 1993). Indeed Lord argues that ‘the 1961 application was in many ways grounded in traditionalist categories of foreign policy thought’ (1996, 13). Largely without exception the analytic focus has been on the actions of elites intended to maintain Britain’s strategic position by the pursuit of EC membership (Milward 1997, 7). However, the argument presented here is that to view the first application as a matter of geopolitical decision-making is problematic unless this is located in the context of the pressures for a profound restructuring of the British state regime. In fact, Britain’s decision to join the EC represented a move towards a peculiar kind of nation-state building in the context of the disintegration of Britain as an imperial state and not simply a readjustment to shifts in global strategic alliances.

The non-involvement in the process of European integration for both Labour and Conservative governments during the 1950s can be explained by the continued attempts by elites to secure the British state as an imperial state. To a large extent decisions were being made on the basis of an assessment of the short term disadvantages of membership to Britain’s status as a world power and therefore not on any critical assessment of the chronic nature of British decline. However, it can be argued that even while the Free Trade Association negotiations with the Six countries of the European Economic Community were occurring it was becoming increasingly clear that imperial renewal was impossible and that the British political order was under threat. This is in line with many contemporary commentators of British decline who now consider the period between 1957 and 1960 to be central to understanding the sequence of British decline (Gallagher 1982; Tomlinson 1982; Holland 1984; Cain and Hopkins 1993b). The key event in this respect was the 1956 Suez crisis (Louis and Owen 1989; Cain and Hopkins 1993b), which led directly to the first British application for membership of the Community (Young 1998, 99; Turner 2000, 51).

The Suez crisis and the turn to Europe

The decision by the British Conservative government under Anthony Eden, backed by France and Israel, to invade Egypt was in reaction to Colonel Nasser’s nationalisation of the Suez canal. The grounds for this action were that Nasser wanted to block oil reaching Europe and was intent on invading Israel. The invasion of Egypt by the combined forces of the three powers was met with universal condemnation and, most importantly, was not supported by the USA. The failure of the attack led to an immediate sterling crisis in Britain, and American support for economic stabilisation was only agreed if Britain removed her troops. The impact of Suez on the Conservative party was dramatic and led to the resignation of Eden. The tensions in the party at the time were between the progressive One Nation Tories,

who were increasingly anti-Empire and pro-Europe; and Empire Tories, such as the backbench Suez group, who pressurised Eden to take action over the Suez canal to restore 'Britain's imperial mission and destiny' (Amery cited in Turner 2000, 50). Harold Macmillan was successful in succeeding Eden as Prime Minister because he was seen to be a compromise candidate able to unite the Conservative party. Yet, it was Macmillan who recognised that the Empire was largely over and that Britain's post-imperial future must include membership of the EC. In fact this was consistent with Macmillan's position as one of the leading corporate liberals within the Conservative party. These corporate Conservatives supported state intervention into the economy and emphasised science and technology as a national priority. Macmillan came to link EC membership with this modernisation project.

In the course of 1957, Macmillan became increasingly alarmed by developments on the continent and concerned that British plans for the FTA should succeed. There was no immediate change of policy regarding joining the EEC in the immediate aftermath of Suez, yet it undoubtedly resulted in a radical shift in thinking amongst the party elite; as Edward Heath, Chief Whip at the time, concludes in his account of the Suez crisis,

...perhaps the greatest legacy of Suez was that it forced many of the British establishment to accept that the sun was setting on the British Empire and that America was the new superpower. This in turn forced many who had hitherto been sceptical about European unity to realise that our future lay in our own continent and not in distant lands which our forbears had coloured pink on the map. Even Eden, who had crucially kept our seat empty at Messina in 1955, acknowledged this fact in one of the last memos he circulated as Prime Minister. On 28 December 1956, he wrote that "the consequences of this examination may be to determine us to work more closely with Europe." (Heath 1998, 177-178)

The consequence of Suez was also to seriously tarnish Britain's reputation amongst members of the Commonwealth (Sanders 1990, 148). Many members began to support the movement amongst prominent third world leaders towards a position of non-alignment with either East or West (*ibid.*). This reflected the growing anti-imperialism of both colonies and former colonies and the growing importance of nationalism. As the Empire came to an end, Britain's status as a global power declined. In the relationship between the superpowers, British diplomacy was proving limited. Britain had not established a tripolar world and, if any power was to emerge as a third force, it was more likely to be the EEC. It was becoming clear that America was taking the EEC very seriously and by the early 1960s viewed a United Europe as a potential junior partner (Grosser 1980, 200-201).

The economic benefits of Commonwealth and Empire were also becoming far less certain. With the decline in the prices of raw materials after the Korean war and their reduced import purchasing power, the export potential of these countries grew more slowly (Cain and Hopkins 1993b, 286). Commonwealth markets were also being penetrated by Japan, America and the EEC (Jessop 1980, 70). Furthermore, problems in the British economy were being made worse by money going out of the country into the Empire and this was combined with the high cost of defence to maintain a global role (Cain and Hopkins 1993b, 282-283). The new economic opportunities that began to open up were in Europe and Japan and, as a result, British

trading and investment patterns began to shift towards the former (*ibid.*, 287; Jessop 1980, 70; Sanders 1990, 151). The integrationist project had not proven to be the failure as had been predicted by the British. In fact tariff reductions were occurring earlier than had been envisaged and the Community was generally thriving (Gowland and Turner 2000a, 115). In comparison, the economic and political significance of European Free Trade Association, set up to as a British alternative to the EEC, was proving to be of ‘marginal utility’ (Wallace 1990a, 79). Yet, rather ironically, the British economy was actually performing better than at any time since before the 1880s, the problem, however, was the extent that it was being out performed by its rivals (Gamble 1994, 20). As Cain and Hopkins point out, Britain’s decline as an imperial power became effective only when these relativities changed (1993b, 312). The real problem was that the economy was not growing sufficiently enough to sustain extensive external and domestic commitments. The consequence of this was recurring current account deficits that provoked currency speculation. This was exacerbated by colonies and other countries holding sterling assets that exceeded the value of foreign reserves and resulted in the so-called ‘sterling balances problem’ (Schenk 2002, 347).

The British crisis was therefore a crisis of a world state that was being forced back into its national and regional base by external forces. It was being re-organised within a set of Western institutional arrangements, under American hegemony, that considered the nation-state to be the organising principle. The immediate problem for the political classes was how to adapt to this new reality. Britain seemed unable to take advantage of these structural changes in the global situation in the way that countries such as Germany and Japan were successfully doing. By the end of the 1950s, the reality of decline was clearly apparent (Jessop 1980; Gamble 1994). The growing concern with ‘what is wrong with Britain?’ focused on the lack of modernisation of the major institutions of the British political order, from the economy to the civil service and universities (Jessop 1980, 79; Gamble 1994, 24). The structural boundaries and parameters of the British state appeared uncertain and the contestation over British nation-statehood became the organising principle of political strategies from the 1960s onwards.

These structural developments and shifts in the politico-economic order resulted in a range of policy developments and institutional reforms. In the aftermath of Suez, defence cuts were introduced and decolonisation was speeded up. There was also a strong recognition that British policy had to be more firmly linked to that of the US, as Macmillan noted when reflecting on Suez, ‘it was the action of the United States which really defeated us in attaining our object...This situation with the United States must at all costs be prevented from arising again’ (PRO, AIR 8/1940, COS (57) 220, 11 October 1957 cited in Hennessy 2000, 258).

This situation was eventually to give rise to Macmillan’s ‘grand design’ which would see Britain as a bridge between the EC and America. By 1960 the ‘grand design’ was linked to a programme of modernisation (Hennessy 2000, 257). The domestic response to the problems of economic decline was expansionist economic politics and a more interventionist approach that aspired to French economic planning as a model (Pollard 1980, 398; Jessop 1980, 39-40; Overbeek 1990, 131-132). This included the revival of a corporatist strategy with the setting up of the

National Economic Development Council in 1962 as a common forum involving management, government and labour and some independents in an attempt to consider ways of encouraging economic growth. It also implied a new settlement between capital and labour in the form of a National Incomes Commission (Hennessey 2000, 260). Yet there were weaknesses with this approach; overall economic control remained with a Treasury that avoided direct state intervention into production and continued to prioritise the international role of sterling. While the City and large multinationals were successfully adapting to the new environment, much of British industry remained weak and uncompetitive. Neither did the Macmillan government tackle the problems of British industrial relations and establish effective corporatist structures.

Another plank of modernisation was the concern with defining a national citizenship as Empire was deconstructed. This was particularly evident with the increased immigration from the New Commonwealth (occurring by the late 1950s) and the problems of 'assimilation' that this was perceived to imply. These developments culminated in the 1962 Commonwealth Immigration Act that attempted to control immigration and begin to determine criteria for nationality and residence. It aimed to restrict non-white immigration and broke with Labour's earlier British Nationality Act (1948) that had conferred in law the status of British citizen on subjects of any Commonwealth country. Thus began a more concerted effort to define the boundaries of the national collectivity that has proved to be chronically contentious and complex (see Anthias and Yuval Davis 1992, chapter 2). As we shall see, the decision to join the EC became irretrievably caught up in these struggles to redefine the nation.

Alongside imperial decline and national restructuring, the move towards membership of the EC might be seen as part of a significant strategy of modernisation by repositioning Britain within the most significant economic and political reorganisation of nation-states that had emerged in post-war Europe. Undoubtedly, membership became associated with domestic modernisation for political elites but it remained a compromised strategy and, as we shall see, this was to be typical of its role in domestic politics. What emerged was a conservative strategy of truncated modernisation through membership of the EC. In effect, it became the dominant plank of the Conservative government's modernisation programme and an alternative strategy for an administration unable to carry out a more profound national Fordist reconstruction.

Modernisation without modernising

An effective analysis of Britain's decision to join the EC must recognise that this was a conservative strategy designed to secure core elements of the British state through selective modernisation. The aim was to turn a declining imperial state into the leading capitalist state within an association of nation-states in order to renew the global authority of Britain and reinvigorate the domestic economy. I propose here that the force of British membership of the EEC as a strategy of modernisation was inherently compromised in its initial conception. In effect, it confirmed British dependence on

the US and the internationalisation of the British economy. This poses particular problems for associating British membership of the EC with transformation and modernisation of the British politico-economic structure. Indeed, the European strategy seemed to offer the best of both worlds by implying continuity through change. In retrospect, this flawed Europeanism was evidence of a peculiar form of compromised, post-imperial nation-state building that was eventually to culminate in Eurosceptic Britain. As we shall see, such a strategy was that the coherence of such a strategy was inherently fragile given the ambitious political objectives and structures that were inherent to the project of European integration.

The conservative nature of the British decision to apply for membership of the EC can be illustrated by the geopolitical objectives of the governing elite at the time. In particular, EC membership was viewed as necessary to maintain Britain's key strategic relationship with the United States; indeed, it was partly a consequence of pressure from the United States. The continuation of this key external relationship was viewed as fundamental to British security. In particular the continuation of British power in the world became associated with maintaining an independent nuclear deterrent. However, by the late 1950s it was clear that Britain lacked both the resources and technological know-how to develop its own system. Any continuation of Britain as a nuclear power and thereby its world role, depended on American support for an independent national deterrent (Kaiser 1996, 129). In return, the United States wanted to see British membership because it was believed the British would be more favourable to American interests and keep the Community from becoming an 'inward looking club' (George 1990, 31; Kaiser 1996, 130). Indeed, it was believed that Britain could help undermine de Gaulle's attempts to assume leadership of Western Europe and to make it more independent of American control (Grosser 1980, 183-190).

In 1961, Macmillan met President Kennedy in Washington and became convinced that America was even more strongly in favour of British membership than it had been in the past and that the continuation of the 'special relationship was dependent on membership' (ibid). The architect of this policy was George Ball appointed by Kennedy to Under Secretary for Economic Affairs. Ball was a European specialist, having been legal adviser to the West European unification movement. He was committed to the EC and convinced Kennedy that British membership of this organisation was vital for Western unity. In a meeting with Edward Heath, he argued that outside of Europe, Britain would be a 'force for division rather than cohesion since she is a giant lodestar drawing with unequal degrees of force on each member state' (cited in Evans 1975, 144). The position of the US put British governing elites under pressure to join but it also seemed to reinforce an idea that Britain could be the leading nation-state in Europe. In these terms Britain's role within Europe was clearly to be that of a constraining force, controlling and directing European integration in ways that were in line with American interests. From such a point of view, membership of the EC was not seen as threatening to Anglo-American relations but in fact was a way of consolidating the 'special relationship' (Kaiser 1996, 130).

The 'special relationship' was not a British illusion but continued to reflect shared political economic interests. From the end of the 1950s, the US joined the UK in persistent balance of payments deficits while the Six member-states accrued

surpluses (Schenk 2002, 350). This was only possible because both countries had reserve currency status and their deficits were financed by trading partners holding their currencies as reserves (*ibid*, 351). It was a policy objected to by the Six because of its inflationary pressures. While the Six wanted to see a reduction in US and UK balance of payments, the Americans and the British sought ways to finance their deficits through changes in the international monetary policy (*ibid*, 353). The consequence of this was a 'series of secret meetings at official and ministerial level between the United States and the United Kingdom designed to develop joint positions on international monetary issues' (*ibid*). It was once again evidence of what Strange had referred to as the instinctive conjunction of financial interests that underpinned the 'special relationship' and reinforced the differences between Britain and mainland Europe (1971, 72-73).

In many respects, the Foreign Office and the Treasury were responsible for refining the European strategy (Young 1993, 102). By the end of the 1950s, the Foreign Office began to view Europe as a new arena for establishing British influence in the context of imperial decline and as a way of strengthening Anglo-American relations post-Suez (Beloff 1963, 89-90). The European conversion of the Treasury was also occurring with appointment of Sir Frank Lee as Joint Permanent Under Secretary in January 1960. Lee believed that British economic success now depended on participation within the European Community. He chaired the influential Economic Steering Committee which recommended British entry. The combined impact of Lee and the Economic Steering Committee was illustrated by the reaction of one Treasury official in which he stated that 'in 1959 the very idea caused him (as an advocate of EEC membership) to be written off as a long haired eccentric, in 1960 it was getting to be all right, and by 1961, you were a stick in the mud if you thought otherwise' (cited in Moon 1985, 171).

The belief was that entry into the EC would reinvigorate the British economy by giving it 'a much needed dose of stiff competition' and end its excessive reliance on the Commonwealth and sterling area (Young 1998, 120; Gowland and Turner 2000a, 121). However, the concern with domestic modernisation has to be placed within the context of the multinationalisation of the British economy and, in particular, the penetration by American capital into Britain and its imperial backyard (Overbeek 1990, 105). This penetration of American capital had been reinforced in 1958 by the relaxation of foreign exchange controls and the consequent growth of the Eurodollar market (*ibid*, 109). In July 1961, the Federation of British Industry (FBI) dominated by big multi-national corporations came out in favour EEC membership (*ibid*, 101). The growing support within the Treasury for membership therefore reflected the continued trend of British investment to go abroad, a trend reinforced by American multinationals operating in Britain (*ibid*, 106).

With the declining economic importance of the Commonwealth, Britain was well placed to become a gateway to European markets. The outlook of an intensification of European competition for the less advanced sections of the British economy were, however, likely to be negative. The modernising implications of this European policy therefore had much in common with traditional approaches to the domestic economy that enforced greater domestic competition through the external sanction of free trade (Gamble 1994, 115). In addition, the Treasury believed that membership

would reinvigorate sterling's international role and that the City of London would become Europe's financial centre (Schenk 2002, 355). Evidently, it believed that this would be secured once the benefits of EC trade resolved Britain's balance of trade deficit. In effect, domestic economic modernisation and EC membership was imagined within a wider international post-imperial accumulation strategy. This was particularly noticeable in the continued commitment to sterling as a reserve currency which it believed was essential for the continuation of the City as a financial centre. After a return to convertibility in 1958, the City was once again provided with a medium of exchange that enabled a rapid revival (Strange 1971, 233). Government monetary policy until the late 1960s was then determined by the need to uphold the value of sterling through international loans and high interest rates. The underlying weaknesses of the British economy and a comparatively de-regulated City meant this was difficult to sustain and there was intense speculation against sterling. Attempts to intervene only seemed to confirm that there were problems with the pound, and failed to quell market speculation (*ibid*, 238). Thus during the very period that governments were looking to modernise Britain through joining the EEC, there was the continued belief that the pound could be as strong as the dollar and this was essential to sustain the role of the City. Nowhere was the complete absence of a coherent project of political modernisation more evident,

The truth was that most Britain policy towards the operations of the City in the crucial ten years between 1958 and 1968 had been based on instinctive reflexes inherited from the past or on pragmatic, unprepared and unthought-out response to the looming threat of the next sterling crisis. If there was any coherent strategy, it was based on a complete misconception of the parameters of feasibility. (*ibid*, 242-243)

By the early years of the 1960s, there was a re-examination of relations with Europe and a questioning of the assumptions that had been governing European policy since the end of the war (Camps 1964, 280; Gowland and Turner 2000a, 120-123). For the Macmillan government, membership of the EEC was perceived to be a vital strategy of modernisation at a time of terminal decline. It implied the necessary modernisation of Britain's economy and external relations. Furthermore the adoption of a modernising European discourse was viewed as essential for revitalising the Conservative party and creating a new modern image (Kaiser 1996, 146). Evidently, it was a way of uniting both party and national interests.

During 1960 Macmillan became increasingly convinced of the necessity of British membership and in July he made the significant appointment of two 'Europeans' to key positions in his government. Christopher Soames became Minister of Agriculture and Duncan Sandys was moved to the Ministry of Commonwealth Relations in order to deal with any potential opposition. Another key appointment was that of Edward Heath who was made Foreign Office Minister with responsibility for European affairs. In the domestic arena, the press were increasingly supportive of membership and there was also a strong European movement in the country which encouraged the government that a shift in policy would be conducive to public opinion (Camps 1964, 294).

In the negotiations over membership the international orientations of British policy making resurfaced in the concern to secure commitments to both the Commonwealth and to EFTA. Initially the government pushed ahead with the idea of a modified Customs Union that would link together the EEC and EFTA. Yet the Six were explicit that the only option open was full membership. It became clearer to the British government that the EEC was more than an economic arrangement and that any political influence Britain was to have could only be secured by full membership. The climate inside the EEC was seen to becoming more favourable to Britain. On the 31st July 1961 made the announcement to the House of Commons of British intention to seek membership of the European Community. In so doing, however, Macmillan emphasised the conservative elements of this strategy and played up its role in securing British world power status. Macmillan made it clear that the 'dominant considerations in his mind were political ones' 'our right place is in the vanguard of the movement of *greater unity of the free world, and that we can lead better from within than outside*' (cited in Camps 1964, 359 emphasis mine). Inherent within the statement was also a degree of caution, emphasising the continued importance of the Commonwealth he stated that 'if a close relationship between the United Kingdom and the countries of the EEC was to disrupt the long-standing and historic ties between the United Kingdom and the other nations of the Commonwealth the loss would be greater than the gain.' (cited in Evans 1975, 28).

In general, Macmillan and Cabinet Ministers presented the issue as a non-contentious one denying the Federal intentions of the Community and emphasising that membership would not undermine existing commitments and that national sovereignty would not be infringed (Young 1998, 129; Turner 2000, 56). Examining the political debates on the issue and the way it was presented by government spokesmen, Moon argues that a disproportionate amount of attention was given to dealing with subjects associated with criticism of entry (1985, 167). The tone of the debate was reflected in a Guardian editorial: 'the plunge is taken but, on yesterday's evidence, by a shivering Government.' (cited in George 1990, 33).

It is argued that Macmillan remained 'reticent about the full implications of membership of the Community' (Camps 1964, 513). A letter by the Lord Chancellor, Viscount Kilmuir, outlining the significant losses of sovereignty that would result from signing the Treaty of Rome received little attention from the Cabinet (Young 1998, 126-127, 129). In the debate in the House of Commons on the 2nd August 1961, Macmillan told MPs that moves towards a Federal Europe would be resisted (ibid, 129). Young argues that Macmillan chose to ignore the political nature of this venture; specifically that it would make Britain part of a European political order and would reduce the independence of both parliament and the courts (ibid, 129). The policy was therefore presented as a continuation rather than a reversal or change in direction from the past. What lay behind these ways of thinking was the belief that formal supranationalism could be undermined and that Britain could assume a leadership role of the Community with the support of the smaller European countries and the backing of the United States. The formal supranationality of the Community had already been opposed by de Gaulle and this was reassuring to British politicians and officials (W. Wallace 1997, 27). The belief was that Britain could be transformed from being an imperial state into the leading European state within an association

of nation-states. By a sleight of hand, Empire was to be replaced by Europe (Turner 2000, 52). However, if there was a consensus emerging on membership it was a fragile one, particularly as the government's own authority was in decline.

The Macmillan government's European policy was contentious and began to meet with opposition from nascent Eurosceptics on both the right and the left. Significant opposition was evident during the negotiations over British membership which took place amid much publicity. A key feature of the negotiations became the protection of Commonwealth trade and the securing of Commonwealth links, particularly as the leaders of the Commonwealth had expressed their disapproval of British membership. However, this was also necessary in order to diffuse opposition to what was increasingly being presented as a threat to British institutions and identity. On the right, there was an outburst of 'Empire loyalism', fuelled by the Beaverbrook press, which accused Macmillan of putting 'Europe ahead of the Commonwealth' (Young 1998, 141; George 1990, 34). The dissenters within the Conservative party were the imperialist right wing of the party who numbered between thirty and forty MPs and, although they did not threaten a government with a majority of one hundred, they proved themselves to be particularly vocal. The Conservative MP, Walker Smith, the first back-bencher to be called in a debate on pursuing membership, put into words the problem that, in due time, would tear the Conservative party apart (Young, 154-155). Walker Smith's essential point concerned the distinctiveness of Britain compared to Europe, he noted that 'their evolution has been continental and collective, ours has been insular and imperial' (ibid 155).

The question of entry went beyond mere economics, he cautioned, it went to the heart of the British state's post-imperial future and the extent to which this implied a continuation with its past. As far as Walker Smith was concerned, membership implied an undesirable break with that past. This early Eurosceptic speech reflected the underlying unease within Conservative ranks about the decision to pursue membership and this was not restricted to the back-benches but was evident in the Cabinet (Gowland and Turner 2000a, 124).

The government also faced the growing opposition of the Labour party; its leader, Hugh Gaitskell, issued a statement in September 1962 against entry on the current terms. The Labour party was divided over Europe between those who were strongly in favour as a matter of principle, including many on the right such as George Thomas, the Deputy Leader. The majority of Trade Unions were also firmly in support of membership by the early 1960s on pragmatic grounds (Kaiser 1996, 173). In contrast, opponents of membership viewed the EEC as a 'capitalist club'. For the latter, membership would be a threat to the independent economic policy of a future Labour government. The opponents were mainly, although not exclusively, positioned on the left of the party. Gaitskell, however, was part of a section of the party that could be said to be agnostic on the issue. When faced with a divided party, his position proved to be extraordinarily erratic in attempting to oppose the Conservative government's position without fully objecting to British membership. By the time Gaitskell came to deliver his speech to the Labour party conference in October 1962, he had chosen the course of opposition to the European project,

After all, if we could carry the Commonwealth with us, safeguarded, flourishing prosperous; if we could safeguard our agriculture, and our EFTA friends were all in it, if we were secure in our employment policy, and if we were able to maintain our independent foreign policy and yet have this wider, looser association with Europe, it would be a great ideal. But if this should not prove to be possible; if the Six will not give it to us; if the British Government will not even ask for it, then we must stand firm by what we believe, for the sake of Britain, and the Commonwealth and the World; and we shall not flinch from our duty if that moment comes. (Gaitskell 1962, 37)

To become a member of a Federal Europe would, he argued, mean ‘the end of Britain as an independent European State’ and ‘the end of a thousand years of history’ (ibid, 23). The speech was well received. In particular, it reflected the continued significance of the Commonwealth for many on the left and the right of the party as the main alternative to the Empire both as a source of renewed political identity and as a viable economic partner (Young 1998, 156-161). The Commonwealth, therefore, was a significant factor in the opposition to a European trajectory within both parties and, despite its limitations for the British economy, it seemed to offer a form of national renewal that was continuous with its imperial past. It was the Commonwealth option that Dean Acheson, the former US Secretary of State, ridiculed for its lack of unity, political structure or strength when in 1962 he famously described Britain as having ‘lost an Empire’ without yet ‘having found a role’ (cited ibid, 171). By evoking the Commonwealth, the opponents of the government’s European strategy demonstrated their inherent conservatism. The implication was that the British state was above the narrow nationalism of Europe because of its imperial history (Nairn 1973).

The opposition to membership gathered pace and began to influence the opinion polls; by 1962 they showed a decline in support for entry (Gowland and Turner 2000a, 131). European integration was, therefore, becoming symbolically constituted across sections of the political class as a threat to British identity and interests and was proving to have potential as a political discourse around which electorates could be mobilised. It was represented as a threat to the reconstruction of the British state around the post-colonial Commonwealth.

The government’s response to these developments was a pamphlet defending the policy. It addressed more directly the political implications of membership, yet it remained ‘cryptic’ about political unity (Young 1998, 141). The emphasis was placed on the capacity of Britain to determine the nature of political unity once inside the Community and that ‘in renouncing some of our own sovereignty, we would receive a share of sovereignty renounced by other members’ (ibid, 142). Membership would neither alter the position of the Crown ‘nor rob our Parliament of its essential powers, nor deprive our Law Courts of their authority in our domestic life’ (ibid). This represented a defence of the government position and stated that membership of the Community was essential for Britain’s post-imperial future which threatened neither British identity nor the political order on which it was founded. In effect, both anti-European and pro-European forces defended their position in terms of a belief in Britain as a global order. This reinforced the extent to which the realities of European integration could not be incorporated into the British debate. Evidently, the Macmillan government reflected the emerging tensions and contradictions in Britain’s post-imperial transition to nation-statehood and ‘nowhere did the push

and pull of past and the needs of the future exert their conflicting force during the Macmillan premierships more powerfully than along the ever widening fault line of Europe' (Hennessey, 2000, 267).

Three years after Macmillan made his statement that Britain intended to seek membership of the Community, the European Court of Justice declared in a historic ruling that European law took precedence over national law (Meehan 1993, 57). This radical assertion of the Community as an independent legal order reinforced the constitutional nature of the Treaties, the formal supranationalism on which European integration was founded, and, thereby, further distanced this political order from the position of British political elites.

By applying for membership of the EEC, the Macmillan government recognised the need for modernisation. However, it was a strategy of flawed Europeanism that lacked the capacity to modernise British political economy and identity. Europe was to replace Empire and provide the basis for Britain to operate as a 'junior partner' within a US dominated Western bloc. This was a strategy of change based on deep continuities with the past and contrasted with the radical restructuring that European integration implied and the Six member states had committed themselves to. The possibility of British membership was abruptly ended by de Gaulle's veto of the British application in January 1963 when he concluded that Britain had failed to prove its European credentials in the negotiations on membership. In particular, the strategic alliance with the United States and differences on agriculture and trade were cited as the main stumbling block (Kaiser 1996; Wilkes 1997).

Conclusion

The shifts in global economic and political relations that were occurring in the 1950s left Britain relatively weak. From the late 1950s onwards, membership of the EC became viewed as a strategy of national renewal. As such, however, it was a conservative strategy of truncated modernisation that was pursued by a defensive government and took place as an alternative to more extensive internal reconstruction. Modernisation was typically associated with geopolitical adjustments. Yet, these adjustments occurred within an already established set of parameters; specifically, the continued British dependence on US political and economic interests. This was not just a substantive fact but a normative position held by large sections of the political class.

What we see is that membership of the EC, as part of the solution to Britain's post-imperial trajectory, became implicated in the chronic tensions over the transition of the British state from an imperial to a nation-state. Ultimately, both as an imperial and as an emergent nation-state, the relationship to the project of European integration was indicative of the structural constraints on modernisation that have been persistently reasserted in Britain. The next chapter explores this further and views the relationship of Britain to European integration in the context of the chronic post-imperial crisis that afflicted the British state during the 1960s and 1970s.

Chapter 3

Post-Imperial Crisis and the Rise of Euroscepticism

The failure to establish a legitimate European strategy within the British state is the subject of this Chapter. In the 1960s the British state enters a post-imperial crisis over modernisation. The decision to join the European Community was part of the solution to this crisis. However, despite the achievement of membership in January 1973, constraints and limitations on Britain's involvement in the integrationist project, reflecting the underlying structure and crisis of the state regime, became increasingly evident. While European states begin to consider a revival of the integrationist project as a solution to a crisis of global Fordism, the consequence of the British post-imperial crisis was that governing elites increasingly dissociated themselves from the political implications of membership. By the end of the 1970s, this was compatible with the strategic subordination of European policy to the goal of establishing a strong British state enmeshed within a US dominated globalisation project. A central proposition of this chapter is that the crisis resulted in a drift towards Eurosceptic populism which had significant implications for European policy. On both the left and right a trenchant and populist Eurosceptic politics of 'otherness' emerged towards European integration that reconfigured and reasserted core features of the British political order. The consequence of this was to distance governing elites from the implications of membership of the Community.

The British post-imperial crisis

The economic and 'identity' problems that Britain faced during the 1960s and 1970s cannot be straightforwardly viewed from the perspective of the European Fordist nation-state or the crisis of Fordism. The world economic problems of the early 1970s only exacerbated existing problems within the British state. As Leys notes,

What distinguishes the British experience, however, and underlies more clearly than anything else its 'endogenous' nature, is that in Britain the new crisis had already begun in the 1960s – a decade of unparalleled prosperity for the rest of the industrialized world. The worldwide accumulation of the 1970s did not cause the British crisis, it only made it worse. (Leys, 1983, 66)

The 'exogenous' causes of Britain's problems had already materialised during the 1950s in the retreat from Empire and the relative decline of the British economy in the face of international political economic restructuring. Thus, during the 1960s and 1970s, the relationship of Britain to the Community is more accurately understood

in terms of the British state's post-imperial crisis. This crisis was pushing the British state in a direction that was not convergent with its European partners and was in many respects diametrically opposed.

The crisis most clearly expressed itself in the failure of successive governments to carry out comprehensive politico-economic modernisation. As we have seen this was in many respects the legacy of the Macmillan government that had responded to the end of British imperialism by changing the orientation rather than the structure of British institutions. The implication was that attempts to modernise the post-war settlement were systematically compromised. In particular, the essence of the crisis during the period in question was demonstrated by two chronic failures of state-building. Firstly, the failure to construct a national accumulation strategy and, secondly, by the failure to reconfigure national political identities. The consequence of these failures was the continued internationalisation of the British economy at the expense of the national economy, the centralisation and concentration of existing political structures in an attempt to contain the intensification of political conflict and a drift towards populism.

The failure of national accumulation strategies during the 1960s and 1970s has been explored in considerable depth (Bacon and Eltis 1978; Glyn and Harrison 1980; Pollard 1980, 1992; Fine and Harris 1985; Coates and Hillard 1986; Overbeek 1990; Gamble 1994). Jessop (1991) has usefully termed the crisis of the British economy that had become chronic by the 1970s as a crisis of flawed Fordism. He notes,

It involved a limited expansion of mass production, relatively poor productivity growth, union strength producing wage increases from 1960s onwards not justified by productivity growth, a precocious commitment to social welfare and jobs for all, growing import penetration from the 1960s to satisfy the mass consumer market, and from the mid-1970s, to meet demand for capital goods. (Jessop 1991, 138)

Jessop argues that liberal, corporatist and dirigiste strategies all failed to work in Britain and resulted in a chronically flawed Fordist economy and state (*ibid*, 140-141). Liberal strategies were constrained by the lack of modernisation and poor management within British industry. Corporatist strategies failed because both capital and labour were fragmented and disorganised. Dirigiste solutions were limited because of the state's incapacity to influence the economy at a micro level. A major cause of these failures was the range of powerful and particularized producer groups and organisations in Britain (Marquand 1981, 27). These groups acted in terms of their own interests and lacked a conception of the wider general interest, thus they behaved conservatively and inhibited change. Ultimately the state relied on the blunt instruments of legal restraints (e.g. prices and incomes) and money (e.g. subsidies) to coerce organisations to behave in the way they wanted (Jessop 1980). In particular, a powerful and voluntarist labour movement, conditioned by a history of operating inside an imperial regime, compounded the problem of constructing a class compromise organised around a stable corporatist settlement. The implication of this was that 'conflict around the issue of the social wage remained central to problems of economic management and renewal' (Rhodes 2000, 168). Governments failed to appreciate the importance of securing the social wage and/or they were

faced with a comparatively dysfunctional, and often militant, labour movement that asserted its independence in relation to the state.

From the perspective developed here, this flawed Fordism can also be seen as an expression of the extent to which the British political economic order continued to be rooted in a conception of the global market society. This is particularly evident when we consider the failure of the British state to address the international orientation of British multinational and financial capital. The post-war settlement reinforced the external outlook of British capital at the expense of the internalisation of Fordism. This was confirmed by the large proportion of the City's activity that was devoted to the Eurodollar and Eurobond business by the 1960s and which became central to the trade and investment needs of multi-national companies (Ingham 1984; Cain and Hopkins 1993b, 293). This helped to secure the City-Bank of England-Treasury nexus as a distinct source of power within the post-imperial conjuncture and the value of sterling continued to be the marker of British economic competency (Ingham 1984; Cain 1997). The various strategies to modernise the British economy were constrained by the continued influence of this nexus over economic policy. There was no consensus around modernisation and the state did not develop the necessary capacities that would allow it to engage in effective planning of the economy. In effect, successful Keynesian policies depended on a strong national economy and expansion of productive investment in order to avoid balance of trade deficits. This proved impossible to achieve in Britain because the state was incapable of reorganising industry or curtailing British commitments abroad. Therefore, expansion of the economy fuelled wage demands, sucked in imports and created balance of payments crises. The consequence of this was a loss of confidence in sterling, the threat of currency devaluation and the acceleration of the trend of large British capital to invest abroad. Governments therefore resorted to policies of retrenchment in order to restore the confidence of the financial markets which they believed depended on the continued status of sterling as a reserve currency. In effect, governments continued to shore up the value of sterling through austerity measures and international loans in order to secure confidence in the City as a world financial centre and avoid a continued flight of capital. This was futile considering the inexorable decline of sterling and the globalised role of the City whose interests had increasingly become divorced from those of sterling. The sustained speculation on the pound culminated in the devaluation crisis of 1967 which exhausted the official defences and in effect led to the acceptance that sterling was never going to rival the dollar. The adoption of floating exchange rates during the 1970s did not however prevent the intensification of speculation against the pound from financial markets that had little faith in the British economy. Inevitably, the politics of sterling had disastrous effects on programmes of reform designed to construct a national political order. They led to high interest rates, investment crises and inflationary pressures that proved disastrous for the domestic economy and persistent attacks on the welfare state that undermined wider social relations.

How far governments of the 1970s would have been able to reverse these trends remains debatable. However, they appeared naïve in their attitudes to the impact of financial markets on Britain and this was evident in their failure to actively advance a European solution. Any reform of the economy would therefore have

required the state to ensure that the interests of financial and multinational capital were subordinated to the national interest, instead governments persisted in the illusion that the international priorities of the City-Bank-Treasury nexus were those of the nation. The financial markets were, therefore, effectively able to exercise a veto over key aspects of economic policy. This was exacerbated by the breakdown of the Bretton Woods agreements on regulated exchange rates and the increase in speculative attacks on currencies. In this context, the Labour government in 1976 opted for an international solution to Britain's economic crisis in the form of a package of austerity measures imposed by the IMF in alliance with the Treasury-Bank axis (Jessop 1980, 80-82). It was a crisis measure that prioritised the interests of multinational companies and global financial interests and rejected a more fundamental programme of modernisation. It was instinctive support for a global market strategy and was indicative of the incapacity of British governing elites to fundamentally reorganise capitalist interests, nationally or internationally, and avoid dependence on the US.

In relation to the national political economy, the pursuit of membership of the EC was critical. It was a liberal strategy of economic modernisation aimed at improving the competitiveness of the British economy by exposing it to the market forces of a European common market. It appeared to provide the necessary stimulus to Britain's international Fordist companies that could be the basis to reinvigorate the British economy (Overbeek 1990, 100-101). However, it was a strategy that potentially replaced rather than complemented modernisation of the British economy. Crucially, it was a significant change that the state could bring with some autonomy from domestic constraints because it was within the realms of foreign policy decision making. Yet, without economic modernisation, it was a blunt economic strategy that proposed the revival of British economy by exposing it to European competition and giving the economy a 'short, sharp shock'. In this sense, it was a traditional free trade approach to British economic problems. It was already clear by the mid 1960s that this strategy would have a negative impact on British balance of payments because the inadequacies of British industry would be exposed by the intensification of foreign competition (Crossman 1979, 259-260; Young 1998, 195-196.). By the early 1970s, the European strategy became at best a short-term instrument of crisis management, aimed at shoring up dominant fractions of British capital in the context of the crisis in American hegemony and a global economic downturn. From a longer-term perspective, an economic relationship between Britain and the EC was being established in which the main rationale for British membership was in order to act as a gateway for international capital. In effect, Britain was potentially undermining the EC's capacity to defend itself against the growing competitive pressures within the world economy.

A predominantly political economy approach to understanding the British post-imperial crisis and problems of political modernisation does not, however, detail the extent to which this crisis is also a crisis of national political identities. This has specific implications for understanding the relationship between the British state and the project of European integration. This particular element of the post-imperial crisis suggests that Britain can only be considered to be a highly contested or emergent 'nation-state'. Two features of this standpoint. Firstly, there have been persistent struggles

over ethnicity, citizenship and the position within British society of minorities from former colonies and other Third World countries (Halsey 1986, 67-76; Gilroy 1987; Anthias and Yuval Davies 1992, 40-60). The general trend of immigration policies was to restrict and control the entry of non-whites into Britain and this can be seen as part of an attempt to construct a national citizenry. However, the formal construction of a distinctive British national citizenship was not created until the British Nationality Act of 1981 and, reflecting the legacy of Empire, British citizenship policy was extremely ambiguous and complex (Hansen 2000). Secondly, there have been conflicts over the internal boundaries of the United Kingdom and, in particular, over the status of the 'subordinate nations' of Scotland, Wales and Northern Ireland within the Union (Nairn 1977, 2000, Cochrane and Anderson 1989, 54-62). Clearly, the most visibly violent of these struggles have occurred in Northern Ireland as a consequence of the historical subordination and subjugation of the sizeable Catholic minority (O'Dowd 1985). The various attempts to resolve the problems of a multi-national British state remained within the Westminster system and did not include full federation. This contrasted with other European states where power increasingly shifted to regional authorities. In general, the post-imperial period was marked by a continued struggle to reconfigure British imperial subjects as citizens, and this indicated the extent to which Britain remained at a distinct variance from other modes state building and their particular but established routes to citizenship and nationality (Brubaker 1989, 1992).

This struggle to reconfigure political identities was especially evident in relation to British membership of the EC, which was consistently presented by governing elites as a continuation, rather than a transformation, of the political order. The conservative European strategy put together by the Macmillan government saw 'Europe' as a way of stabilising and strengthening pre-existing conceptions of British interests and identities in the wake of imperial decline. However, the unintended consequence of governing elites' European strategy during the 1960s and 1970s was the intensification of Euroscepticism as 'Europe' became something to mobilise against in order to construct and assert conceptions of British national identity and alternative projects for national renewal. For sections of the political class, the debate on EC membership offered a false resolution of the post-imperial crisis by resurrecting and recreating British imagined communities (Anderson 1991) in the face of the project of European integration. Here it is evident that while the opportunity to reconstruct the British state as a European nation-state through membership of the EC arose, the realisation of this was fundamentally constrained by existing traditions and identities reasserted within the post-imperial crisis. Indeed, 'new' or modified forms of legitimation were emerging in this post-imperial situation that foresaw only a limited role for European initiatives and centred on populist conceptions of British exceptionalism (Hall 1979 [1983]; Gamble 1988). Evidently, the British nation was being reimagined and the contestation over the relationship to the European Community was a fundamental part of that process.

At the heart of this failure to construct a consensus around a programme of real social and economic change, was the institutionalisation of the political class within a structure that worked against change. Governments and parties then continued to support the semi-rational structures of imperial rule. However, as these structures declined in legitimacy and new forms of representation, such as corporatism, failed

to replace them, the state resorted to forms of coercion and populism (Jessop 1980, 54-65). The continued conservative belief in the established institutions and outlook of the British state, underpinned and held together both the Labour party and the Conservative party, despite the growing divisions that emerged during the 1960s and 1970s (Nairn 1977; Marquand 1988; Anderson 1992). Thus despite the unique historical conjuncture that the post-imperial crisis represented, the response by the British political class was regressive. In particular, they liberated international economic interests and asserted the power of the state in order to secure a renewal of accumulation. The personalised visions of a European British trajectory that were articulated by pro-European politicians, were often compromised and confused and did not form the basis for a coherent reconstruction of either the economy or national-political identities. The deep institutionalised visions of the relationship between politics and the economy, that were identifiable in other European member states and drove integration forward, were absent in the British case. This became particularly evident once European integration began to be constructed as the 'other' of British identity by populist Eurosceptic discourses. The rest of this chapter explores how Britain's membership of the EC manifests as a chronically uncertain and crisis ridden political relationship that results in the reproduction of Eurosceptic Britain.

Entry into the Community, the Heath government and flawed Europeanism

By the late 1960s and early 1970s, superficially, the economic and political climate appeared ripe for the Europeanisation of the British state and society. These factors included, firstly, the internationalisation of the European economy and the continued direction of British overseas trade towards Europe (Northcott 1995, 200). Secondly, with de Gaulle's resignation in 1969, a relaunch of the Community took place towards the end of the sixties and British entry was seen to play a significant part in that. Finally, in 1970 the Conservative party was back in power under the fiercely pro-European leadership of Edward Heath, who viewed membership of the Community as a defining plank of the government's programme (George 1990, 49; Morris 1996, 129; Turner 2000, 64). Indeed, it appeared that the Heath government was finally able to implement the Macmillan strategy of modernisation through membership of the EC. Heath articulated a British-European vision that was clearly influenced by the Macmillan government within which he had served and his leadership appeared to lay the basis for the renewal of a strong British European policy. The fundamental aim was the same; membership would finally secure Britain's place as a leading European capitalist nation-state. The argument here, however, is that the Heath government failed to articulate or institutionalise a coherent British European project. Alongside its failed domestic political agenda, its European strategy was characterised by crisis management and legitimisation problems.

Edward Heath then took office as Prime Minister at a key moment in Britain's relations with the Community. Heath had led the negotiations on entry under Macmillan and came to power when it was clear that the member-states were looking favourably on British membership. In addition, much of the preparatory work had already been undertaken by the previous administration. What distinguished the

Conservative administration from the previous Labour one was the apparent depth of its commitment to European entry and this counted for much in achieving a positive outcome. For Heath, British membership of the EC appeared to be a goal to be achieved at almost any political price (Campbell 1993, 336; Morris 1996, 129). This reflected the fact that Heath's life story was that of a committed European (George 1990, 49; Young 1998, 216-222). He had been strongly influenced by Churchill's powerful proclamations for a United States of Europe made in the aftermath of the war and, in his maiden speech in June 1950, he criticised the government's failure to become involved in the Schuman plan (Heath 1998, 145-146). When the first bid for entry came to end with de Gaulle's veto, Heath's concluding speech restated in the clearest terms Britain's commitment to Europe: 'the end of the negotiations is a blow to the cause of the wider European unity for which we have been striving. We are a part of Europe, by geography, history, culture, tradition and civilisation ...' (Heath 1998, 235).

In his Godkin lectures of 1967, Heath outlined his European vision (Heath 1970). He argued that the forms of international cooperation that took place in organisations such as the OECD was insufficient and argued for an active European Commission (Lord 1993, 38). He put forward the possibility of a European defence system and suggested the pooling of French and British nuclear weapons (Young 1998, 221; Heath 1998, 361). He evidently wanted to place Europe at the centre of British foreign policy, above either the Commonwealth or the United States (Heath 1998, 361). It was a strategy that distinguished committed European politicians not only from the traditionalists, but also from the opportunists. However, it was a paradoxical vision of transformation in that it was also a vision of continuity. Heath argued that the Community was structured in a similar fashion to the British state. It had institutions that were pragmatic and open and in which there was no need to 'specify end states or theological principles of arrangement' (Lord 1993, 39). On sovereignty, he said that effective state sovereignty would be increased as the membership of the Community increased the range of choices open to the British state (*ibid*, 37). This comment seemed to suggest that the British state could opt into what it liked and out of what it did not.

A second major feature of the Heathite strategy on Europe was the belief in its contribution to economic renewal. The exposure of the British economy to European competition would, it was believed, keep down inflation, producing an influx of foreign capital which would help to finance new investment and eventually reduce the balance of payments deficits (Lord 1993, 23). This was part of an overall economic strategy designed to increase the competitiveness of the British economy by removing some of the constraints on economic management and allowing industry to resolve its own problems (Gamble 1994, 123). Turner thus refers to membership of the EC 'as the external arm of the Party's domestic Selsdon strategy' (2000, 64). The general aim was to end economic decline by increasing the exposure of British society to the discipline of market forces and providing new opportunities for revitalised British international companies. It was to lay the basis for a sustained expansion of the economy. In particular, the urgency of this new economic strategy was reinforced by the crisis in the American economy. By 1968 the American economy was running an overall deficit on its balance of payments. By 1971 there was a renewed dollar crisis

and a shift towards more protectionist policies. These developments unleashed an international economic crisis as the United States appeared to withdrawing from its role as the world banker. For British large-scale capital dependent on the Eurodollar market and on overseas investment, the collapse of the international economy under American hegemony was particularly difficult (Nairn 1973, 25-26; Overbeek 1990, 127). In the context of the continued chronic problems of the domestic economy and the crisis of the American-led international order, outward-looking British capitalists opted for Europe (Nairn 1973, 26). While pro-European politicians saw in Europe the opportunity for a market led strategy of national economic modernisation, powerful elements of British transnationalised capital supported entry into the EC in order to secure their foothold within the international economy. These economic pre-conditions therefore reinforced the urgency of implementing the government's European policy.

Despite the force of economic conditions, the government's European policy was facing an intensification of legitimisation problems. In March 1970, only 22 per cent of the electorate favoured entry compared to 64 per cent against (Butler 1979, 151). Clearly, this has to be seen in the context of the growing divisiveness of the policy, both within and across the main parties. Against the background of public scepticism, the European policy of the Conservative party under Heath was in fact played down during the election campaign. The party only committed to negotiate with the Community, 'no more, no less' (The Conservative Manifesto 1970 in Craig 1990, 130). Yet it became clear that the main priority of the government was to secure entry first and then to sort out any difficulties once inside the Community (George 1990, 56). It was believed that this would deny the Six the weapon of refusing entry to Britain as a way of dictating terms in any negotiations (Young 1973, 211). Furthermore, there was a fear that another veto would reopen divisions within the party (Turner 2000, 65).

The negotiations on British membership lasted for eighteen months and concerned the position of sterling as an international reserve currency, Commonwealth trade, agriculture and the British budgetary contribution (George 1990, 50). The issue of sterling was of particular concern for the French who wanted to see it brought into line with other currencies. However, it was agreed that this would not form part of the official negotiations for entry (*ibid*, 51). The British accepted the Common Agricultural Policy (CAP) and negotiated special arrangements for Caribbean sugar and New Zealand dairy produce. In order to reach a successful deal on the latter, the British were forced to make concessions on their budgetary contribution (Young 1998, 231-232). When the negotiations reached a particularly difficult stage in spring 1971, it was unclear to the British whether the French were looking for a way of preventing British entry (George 1990, 54). The situation was resolved by a summit between Pompidou and Heath, in which the British Prime Minister successfully reassured the President of Britain's commitment to a European future. What Pompidou wanted to see was a clear historic shift in the British attitude. Heath convinced him of this by claiming that the 'special relationship' with the United States was over and that Britain, like France, could only continue its 'world vocation' in partnership with its European partners (Heath 1998, 370). This prioritisation of Europe represented a decisive break with the position of previous governments and it secured Britain's entry into the Community. In particular, the government

committed itself to the running down the sterling balances with the implication that the world role of sterling would be ended (Gowland and Turner 2000a, 176). It was, however, made against a background of a general loss of confidence in the international hegemonic rule of the United States and, thus, a loss of confidence in the 'special relationship' (George 1990, 45). Nevertheless, considering the continued economic and military dependence of Britain on the United States, it could not be seen as anything more than a temporary readjustment, rather than a profound structural reorientation. In fact, membership secured an important strategic role for Britain *vis a vis* the US and the EC, as a gateway for American multi-national companies to enter the European market. In addition it secured the City's position in the Eurodollar market, which itself had seen a dramatic invasion of American banks during the 1960s (Strange 1971, 234). This interdependence of American and British economic interests both necessitated and problematised Britain's role as an intermediary between America and the continent. Evidently, the formal breakdown of Bretton Woods in 1973 and the end of the sterling area lessened the importance of the pound as an international currency, so that it was no longer a significant barrier to British membership. However, it did not necessarily alter the underlying structural inter-relationship between the British and American economies and, in particular, financial capital. Nowhere was this more evident than in Britain's position as a chronic international debtor nation particularly dependent for credit directly from the US, as well as the US dominated IMF (Strange 1971).

The Heath government appeared to pursue entry into the European Community on the understanding that it represented a historical shift in the identity of the British political order. In fact it was a compromised and constrained position that reflected the tensions that had been evident in the earlier strategy of the Macmillan government, as well as a deepening of the problems of legitimisation. The negotiations avoided the 'deep, existential meaning' of Britain's relationship to Europe, the relationship of Britain to the future of the integrationist project or the question of sovereignty (Young 1998, 238). They were effectively a technocratic exercise interrupted by some high politics designed to reassure the French. While still in opposition, Heath had made the claim that any enlargement of the Community could not occur without 'the full consent of the peoples and parliaments' (Heath 1998, 362). The issue, however, was not presented to the public in terms of fundamental shift in British political identity, but over 'whether it is in the interests of the country to go into the Common Market or not' (*ibid*). As Young points out, 'Heath was talking cost of living, not cost of nationhood' (1998, 240). This was a very conservative vision of national renewal through membership of the EC that emphasised continuity through change. It was evident in the Heath White Paper on membership. It claimed that sovereignty would not be eroded and what was being proposed was an 'enlargement and sharing' of sovereignty (*ibid*, 246). Young argues that in the Commons debate on the European Communities Bill to ratify membership, the political implications were disguised (*ibid*, 247-251). In bringing the debate to a close, he claims that Heath was 'as soporific as could be' referring to a commitment which '*involves* our sovereignty' but from which 'we are also gaining an opportunity' (*ibid*, 247). The focus was thus on the economic benefits and not on what would change but on what would stay the same (*ibid*, 250-251). The government failed to articulate its vision of the future of

Europe (ibid, 254). Heath's view is predictably different. He argues that the 'public information campaign on the outcome of negotiations was the most comprehensive ever by a post-war government' and that this campaign focused on both the political and economic issues (Heath 1998, 378). In defence of the comprehensiveness of the political debate, he cites Lord Douglas Home's (Foreign Secretary) speech in 1971 to the Conservative Group for Europe which emphasised that the application for entry was of 'the utmost political significance' (ibid, 378). Heath claims this was 'perfectly clear' in his closing statement on the Commons debate: 'I want Britain as a member of a Europe which is *united politically*, and which will enjoy lasting peace and the greater security which will ensue' (ibid, 380 emphasis mine).

This was, however, a *secondary discourse* that was subordinated to a more depoliticised emphasis on economic benefits and on continuity and stability through membership. In fact, Heath's position on integration was not entirely coherent. Although he viewed the Community as a unique political entity, he had little time for supranationalism or Federalism, as is evident from his comments on the 1972 Paris summit commitment to the formation of a European Union,

I had argued that European Union was an admirable objective which could only be achieved by pragmatic steps. The European Union has always developed *sui-generis*... When the European Union reaches the end of its development, it will remain *sui generis*. I believed, therefore, that there was little point in debating theoretical arguments about federalism. What we are concerned with was making a success of the European Community, and the word 'Union' allowed us to do just that. (1998, 391-392)

What exactly 'sui-generis' meant in this context can only be assumed to be some notion of pooled sovereignty of states which Heath had referred to in his Godkin lectures and in other speeches and statements. If it is possible to identify the position of the Heath government, it saw the Community primarily as an intergovernmentalist arena for the pursuit of British interests (Morris 1996, 129). In the negotiations on entry the government defended the veto and was identifiably 'Gaullist' in its approach to the Community (Butler 1986, 118, 159). In general, entry into the Community was not part of a profound rearticulation of national interests and identities within a broader project of constituting a European political order, but was driven by the need to sustain some deeper conception of an existing national unity. For the Heath government membership of the EC was about replacing Empire with Europe, as it had been for Macmillan; a strategy that looked increasingly unrealistic against the political and economic problems of the early 1970s.

This conservatism became evident in the reluctance of the government to constructively engage with the attempts to renew the project of European integration that were occurring from 1969 onwards. The Conservative government was viewed as resistant to progress towards economic and monetary union when they refused to allow sterling to re-enter the 'snake' a system of tied exchange rates, unless the German government was prepared to underwrite its value (George 1991, 52; Gowland and Turner 2000a, 179). This was not acceptable to the Germans without wider policy coordination (ibid). It was also evident that in a number of other areas, including technology and social policy, the Heath government was resistant to joint policies (George 1990, 58). The exception was on the European development fund,

although George claims that this was a 'pragmatic response' in order to offset the losses that would result from participation in the CAP (George 1991, 51). In general, the Conservative government's position represented 'less a change of direction than a change of tactics' which could be attributed to America's abdication from the responsibility for managing the international economic system (*ibid.*, 50-51). The government 'attempted to fill that gap by organising the EC as a strong actor in world affairs under British leadership, much as de Gaulle had tried to organise it under French leadership' (*ibid.*, 53). After membership, therefore, tensions inevitably emerged between Britain and its partners. In effect, the British government seemed unable to articulate a coherent and constructive approach to EC membership.

In a clear irony, membership of the Community under the Heath government was a monumental event, but one deeply rooted in notions of the historical continuity of the British state, and not in its reconstitution as a leading state within an emergent European politico-economic order. It continued to be a strategy designed to rescue the British state from decline and crisis, without engaging in any substantial restructuring of the state regime. The Conservative government's commitment to EC membership was a consequence of Heath's own biography, the changing international circumstances and its continued usefulness as a political strategy at a time of crisis. Significantly, the Heathite 'vision' of the relationship between Britain and the Community gained ascendancy in the context of the failure and exhaustion of alternative bases for renewal, including the special relationship with the United States. At a time of international economic crisis, class conflict and civil strife in Northern Ireland it became the 'essential instrument' for achieving a degree of unity across the political class (Nairn 1973, 36). Nairn points out that 'it, and it alone, offered the way out from the pitfalls which seemed to dominate the political landscape of 1970' (*ibid.*). In particular, it reflected the immediate interests of British internationalised capital. After 1972, it was the only element of the Selsdon strategy still in place and the only way the government could reassure British capital. Membership was eventually achieved against the background of an unsustainable expansion of the economy, that resulted in a balance of payments crisis for the incoming Labour government, and growing trade union militancy due to the failure of the government to secure trade union reform and wage restraint. The latter was most clearly evident with a large miners' strike and pay claim that eventually led to the fall of the government. In effect, the Heath government's European strategy became a contingent instrument of crisis management, associated with the reassertion of powerful economic interests and the failure of the government's reform programme.

The weakness of the Heath government's position was evident in the significant European splits emerging within the Conservative party. The passage of the European Communities Bill was only secured for the Heath government by support of the Jenkinsite faction within the Labour party. Heath was faced with the extreme opposition to membership by a faction of Conservatives under the leadership of Enoch Powell. For Powell, membership of the Community was seen as the end of British independence and as a fundamental threat to the British way of life and national sovereignty (Powell 1971; 1975). From the late sixties the opposition within the Conservative party, influenced by Powellism, had entered a new phase and was less concerned with Empire and Commonwealth than with Franco-German

domination and its anti-free market policies (Turner 2000, 62-63). These arguments were to be echoed during the right wing mobilisation against the EC/EU during the 1980s and 1990s (*ibid*). In his opposition to membership, Powell was supported by forty Conservative MPs and this obliterated the government's majority during the passage of the Bill on accession. Although Heath allowed a free vote on the passage of the Bill, the belief in 'loyalty to the leader' continued to dominate the party and the anti-marketisers were marginalised (Morris 1996, 128). Nevertheless, the seeds were sown for a right wing backlash against the European policy of the Conservative party. In general there was growing scepticism about Heath's enthusiasm for Europe once he retreated on his Selsdon strategy after 1972 (Turner, 2000, 65). This did not mean the Conservative party was to stop being the 'Party of Europe' and by 1975 this was the orthodox position (Grimmond and Neve 1975, 94; Morris 1996, 129), yet this position was unequivocally subordinated to a particular conception of *a strong British nation-state*.

Mobilising against the EC: 'Europe' as 'other'

By the time entry into the European Community had been secured, cross party support for membership had fractured. The opposition to the EC on the Tory right was paralleled on the Labour left. This reflected the polarisation of the main political parties as more extreme political forces grew in significance (Leys 1983, 41). Increasingly, membership of the European Community became a battleground around which national political projects were contested (George 1990, 76-77). Clearly this was an unintended consequence of the decision to join the Community that governing elites had not foreseen. As crisis conditions intensified and were exacerbated by the growing divisions within the party, the Labour governments' approach to Europe was subordinated to the needs of party and national unity. Increasingly, the EC was being evoked by significant sections of the political class not as the saviour but as the 'other' of the British nation. A key proposition here is that this populist Eurosceptic discourse infected the British political culture and curtailed attempts to construct a more positive vision of Britain in the EC. As European policies and strategies became harder to legitimate in the face of Eurosceptic opposition so governing elites began to dissociate themselves from the full political implications of membership. Thus the European Community had no place in the attempt and failure by the Wilson government to construct a stable corporatist regime under the aegis of a 'Social Contract'. Furthermore when the international economic crisis deepened, the solution to the fiscal crisis of the Callaghan government was to be found in the form of the IMF and to emphasise an Atlanticist approach to the global downturn.

During the Labour party's time out of office, between 1970 and 1974, it became increasingly split on the issue of Europe as the party shifted to the left (Bilski 1977; Benn 1996, 249-250; Young 1998, 270-271). The debate on membership 'played a decisive role in the reconstruction of power and ideological balance inside the Labour Party' (Bilski 1977, 316). The left opposed membership increasingly viewing it as a form of 'narrow regional integration' dominated by French nationalism and as a threat to British socialism and to the British nation (Nairn 1973, 63-67). On the other

side, the Jenkinsite faction of pro-Europeans remained firmly committed to a brand of European social democracy. They were the strongest supporters of a European future for Britain to be found across the political spectrum. In July 1971, a special conference was held on membership of the Community at which the irreconcilable divisions within the party were clearly visible (Bilski 1977, 319). The left then used the issue in a highly effective manner to mobilise support and increase their power in the party. Nairn argued that the issue became seen as a way out of the crisis of the Labour party after a disappointing period in office,

In 1970-71 Labourism was suffering from defeat and deep disorientation, and coping very badly with the situation. And its ominous incapacity to find renewal ideologically was demonstrated against the background of rapidly falling membership and militancy, and the marked trend towards embourgeoisement... This was the state in which the Party confronted the great debate [on EC membership], a declining empire of national socialism, lifeless at the top and increasingly unsure of its old social basis. (1973, 81)

In an attempt to contain the splits within the party, in 1972 the Labour shadow Cabinet decided to support a proposed amendment to the European Communities Bill by Enoch Powell calling for a referendum, a proposal that Tony Benn had originally put forward in 1970 (Benn 1996, 255). It was an opportunistic stance taken to try and undermine the government in the context of domestic problems, but was also a way of uniting a party that had become fundamentally split on the European issue. Harold Wilson, Labour leader, dealt with this split by siding with the left and supporting the referendum but he was unable to do this without committing the party to a more oppositional stance. This led to the resignation of Roy Jenkins in April 1972 and was indicative of the strength of the left at the time. During 1972 and 1973, the party was just held together by a commitment to opposing the terms of entry negotiated by Heath and supporting a referendum on the issue. This then was the position of the party when it took office in 1974.

The re-negotiations the British government entered into have been characterised as a 'sham' with no suggestion of revising the Treaty of Rome or the Treaty of Accession (Greenwood 1992, 100). The German Chancellor Schmidt described them later as a face saving, cosmetic operation undertaken for the British government (Young 1998, 283). A number of concessions were made to the British on issues such as Commonwealth trade and the CAP. By the time of the Dublin Council in March 1975 the two outstanding issues were British budgetary contributions and New Zealand butter. Wilson approached the meeting as 'a St. George figure who knew how to stand up to foreign dragons and would never sell his country short' (George 1990, 86). His populist defence of the interests of the white Commonwealth played to the nationalism of the British public and large sections of the Labour party. Wilson also rejected calls for increased harmonisation, falsely implying that the Commission was about to impose on the British people a 'Euro-loaf' and 'Euro-beer' (ibid, 87). Wilson was, therefore, able to sell the renegotiations, that only added up to a number of minor and qualified concessions by the Community, as a victory for the Labour government and the British people. Wilson effectively used a populist nationalist position to legitimise the continued membership of the Community. Inevitably, it

meant ditching any attempt to link membership of the Community with a broader project of British renewal and modernisation.

When Wilson publicly stated his continued support for a referendum in January 1975, he attracted considerable criticism from within a deeply divided party. He nevertheless succeeded in producing a Cabinet majority of 16-7 in favour of membership based on the renegotiated terms and a majority in parliament (Young 1998, 284, Benn 1996, 313). Divisions within the Labour party by this stage were particularly deep and so intense that a parliamentary victory was only achieved with the support of the Conservatives. Six members of the Cabinet dissented from the Cabinet line, including Tony Benn, Barbara Castle, Michael Foot, Peter Shore, Willie Ross and Eric Varley. During the Cabinet debate on the impact of membership on national sovereignty, both the pro and anti-marketeters defended their positions as consistent with the continuation of British parliamentary sovereignty (*ibid*, 343-345). Wilson at one point claimed that the British parliament had the power to come out at any time (*ibid*, 344). Both sides presented themselves as the guardians of the British constitution. These persistent divisions within the party were further exposed when the dissenters in the Cabinet began to mobilise the party against continued membership (Benn 1996, 313-315). By the time of a special Labour party conference in April 1975, a large majority voted against membership.

During the referendum campaign, it was the *Yes* campaign that galvanised the British political classes. The leading establishment figures from business, politics, the media and, even the church, lined up in support of Britain in Europe (George 1990, 94-95). Its endorsement by the Labour leadership was a key factor in the increased support for continued membership (Butler 1979, 154). The *Yes* campaign emphasised the economic case for membership and considerable attention was given to the effects on the cost of withdrawal (George 1990, 94; Young 1998, 291). They presented their case for continued membership as a pragmatic economic necessity and emphasised the control of national governments over European decision making. It was fundamentally a conservative case for British membership that made no mention of any restrictions on British sovereignty as a consequence of membership. There was no engagement with the project of European integration as representing a fundamental transformation of the British state. As Young points out, the *Yes* campaign ‘conformed to the old familiar rule, the golden thread of deceptive reassurance that runs through the history of Britain’s relationship with the European Union up to the present day, our entry was essential, our membership is vital, our assistance in the consolidation is imperative – *but nothing you really care about will change*’ (1998, 293 emphasis mine).

All the confusions of the British European strategy that had been evident at the time of the Macmillan government, and reflected a fundamentally reoriented rather than restructured political order, were therefore being restated. Yet, the emphasis was more focused on the pragmatic economic necessity of membership rather than the revival of world power status that had been so central to the Macmillan approach.

The *No* campaign focused more directly on the populist issues of sovereignty and nationhood. This was the position of Powell and those Conservatives who opposed membership. They were joined in their concern over the nation with those on the Labour left such as Shore, Benn and Foot. Shore proclaimed that membership of

the EC meant that the 'long and famous history of the British nation and people has ended' (cited in Young 1998, 292). In a letter in to his constituents in December 1974, Benn outlined what was to be his fundamental reason for opposing Britain's membership in the referendum campaign: 'Britain's continuing membership of the Community would mean the end of Britain as a completely *self-governing nation* and the end of our democratically elected Parliament as the supreme law-making body in the United Kingdom' (Benn 1974, 38 emphasis mine).

Benn, therefore, aligned himself with populist left wing nationalism and against the realities of an advanced international capitalism and its political reorganisation. Nairn points out that the left viewed the Common Market as a 'disease' of capitalism, like high imperialism or fascism, and not as a new post-national stage in bourgeois society, within which there was also the opportunity to strengthen the position of the working class and European socialism (1973, 145-146). Ignoring the realities of international capitalism, and the possibility of crafting a distinctive national-European accumulation strategy, those on the British left continued to perpetuate a socialist utopia of national economic autonomy. They envisaged a dilution of the possibilities for socialism in Britain as a consequence of membership of a capitalist organisation characterised by the politics of consensus and compromise (Castle 1980, 404).

The left's defence of the nation meant they found themselves in an unlikely alliance with Powell and his supporters. Powell proclaimed that membership of the Community meant the end of the British parliament and with it national independence (Powell in Ritchie 1978, 35). During the battle over the passage of the European Communities Bill, he had argued that membership of the EC would be bitterly opposed by the British people,

If Brussels. Luxembourg and Paris are imagining that the 'English gentleman' will now 'play the game', they will be rudely undeceived. These resentments will intertwine with all the raw issues of British politics, inflation, unemployment, balance of payments, the regions, even immigration, even Northern Ireland, and every one of these issues will be sharpened to the discomfiture of the European Party'. (Powell in Ritchie 1978, 43-44)

Thus on both the left and right 'Europe' was evoked as the 'other' of British freedom and national identity in order to revive the old Westminster system and construct the 'imagined community' of the United Kingdom. These populist projects of national renewal drew on a distinct British state nationalism that was realised in opposition to a political 'Europe.'

In the event the final referendum vote was strongly in favour with 67.2 per cent *Yes* vote on a turnout of 64.6 per cent. This was not, however, the endorsement of the British people for the European project, but a vote for the status quo in support of the position outlined by their leaders (Butler and Kitzinger 1976, 280; George 1990, 95; Greenwood 1992, 102). The public effectively endorsed the *conservatism* of the European strategy of the British state. Membership of the Community came to represent a sense of continuity and security at a time of British decline and crisis. However, the authority of the vote was questionable and this was indicated by the fact that by 1978 there was a majority telling Mori that they would vote against

continued membership (Butler 1979, 151). One noticeable feature of the *Britain In Europe* campaign was the distance kept by Wilson, Callaghan and Thatcher, who was newly elected as leader of the Conservative party (Young 1998, 298). Young judges that they ‘recoiled from the political implications of an issue which party could not accommodate’ (ibid, 298-299). Political leaders were attempting to neutralise the issue and in doing so they moved away from fully endorsing the importance that the Heath-Macmillan governments had attached to British participation in the EC for post-imperial renewal.

The domestic conflicts over Europe during the 1970s were particularly important in establishing Britain as the ‘awkward partner’ in the EC (George 1994). The instability of the legitimacy of British membership meant that there were fundamental constraints on British governments adopting a more assertive European strategy and fully engaging with the process of integration as a leading member-state. Evidently, in the context of a post-imperial crisis that now included an intensification of domestic Euroscepticism, to try and turn Britain into a hegemonic European state was unrealistic. That this was so became immediately evident after the referendum when the Wilson government blocked and disrupted a range of Community policies on energy, pollution controls, transport and the European Regional Development Fund. In effect, Wilson would not commit to securing the domestic legitimacy of membership on anything other than rigid and populist articulations of the national interest; a strategy that was to become typical of the British governing elite’s position towards European issues.

The shifting balance of domestic forces and the further decline of Europeanism

The referendum campaign had taken place against the end of the Labour government’s ‘Social Contract’ as a strategy of national renewal and modernisation. There was a rise in inflation to 30per cent by the summer of 1974, a balance of trade deficit of £3,323 million by the end of 1974 and widespread structural unemployment that had reached over 1 million by October 1975 (Coates 1980, 12; George 1990, 75). The government could only handle the deficit by raising huge international loans that in turn added to the burden of public spending (Coates 1980, 19). The dilemma was that the ‘Social Contract’ that was designed to stimulate economic growth could only do so by shifting resources away from the greater social wage on which the contract had been constructed (ibid, 23). After 1975, therefore the government was forced to try and win trade union support for wage cuts and ending industrial disputes (ibid, 25). The capacity of the government to achieve a cooperative relationship with a hostile and fragmented labour movement was limited. In effect, the ‘Social Contract’ became a mechanism for achieving wage controls and any consensus on the social wage that had been achieved began to break down. In March 1976, Wilson resigned and was replaced by Callaghan. The latter took office in the at a time of worsening economic conditions with continued high inflation, unemployment and a large balance of payments deficit. The record levels of public sector borrowing finally gave rise to a sterling crisis that consumed the Callaghan government for its first nine months. A

run on the pound was ended by an IMF loan of £3.5 billion. The main consequence of this loan was that the government's economic policy was subordinated by the deflationary goals demanded by the IMF. This resulted in the largest cut in public spending since 1945 (*ibid*, 39-41). However, by 1977 Britain's financial position had improved as a consequence of an increase in the value of sterling and there was a fall in the rate of inflation. During 1977, the government was able to reflate the economy. Economic conditions improved with unemployment levels stabilising and the economy growing by 3 per cent in 1978 (*ibid*, 48). However, the weaknesses in the British manufacturing base meant that imports began to rise and there was growing speculation on sterling (*ibid*, 48-49). The British economy remained trapped in a stop-go cycle which during the 1970s crisis of international capital of the 1970s was that much harder to escape from. Furthermore, the government had failed to achieve a productive relationship with the trade unions based on a social wage consensus and on which a more coordinated response to economic problems could have been based (Rhodes 2000, 170).

Whether these problems could have been eased in the short term by pursuing a European course of action remains debatable. However, the government's approach to the global economic crisis was to move in the direction of an Atlanticist solution. As we have seen, such a position was entirely consistent with the direction of British international economic policy since the end of war. However, during the period 1975/1976 the implications of this position were particularly profound, due to the rejection of Keynesianism by the Labour government and the subordination of fiscal and monetary policy to the rules imposed by the IMF. In effect, the British government had concluded that the only solution to Britain's problems was to allow the economy to be dictated by international market forces and that domestic conditions had to be favourable to international capital accumulation. Panitch emphasises the significance of the British case in the shift to flexible accumulation brought about under U.S. hegemony,

The conditionality attached by the IMF to the British loan of 1976 was a momentous break with Bretton Woods protocol. For it amounted to nothing less than the imposition of financial capital's long-standing preferences for price stability and private investment as the pre-eminent goals of economic policy, upon a major Western state whose people had just voted for public expenditure and full employment. (2000, 12)

The Callaghan government rejected a European monetary policy in the form of the European Monetary System (EMS) in favour of solutions to be carried out under the surveillance of the IMF. The EMS was proposed by a German government that believed Washington's approach to international monetary policy, emphasising the role of stronger economies leading the world out of recession, resulted in increased speculation against the deutschmark (Greenwood 1992, 105). Helmut Schmidt, German Chancellor of the time, stated that 'the whole management of the dollar by the American Administration was absolutely intolerable' (cited in Jenkins 1989, 247). The EMS proposed a system of exchange rates fixed to a common European parity, based on the deutschmark, but with room for movement up and down. There would be substantial short and medium credit facilities available to governments

who faced speculative attack. The British government's position in the negotiations on membership was extremely cautious and in some cases hostile to the whole idea (Jenkins 1991, 441-446). In the face of party opposition and American doubts about the system, the position of the government was to adopt informal membership. Greenwood comments that this approach to the EMS indicated 'Callaghan's standoffishness towards Europe and the old hankering for a more global approach to economic management' (1992, 106). It can be seen as a reassertion of a post-imperial British conception of a global market society within an Atlanticist framework and, *in opposition*, to the pursuit of a more substantial European policy. Panitch argues that the Labour government was not only 'managing the British crisis' but 'explicitly saw themselves as junior partners with the US in managing the international crisis, through policies to accelerate the free flow of capital' (2000, 13). This traditional response to another British financial crisis was out of step with a country that was a recent member of the Community and whose partners clearly had considerably more interest in British economic regeneration than the US. It would have been unlikely that a more coordinated European response to Britain's crisis would have expected the shift towards a neo-liberal policy agenda.

The importance that had been attached to the EC membership for post-imperial renewal by previous administrations was being questioned during the second half of the 1970s. The emerging assault, not only on welfare spending, but also on the principles of collective social welfare (Hall 1979, 29) implied a recomposition of the balance of forces within the British politico-economic order (Jessop 1980, 82). The change was in favour of a new Anglo-American neo-liberal model of economic development that re-asserted the private political power of capital. In a reversal of the principles on which the Keynesian-welfare state ideal had been based, an attack on social and industrial rights was viewed as a legitimate way to increase competitiveness and restore capitalist accumulation. In this context, the Labour government was ill-prepared to pursue a more constructive European policy that would have exacerbated party divisions and undermined its ideological appeals for national unity. What was notable about the 1974-1979 Labour government was the importance it attached to the concept of the nation in order to maintain public and party support. By the late 1970s, Warde notes that all that was left to the Labour government was 'patriotic symbolism' (1982, 156). In effect, the move towards a more globalised domestic economy and a more coercive state was given legitimacy under the populist guise of national unity.

Ultimately, the entrenchment of Britain's 'awkward partner status' under the Callaghan regime has to be seen as part of the move towards a distinctly British conception of a strong state that was necessary to support the reorganisation by the forces of international capitalism. The dilemma was that the British government still had to engage with the business of the EC and this proved to be increasingly difficult. In January 1977 the British assumed Presidency of the Council of Ministers for the first time. By this time the government was embroiled in a number of difficulties with the EC over the common fisheries policies as well as the CAP. The approach of the British Presidency was outlined by Crosland, Foreign Secretary, at the European parliament. It was notably 'low-profile' and emphasised 'a cool and realistic appraisal of what was feasible, rather than by over-ambitious and misleading commitments to

rapid integration' (Edwards and H. Wallace 1977, 284). The Presidency, therefore, was not used as an opportunity to pursue a more active and constructive approach to the Community (ibid, 286; George 1990, 124). Nevertheless, an area the British government were more enthusiastic was the enlargement of the Community.

Further problems arose with the EC over the agreement to implement direct elections to the European parliament by May 1978. The proposal was inevitably met with considerable opposition within the Labour party. The Green Paper on this issue was initially debated in March 1976, but the eventual Bill was not passed until the government was forced to introduce a guillotine order in January 1978 (Broomhead and Shell 1977, 152; 1979, 127). This motion was passed by 314 votes to 147 with considerable cross voting, with nearly half of those voting against emanating from the backbenches (Broomhead and Shell 1979, 17). In the committee stage Dr David Owen, the Foreign Secretary, proposed that any further increase in the power of the European parliament would require a British Act of Parliament (ibid). The government's approach to the EC was constrained by the shift towards the left that had occurred within the party yet this only reinforced a more general scepticism across the political class. This was particularly evident in the attitude towards direct elections, which were considered to be 'at best irrelevant and at worst a threat to British democracy in the eyes of all but a minority' (H. Wallace 1981, 122). A compromise had been reached in the Labour party by 1977 on membership yet this was achieved because of the willingness of the leadership to take a more belligerent line within the Community (The Economist October 8th 1977, 18). Membership was to be tolerated as long as it was firmly subordinated to national interests. This was the clear intention of the position outlined by Callaghan in a letter to the Labour party Secretary, Ron Hayward (ibid, 60-62). He wrote that withdrawal was out of the question because of its impact on relations with the United States and he called for the maintenance of the authority of national governments and parliaments (ibid, 60). Employing a Eurosceptic rhetoric, he also warned of the dangers of an 'over-bureaucratised, over-centralised and over-harmonised Community' (George 1990, 126). In effect, Callaghan was setting out the parameters of Britain's involvement within the Community and establishing a European strategy that emphasised the containment of membership and its subordination to the Washington Consensus.

Conclusion

Even as membership was being achieved under Heath, the link between British post-imperial renewal and modernisation and participation in the European Community was being fundamentally compromised and challenged. Indeed, the evidence suggests that the European modernisation strategy became a strategy of last resort for the Heath government, a 'substitute' policy that lacked real depth and was played up as other aspects of its political project crumbled. European policy became part of a 'crisis of crisis management' (Offe 1984) that only exacerbated the lack of a wider and deeper legitimacy across the public and the political class. This became particularly evident during the Labour administrations of 1974-1979.

In their dealing with the EC post-referendum, the Wilson-Callaghan regimes did not demonstrate any serious commitment to the European project. They were not committed to membership on anything more than pragmatic grounds. They pursued a highly truncated European strategy and a belligerent approach to the Community that lacked even the limited vision of the Heath government. In the face of hard Euroscepticism within the party, Labour governments resorted to national populism in order to legitimate continued British membership of the EC that implied the pursuit of exclusive and rigid conceptions of the national interest. It could be said that while other member-states were responding to an international crisis by beginning to contemplate further European integration, British governments were engaged in limiting the domestic legitimacy of membership.

Particularly significant during this period was the recomposition of the balance forces in favour of international capital that was achieved through the intervention of the American dominated IMF. From this perspective the attitude of the Labour governments to the EC can be viewed as opposition to the establishment of a European mode of regulation to re-introduce some sort of governance into the global economy. In effect, a crisis of global Fordism and the particularities of its British expression saw the Callaghan government resort to a neo-liberal Atlanticist strategy that had the objective of ensuring international accumulation despite its impact on the domestic social order. Thus, any European strategy was now firmly contained within the newly established parameters of the British state.

While the Conservatives were more united and viewed as the 'Party of Europe', the appeal of Powell had sensitised the party to the electoral possibilities of linking together economic liberalism and a populist nationalism. Powell was a consistent opponent of the Heath government and laid the ground for the rise of the New Right within the party with its emphasis on the free market and the strong state (Gamble 1994, 141). For Powell, there was clear logic in his opposition to British membership of the EC and his political agenda. For him, joining Europe was a direct threat to the British state and a betrayal of the nation by the Conservative party. Powell persistently evoked the nation by his opposition to the Community. However, the Conservative remained fiercely loyal to the leadership and Powell increasingly alienated himself from the wider party. He eventually refused to fight on a Conservative platform in 1974. In contrast, the election of Thatcher to the leadership in 1975 was a victory for a nationalist neo-liberalism from inside of the party. Notably, when Thatcher won the leadership she reversed the European priority that Heath had imposed on the party (Young 1993, 143). She championed the moves towards a strong state and the relentless exposure to market forces that had already begun to occur under the Callaghan administration.

The British post-imperial crisis gave rise to significant Eurosceptic mobilisations in the 1970s that established populist and rigid nationalist approaches to European integration across the main political parties and the political culture. Significantly, these discourses of British 'exceptionalism' were increasingly compatible with a re-assertion of Britain's historic role in constituting the global economy as part of a reinvigorated political economic Atlantic alliance.

Chapter 4

Towards a Citizen's Europe?

In this Chapter so far has examined the problem of the British state and European integration from the perspective of global Fordism and its emerging crisis. The problems of the British state's European policy have been shown to be a consequence of the failure of a post-imperial regime to establish a Europeanised project of domestic modernisation. In this chapter, I suggest that the parameters for action by European political elites were fundamentally changed by the shift from Fordism to flexible accumulation (Harvey 1989). I explore the responses to these changes in the form of the second wave of European integration. The project of European integration as it was pursued between the mid 1980s and the 1990s, can be seen as a form of political modernisation (Held 1995; Habermas 1994, 1999; Walby 1999; Hutton 2002). From such a viewpoint, the European Union is best understood as a progressive, yet uncertain and contested, political response to the recent processes of globalisation encapsulated in the move to flexible accumulation. In particular, I want to emphasise how national and supranational elites came to make certain choices in favour of furthering European integration as a potential response to contemporary political and economic conditions. In doing so the Chapter will focus on the Single European Act (1986) and the Maastricht Treaty (1992).

Within this context, the continual problems of Britain's relationship to European integration are reconfigured. While the second wave of European integration was seen as the basis for the reform and modification of European regulated capitalism in the context of globalisation, in Britain an aggressive nationalist neo-liberal regime questioned many of its core assumptions.

The second wave of European integration

The second wave of European integration may be considered to be initiated by the Single European Act (1986) and the Maastricht Treaty (1992).¹ These two agreements represented the most significant steps taken towards an integrated Europe since the Treaty of Rome (1957). This revival of European integration has to be placed within the intensification of economic globalisation and the ending of the Cold War. These developments were part of the acceleration of processes of flexible accumulation and the emergence of risk societies while old assumptions about social organisation were increasingly undermined (Beck 1992, 1999). The re-

1 More recently, it can also be seen to include the Treaties of Amsterdam (1997) and Nice (2001), enlargement to Central and Eastern Europe, the failed European Constitution and its successor the Treaty of Lisbon (2007).

launch of the integrationist project was therefore a distinct political response to these new realities and uncertainties. However, it also reflected the specific problems of political action and, in particular, the struggle to legitimate political programmes at a time of political disenchantment. The problem that British governments had with the direction of European integration during the 1980s and 1990s has to be seen as a significant struggle within the broader parameters of the contestation, if not crisis, over an emerging European model of global governance. Given the importance of developments in the process of European integration, I want to begin by exploring the major agreements that formed the substance of the integration process during the period in question and then go on to examine how different theoretical frameworks can help us understand these events.

Although the global economic slowdown of the 1970s effected the whole of the Western world, the European economy suffered particularly badly relative to its major competitors (Wise and Gibb 1993, 52). The EC's share of world manufactured goods fell from 45 per cent in 1973 to 36 per cent in 1985 (*ibid.*). In particular, the Community was showing lack of competitiveness in the high technology sector and other areas of growing demand. This left them vulnerable to import penetration from Japan and the USA (*ibid.*, 55-56). Furthermore, the response of many European countries to the economic recession had been to erect non-tariff barriers and subsidise loss making firms in order to protect national economies (*ibid.*, 60). The negative effect on intra-Community trade was increasingly evident as the Community failed to provide the underpinning for economic growth that was the basis for the European welfare state settlement. The widespread perception was that the national Fordist welfare state was no longer the engine of European economic integration but had become the major barrier to its success. The problems with the European economy were confirmed by the Albert and Ball Report (1983), commissioned by the European parliament, which catalogued the demise of the European economy between 1973-1980. By the early 1980s it was clear to all member-states that the European economy was only going to regain its competitiveness by the completion of a single market and an increased coordination of economic and monetary policy (*ibid.*, 61). A key factor in the eventual success of this policy was the commitment of the French government to a European economic policy.

In the early 1980s, a socialist government under Francois Mitterrand had to end an attempt to expand the French economy in the face of a financial crisis brought about by intense international speculation against the Franc. The French experiment proved that it was no longer possible for national governing elites to produce desired macro-economic outcomes, the pursuit of which could in fact undermine economic stability (Schmitter 1996b, 10). In France, the consequence was the *politique de rigueur* introduced by Jacques Delors.² The intensification of international competition and growing autonomy of financial markets indicated that by the early 1980s the European economy was becoming the victim of powerful forces of economic globalisation. In particular, the US was actively destabilising the international economy by implementing a tight monetary policy and increased government deficit

2 For a discussion of the events surrounding the French crisis and the role Delors see Grant 1994.

spending, this raised interest rates and pulled investment away from Western Europe (Geyer 2000, 41). Ross notes that 'the international financial blackmail tactics of the Reagan administration, coming after a decade of confusion caused by the collapse of the US-run Bretton Woods system, argued for a specifically European response in trade and monetary areas' (1992, 56).

In 1983, the French government report explicitly put forward a European solution for the French economy, emphasising the growing inability of national governments to find national solutions to Europe's relative economic decline (Ziltener 1997, 18). The report put forward proposals for a single market, social legislation and qualified majority voting (*ibid*, 18-19). It emphasised the importance of the French-German axis in pushing forward integration and raised the possibility of a two speed Europe if some countries were reluctant to proceed. This report was, therefore, central to the formulation of the objectives for the French Presidency of the European Council in the first half of 1984. At the European Council in Fontainebleau in June 1984, it was agreed to follow the Mitterrand line and an Ad Hoc Committee for Institutional Affairs (the so called Dooge Committee) was established with a mandate to examine possibilities for political unity (*ibid*, 22). The Dooge Committee Report was presented in 1985 and made a number of recommendations, foremost of which was the completion of a genuine internal market by the end of the decade (*ibid*, 29-30). It also called for the strengthening of the European monetary system and economic convergence. There were additional recommendations for a European social area that would include a dialogue between employers and employees over the harmonisation of social policy. Furthermore, it emphasised the need to promote common cultural values and the establishment of a unified approach to external affairs. The majority on the Committee concluded that institutional reform was necessary to achieve these goals. (George 1990, 178).

The possibilities opened up by the European Council meetings were grasped by Lord Cockfield, Vice-President of the Commission, who produced a White Paper on *Completing the internal market* (Commission 1985a). This highly technical document outlined a practical programme for the completion of a European single market and was approved by the member states at the Milan EC Council in 1985. The Dooge Report and Cockfield's paper formed the basis for the negotiations that took place at the European Council meeting in Luxembourg in December 1985. The terms of the Single European Act were agreed and came into force in July 1987 after ratification by each of the member states. It is evident that the SEA was a 'package solution based on barter' and inevitably consisted of a number of compromises between the various member-states (Ziltener 1997, 40). Despite this, it achieved its overriding objective, the liberalisation of European markets. The economic benefits of a single market were loudly trumpeted by the Commission which, under the powerful leadership of Delors, saw the single market programme as a basis on which to relaunch the Community (Grant 1994, 66-67). However, the case for the single market was not fully outlined until the Cecchini Report 1988 which attempted to provide a 'solid body of scientifically-assembled evidence as a means of judging the extent of the market fragmentation confronting European business and Community policy makers alike' (1988, xviii). This outlined a free market solution to European economic problems arguing that the intensification of competition brought about by

market integration would result in a lowering of costs, greater efficiencies and the consequent restructuring of European industry (Cecchini 1988). However, there was more to the SEA than simple market liberalisation; the Delors Commission successfully linked completion of the internal market to institutional change and an increase in the competencies of the Community (Ross 1992, 57; Ziltener 1997, 57). These other measures appealed in particular to those member-states who wanted to see an extension of the political and social dimensions of the Community. There was a range of political initiatives that extended the role of the Community in relation to areas such as cohesion, environmental and social policy. At the institutional level, the SEA extended qualified majority voting for most areas of the internal market programme and the power of the parliament was increased by the Cooperation Procedure that allowed it to amend proposals. Significantly, the SEA eroded the ‘veto culture’ that had been initiated by the Luxembourg Compromise (Ziltener 1997, 42; Howe 1994, 458). In general, the implication was that European re-regulation was to accompany national de-regulation.

The Delors Commission considered the SEA to be the beginning of a new expansionist trajectory for the Community. At the centre of this was the Delorsian view that Europe had to construct itself as an organised space that had sufficient common identity to enable it to avoid becoming ‘Japanified, Americanised or globalised’ (Delors 1992, cited in Grant 1994, 163) The SEA was therefore part of a more ambitious project of transnational regulated capitalism that was designed to transform Western Europe and revive the ‘European Social Model’ in the context of the moves towards flexible accumulation (Delors 1992; Ross 1992; Hooghe and Marks 1997). Thus the principles of social solidarity, social protection and social partnership were to be pursued at the European level alongside the necessary liberalisation of the European economy. The aim was to construct a distinct European political space that would be legitimised by the deepening of European formal democratic structures and would eventually lead to the establishment of a federated Citizen’s Europe (Grant 1994, Chapter 7; Hooghe and Marks 1997, 11). Crucially, the Delors Commission used the SEA as a basis for further spillover initiatives. It was indicative of the extent to which the Commission had become a policy entrepreneur, able to exert its bureaucratic pressure and “soften up” the opposition of member-states, while waiting for a window of opportunity to open’ (Majone 1996, 74). In the wake of the SEA, Ross describes the unfolding of this strategy,

Delors was certain that the completion of the single market would place the Community on a new expansionist trajectory. The Commission’s new political capital was thus quickly reinvested in what he and his staff called a ‘*Russian doll*’ strategy. Commission leaders and their member-state allies had carefully included vague but potentially expansionist commitments – the ‘new competences’ – in the Single European Act, many of which were originally canvassed in the European Parliament’s earlier ‘Draft Treaty on Political Union’, while various communiques from the European Council pointed in similar directions. EC heads of state and government were thus on public record as committed to moving ahead. President Delors was eager to remind them of their commitments. Hardly had the ink dried on the Single Act when the Commission and its leaders were prodding Europe towards newer and wider aspirations. (Ross 1992, 58-59 emphasis mine)

Thus, the Commission had become the key player in the integration game, brokering deals that pushed the member states closer together and expanding the Community's supranational potential. Over six years the various 'Russian dolls' were uncovered and by the Maastricht European Council of 1991 it was evident that the construction of 'a new integrated and federalizing Europe had reached the point of no return' (*ibid*, 65).

The most ambitious proposals on the agenda were the plans for economic and monetary union (EMU). The proposals for EMU were put together by a committee of Central Bank Governors under the Chairmanship of Delors. As Chairman, Delors was able to move the governors towards a consensus on what he wanted (Ross 1995, 81). Indeed, a member of his team reflected that 'there wasn't a phrase in the final paper which he didn't author' (*ibid*, 82). The Delors Report was published in 1989 and supported the three stage architecture for EMU that had been outlined in the 1970 Werner Report. It was expected that the member-states would move from completion of the internal market and membership of the European exchange rate mechanism (ERM) to economic convergence based on agreed criteria. The conditions would then be in place for the implementation of the final stage that would involve the establishment of a European central bank (ECB) and a single currency.

There was, however, to be more to the Community's new trajectory than the EMU. Delors continued to emphasise the necessity of expanding the social dimension of the Community in order to complement economic integration. A key objective here was to deter the practice of social dumping whereby companies and countries would attempt to gain competitive advantage within the internal market on the basis of low social costs. The possibility of social dumping appeared to be increasingly likely as multinational companies developed a range of business strategies that cut across national boundaries (Wise and Gibb 1993, 153). In response to these fears, the Commission put forward the 'Community Charter of the Fundamental Social Rights of Workers' (1989); a non-legally binding declaration on which a programme of social policies was to be put forward by the Commission (*ibid*, 160).

As the member-states negotiated the Social Charter, the integration process was overtaken by events as state socialism collapsed in Eastern Europe and the Cold War came to an end. Delors and the Commission capitalised on these developments by supporting German unification and then outlining a programme of Community enlargement. This would firstly encompass the EFTA countries and subsequently reach out to the ex-socialist regimes. Crucially, in 1989 it was agreed with the US that the Community would co-ordinate aid, the bulk of which was European, to the East (Ross 1992, 60). The end of the Cold War and the expansion of its external policy had also confirmed the need for the Community to develop a more active and co-ordinated foreign policy.

At the Maastricht negotiations in December of 1991 the member-states, acting on a range of proposals from the Commission, began to re-draw the political architecture of the Community and rethink its range of responsibilities. Despite the limitations of the various policy preferences imposed by national governments, the member-states went a long way to establishing Delors' concept of Europe as an 'organised

space' between the nation-state and the global market. Some of the most important agreements were as follows,

- A timetable was agreed for the establishment of EMU that followed the essence of the 1989 Delors Report. EU responsibility was extended into new areas such as public health policy, transport and (except Britain) social policy.
- New arrangements were put in place for formalised intergovernmental cooperation over foreign policy and justice and home affairs.
- A new Committee for the Regions was established and the financial support for poorer regions was increased, almost doubling the overall size of the structural funds (Geyer 2000, 144-145).
- For the first time the concept of a distinct European citizenship was introduced and the citizen's rights were formalised and extended.
- New powers were given to the European parliament including the right of veto over certain areas of legislation.

Schmitter notes that the Maastricht Treaty was the outcome of a 'hastily assembled compromise' and as such was 'an intrinsically incoherent document' (1996b, 131). In particular, it was rooted in the technocratic economism that had been characteristic of the Community since the 1950s (Marquand 1991). The main implication of this was that it failed to address the critical problems of legitimising the EU and the real political obstacles to further integration. Despite these limitations, it did point in the direction of a possible stable European political order that was neither straightforwardly intergovernmental nor supranational in character. Schmitter argues that we can only get to grips with the new political structure that Maastricht inaugurated if we imagine a polity that does not have the monopolising and centralising characteristics of a nation-state but does have,

the capability to take decisions, resolve conflicts, produce public goods, coordinate private behaviour, regulate markets, hold elections, respond to interest group pressures, generate revenue, incorporate new members, allocate expenditures, send and receive diplomatic representation, conclude international agreements and even declare and wage war!' (1996b, 132)

Both theoretically and substantively, Maastricht seemed to confirm the development of the EU as a unique form of multi-level governance (Peterson 1995; Marks and Macadam 1996; Schmitter 1996b; Cram 1997). The implication was not only that day-to-day policies, but history making decisions within the EU were increasingly the product of complex political interactions between national governments and supranational institutions as well as sub-national authorities, social movements and interest groups.

The implicit implication of the multi-governance perspective is that, in the wake of the decline of the nation-state as an exclusive political organisation and without a European state, the dominant political category that defines European political society is that of *civil society*. There is an evident pluralisation and fragmentation of European societies and the emergent multi-level polity both reflects this process as much as it attempts to organise and regulate its progress. These developments are however uncertain and ambiguous as the integration process has yet to reach an end

point.³ The question arises of what kind of European economy has been constituted by political elites clearly motivated by the need to reconstruct some kind of distinct European civil society in the face of international threats. This debate frames the further discussion of theoretical approaches to the EU discussed in the next section. It also provides the focus for the discussion of the role of the British state in relation to the development of the EC/EU during the 1980s and early 1990s.

Europeanisation, an effective response to globalisation?

In recent years a profound critique has emerged of those features of globalisation associated with changes in work, consumption and technology (Bauman 1998, 2000; Gray 1998, 2000; Sennett 1998; Young 1998). A global neo-liberalism has been seen to have brought about the naturalisation of inequality, the subordination of politics to 'uncontrollable' economic forces, the rise of individualism and exclusive identities and the intensification of the experience of insecurity and uncertainty. This has been driven by a *financialization* of the global economic order that has imposed policies of fiscal constraint and low inflation onto governments while amplifying financial wealth (Arrighi 1994, 2003; Greider 1997). The debates concerning processes of Europeanisation raise fundamental questions about the reconfiguration of power in the face of globalisation (Wallace 2000; McGrew 2002). In particular, to what extent is the European Union primarily a vehicle for a regressive economic globalisation, of deregulation and deflation? Or, does it imply a genuine form of political transformation and modernisation? In the remainder of this Chapter, I will address these questions.

It remains highly contested that the processes of integration outlined in the previous section imply a progressive reorganisation of political and economic power in the context of globalisation (Streeck and Schmitter 1991; Scharpf 1994; Streeck 1995, 1996; Bonefield and Burnham 1996; Mishra 1999). As we have seen, the SEA was concentrated on the liberalisation of European markets and reflected the renewed dominance of a market oriented policies. The Maastricht Treaty imposed strict monetary and fiscal constraints on those member-states participating in EMU, limiting public spending and forcing member-states to impose policies of welfare retrenchment (Mishra 1999, 40). In an important contribution to this debate Streeck and Schmitter (1991) argued that recent European developments favoured capitalist interests and that integration was fundamental to the deregulation of European corporatism. The consequences represented a clear attempt to construct Europe as a coherent politico-economic space at the expense of social contracts.⁴ The

3 Schmitter proposes two possible ideal-types for understanding the political direction of the EU either a *consortio* or a *condominio* (2000, 17-18). A 'consortia assumes a fixed and irreversible set of member states within defined territorial boundaries, but with varying political responsibilities.' A *condominio* is less easily defined and would consist of many Europes both functionally and territorially.

4 Schmitter identifies six reasons for the failure of European social citizenship (2000, 43-44). These are (1) divergent economies (2) national differences over welfare policies (3) National orientations of associations that operate within distinct social policy regimes

establishment of the single market, they argued, represented part of a shift from national corporatism to transnational pluralism,

European-level relations between capital and labour, instead of constituting the core of the European political economy, will for the foreseeable future remain compartmentalized in the private sphere of large multinational enterprises and will thus be essentially non-political and voluntaristic in character. (Streeck and Schmitter 1991, 158)

The reformed EC/EU resembled a pre-New Deal liberal state which exhibited ‘a high level of civil rights... a low level of political rights... an even lower level of social rights... [and] the almost complete absence of industrial citizenship’ (Streeck and Schmitter 1991, 152). The key factor here was the decision by the member states to move towards ‘mutual recognition’ instead of harmonisation (ibid, 149). Streeck came to a similar conclusion regarding Maastricht which he argued failed to introduce meaningful market correcting measures or a system of European level neo-corporatist governance (1995, 402). The implication was that states deregulated at the national level without re-regulating at the European level. In essence, the second wave of integration traded the break-up of the national Keynesian welfare state to maintain the integrity of a European economy in the face of the wider forces of globalisation (Schmitter and Streeck 1991). But the practical result represented a European variant of flexible accumulation that accepted the renewed ascendancy of market forces. From this perspective, European integration is firmly located within the process of globalisation as part of the drive towards ‘flexible accumulation’⁵ (Harvey 1989). In essence, the EU can be placed alongside global institutions such as the IMF that have been the mechanisms for breaking up nationally regulated labour markets and undermining national welfare states. Bonefield and Burnham (1996), for instance, have comprehensively argued, from the perspective of a Marxist class analysis that European monetary regimes and the establishment of a single currency have been driven by the need to impose fiscal discipline on the working class. Bonefield has gone on to argue that ‘EMU, then, inscribes the neo-liberal policy of market freedom associated with Hayek through the creation of European supranational institutional devices that check expansionary responses to labour conflict’ (2002, 132).

The clear limitations of the Maastricht Treaty in establishing political legitimacy and the wider problems of the democratic deficit reflect the underlying logic of contemporary European capitalist development (ibid, 132). The nation-state is incorporated within a ‘European republic of the market’ and monetary policy is effectively shielded from national class conflict. Thus, the lack of a broader political

(4) the influence of neo-liberal ideology (5) a general lack of public power within the EU compared to member-states (6) the privileged access business interests within the EU system of representation. The real issue here is the problem of constructing a European project of mass social inclusion in the context of flexible accumulation.

5 Scharpf (1999) has conceptualised the integration process in terms of the dominance of negative integration over positive integration. In essence, the main focus has been on removing national economic controls without any corresponding reconstruction at the European level.

Europe is therefore essential if the EU is to facilitate the functioning of the market. European multi-level governance implies the restructuring of political institutions in line with an intensification of global capitalist domination and the maintenance of the system of European nation-states in order to contain class conflict. Europe becomes a bounded economic space while the nation-state retains a central role as the instrument for securing social order within particular territorial compartments.

The above analysis suggests that the Delors' project was fundamentally flawed in its belief that European markets could be liberalised while simultaneously constructing a Citizen's Europe of regulated capitalism. Instead, European integration appears as a process designed to depoliticise the intensification of capital accumulation by those hegemonic and globalised fractions of capital. States primarily function as coercive entities and national political communities are undermined by market forces. Nevertheless, even those who are pessimistic about the European project acknowledge that it cannot be reduced to economic factors alone. Walby (1999) has questioned the analysis developed by Streeck and others and, in particular, claims that the regulatory potential of the European Union has been underestimated. Drawing on Majone's (1996) conception of the EU as a regulatory state with considerable juridical power, Walby concludes that,

The European Union is a polity which has responded aggressively to the perceived threat of globalisation. It is no passive victim in the manner often postulated as the role for nation-states within globalisation theory. During this process the strength of this polity has grown considerably, becoming a fully fledged supra-state, developing new policy capabilities, sometimes at the expense of the capacity for action of its member states. The EU has demonstrated a response to globalisation in which a polity has been significantly reconfigured and aggrandized. (Walby 1999, 134)

To substantiate this argument, Walby refers to the extensive regulatory role played by the EU in relation to gender relations which she argues represents a more progressive institutionalisation of gender equality than has been evident at the level of the nation-state (ibid, 130-133). For Walby, those who question the role of the European Union as a progressive force have unduly focused on class relations. In support of her analysis, she cites other examples of this progressive policy regime including environmental regulation, health and safety, and consumer protection. In a similar vein, Falkner claims that the Delorsian social dimension has been partially institutionalised within the European Union (1998). In particular, it is evidenced by the construction of a corporatist policy community following the Maastricht social policy reforms and the agreements on a range of regulatory projects including works councils and rights for part-time workers (ibid). The main conclusions drawn from these assessments of the recent development of the European social dimension is that the European Union is not an *inherently* neo-liberal, deregulatory regime but that there are significant institutional developments re-organising and re-regulating political and economic interests at the supranational level.

It is also possible to view EMU as a central part of the project to establish the European Union as an effective and extensive political order. EMU represented an attempt to contain the pressures imposed by the crisis of Fordism and enable a deeper and more coordinated response to the financial and monetary relations of the

global economy (Grahl 1997, 244-245). As Grahl points out EMU was primarily a French project designed to make possible 'a fundamental challenge to existing world monetary relations and a move towards greater symmetry between Europe and North America' (ibid, 204). It was therefore conceived as an alternative to the limitations of the Washington consensus and European doubts concerning American management and mis-management of the international monetary system.⁶ As such, EMU is necessary for any progressive post-Fordist modernisation of European societies and represents a potential economic framework for constructing a European political community in opposition to the regressive strategies of economic globalisation. As Hutton argues,

The arrival of the euro cements the establishment of a continental-scale economy that will not be fractured by different currency regimes. It allows interest rates to be set for the benefit of the Europe-wide economy rather than to protect a particular national exchange rate or reflect the monetary conditions in the anchor currency. It is the friend, in short, of production, investment and employment, and is Europe's response to the currency regime established by the US in the early 1970s which has cost Europe so much. By marrying the benefits of continental scale and cheap money with the already proven merits of Europe's economic and social model, over the medium to long term the growth of the EU with a single currency could not only be greater than without it – it could be startlingly dynamic.

Hutton suggests that monetary union can form the basis for a broader project of constructing a European civil society and a progressive process of political modernisation. If the major constraint on political action in the global society is the autonomy of financial capitalism then a successful and integrated European monetary system is a pre-requisite for the construction of a European political society.

From the broader perspective of political modernisation, the economic project of the European Union connects to the establishment of a European civil society. As Habermas notes with regards to the single market programme, 'the extensive contacts between members of different nationalities within Europe creates the conditions for communication networks of European-wide public spheres' (1994, 33). In respect to the latter, it is possible to identify a range of possibilities for the construction of an effective European civil society. As a number of authors have pointed out, the EU does provide the opportunities for delinking citizenship from nationality and to construct citizenship in terms of a conception of a European political community (Tassin 1992; Meehan 1993; Linklater 1998; Bellamy and Warleigh 2001). From this perspective, the European Union enables people to constitute themselves as 'European citizens' and pursue diverse collective projects and identities beyond those of individualised workers and consumers. Evidently, a European political community offers the possibility of breaking free from the passive and uniform status of citizenship imposed by nation-states. A process that is demonstrated by transnational social movement, regional mobilisation and interest

6 European concerns over US policy towards international monetary problems was evident from the early 1960s and found it expression in the bitter G-10 meetings of that period (Schenk 2002, 350).

group activity that encounters the European Union as a new opportunity structure (Meehan 1993; Marks and McAdam 1996). The implication of these developments is that the European Union contains within its various political projects and practices that together constitute a unique political society and challenge the depoliticisation of European integration. From this perspective, the integration process is characterised by a process of reflexive political modernisation, as Habermas notes,

The politics that sets up markets is self-referential, to the extent that every step toward market deregulation entails a simultaneous disqualification or self-restriction of political authority qua medium for enacting binding collective decisions. *A 'catch-up' politics inverts this process; it is reflexive politics in its positive rather than negative version* (1999, 45-55 emphasis mine).

In considering the capacity of the European Union to re-regulate societies and to constitute a European civil society, we can conclude that it represents a distinct form of public power that represents an overtly *political* response to globalisation. It is a project of political modernisation designed to bring about new forms of social and political inclusion within a reconfigured set of territorial parameters. In the absence of any overt project of nation or state building at the European level, we can conclude that this is taking the form of a complex, network society organised in terms of circuits of knowledge and information and rooted in collective experiences of negotiating risk societies (Beck 1992; Castells 1996; Delanty 1995; 1998).

The extent to which these developments imply inclusive political communities depends on historical contingences and political struggle. These are evident in the tensions over monetary union. As we have seen, the process of monetary union did not pro-actively seek to bring about economic convergence through harmonisation and redistribution but through the imposition of fiscal discipline and deflationary measures. Member-states were forced to introduce austerity measures in order to qualify for EMU. The broader criticism is that states and regions are being forced to compete within the single market via cuts in wages and social costs as they have lost control over their exchange rates and were not supported by a more active European economic policy. High levels of structural unemployment in many member-states during the 1990s and 2000s reflected the extent to which the European economy was being rationalised and restructured without any corresponding programme of social and economic investment. The danger here is that without a strong move toward the convergence of European economies, the logic of territorial capitalist competition between states, and increasingly regions, reasserts itself in new and unpredictable ways. In relation to EMU, Grahl refers to 'a programme so blinkered and dogmatically conceived that it has already begun to disorganise the economic and political life of the Union' (1997, 225). At the heart of this problematic economic agenda, however, remains the fact that the European economic institutions have been unwilling or unable to take on the financial markets in their search for a stable and strong currency (Hutton 2002, 338-339). If they were to do so, it would imply a broader Europeanisation of economic policy than has been enacted since Maastricht

and would require the kinds of fiscal and political risks⁷ implied by the original Delors project (Grahl 1997, 244-245; Hirst and Thompson 1999, 255; Hutton 2002, 339). The dilemma here is that the pursuit of economic policies centred on productive investment, employment and social cohesion go against the logic of contemporary global capitalism and the hegemony of financial capital.

In certain fundamental respects, the European Union has continued to defensively react to the wider forces of economic globalisation. This defensive economic agenda has been pursued alongside and been concomitant with the questioning by key sections of the European political elite of the capacity of the European Union to achieve a deeper political legitimation (Habermas 1999). These problems were evident in the immediate aftermath of the Maastricht Treaty as Europe entered recession and the legitimacy of the second wave of integration was increasingly questioned, most notably in the Danish and French referenda. In many respects, the commitment of national political elites to the European project has been tested by a range of problems increasingly facing advanced societies – unemployment, immigration, crime and nationalism. In diverse ways, the problem of ‘otherness’ has become intrinsic to European societies resulting in a politics of exclusion that demands the reinvention of the powers of the nation-state, however illusory they may be. This fundamentally undermines the project of integration as it aims to constitute a post-Hobbesian geopolitical order with boundaries, both of geography and identity, that are more negotiable than traditional power politics. This has inevitably left the identity of the European political order uncertain and easily undermined. Reflecting on recent developments, Habermas claims that Market Europeans ‘have concluded a tacit alliance with Eurosceptics’ against European Federalists (ibid, 56). The implication has been that political elites have focused on market integration and expansion, most notably to the countries of Central and Eastern Europe,⁸ without a concomitant commitment to legitimising or extending a plural European political community. Political modernisation is collapsed into economic modernisation removing, in the words of a spokesman for the Deutsche Bank, ‘any distinction between civic and economic activity’ (ibid).

The nature of the political struggles within the European Union became increasingly explicit and critical during the 1990s and as we entered the new century. European integration has unleashed new forms of political modernisation that are evidently in tension with both a deregulated global economy and continued domination of the nation-state. This does not imply a return to international Fordism but the politicisation of flexible accumulation through regulation and active civil societies.

7 This would mean a proactive, growth oriented and distinctly European industrial and social policy agenda. The risk is inflation and a lack of policy coordination that results in intense speculation against the Euro in favour of the dollar. It seems unlikely that such a policy could be pursued without a wider programme of international reform that places equity and the quality of economic performance over short term wealth creation (Strange 1998).

8 A process that is clearly going to exacerbate the problems of inequality and diversity within the European Union as the majority of countries who will join are poorer than the poorest of the existing member-states.

In Europe, globalisation has to be viewed through the prism of political Europeanisation. The process of European integration suggests the development of a market economy embedded within a problematic political society. Clearly, this trajectory remains uncertain and a matter of intense struggle and contestation. It is within this framework of increasingly globalised struggles that we have to understand the relationship of the British state to European integration during the period in question. This became evident in the British opposition to the broader project of European integration that unfolded during the Conservative governments of 1980s and early 1990s. A central claim is that the defining elements of Thatcherism as an Anglo-American political project were fundamentally in contradiction to deeper processes of European integration.

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Chapter 5

Eurosceptic Thatcherism

Underpinning the Thatcherite approach to European integration was a continued and continuing opposition to the possibility of a distinctly European solution to problems of British post-imperial modernisation. During the period in question, the primary purpose of EC membership for the Thatcher governments lay in the opportunities it provided for extending free market policies. With the deepening of the process of integration, associated with the moves towards monetary union under Jacques Delors, a schism emerged in the Conservative party and government over the extent to which Britain should continue along a European trajectory. For Thatcher, as Prime Minister, and her followers this culminated in a move in a profoundly Eurosceptic direction that represented a reversal of the European policy adopted by the Conservatives since Macmillan. Traditional anti-marketeters were joined by new Thatcherite Eurosceptics constituting a powerful group in the party that opposed 'Europe' as anti-thetical to British interests and identities. To begin with these struggles were expressed in the elite of the party and, in particular, between Thatcher and her more pragmatic and European minded ministers. The Chapter explores how these splits and divisions emerged and developed over particular policy areas and how they resulted in the resignation of Thatcher as Prime Minister.

Thatcherism and British exceptionalism

There is now a considerable body of literature exploring the political project of the post-1979 Conservative governments, loosely organised around a conceptualisation and analysis of the phenomenon of Thatcherism (Hall 1979; Hall and Jacques 1983, 1989; Overbeek 1990; Marsh and Rhodes 1992; Hay 1996a, 1996b). These debates explore the coherence of Thatcherism as a set of ideas and ideologies and the extent to which it represented a fundamental restructuring and transformation of the British state. Such debates are most usefully understood in terms of the extent to which they focus on Thatcherism as *project* or as *process*. Hall (1979) for example conceptualised Thatcherism as a political project characterised by an 'authoritarian populism' able to win over the hearts and minds of ordinary people. It recast an authoritarian moral conservatism, appealing to nationalism, traditional values and law and order. This approach was criticised by Jessop et al who argued that the concept of 'authoritarian populism' ignored the complex and differential impact of Thatcherism and presented it as a monstrous monolith. From this perspective, Thatcherism should be located within wider complex political processes acting as constraints on its full realisation. While the concept of Thatcherism has become a

shorthand for a range of developments and shifts in the post-imperial trajectory of the British state, we should not lose sight of the utility of the concept for capturing the re-configuration of the British state around a set of hegemonic neo-liberal principles. It is my contention that we can usefully employ the concept in order to understand a number of features of contemporary British political transformation and reproduction.

Thatcherism represented a clear ideological, economic and political break with the Keynesian-Beveridge settlement that had placed the extension of the welfare state, full employment and state intervention at the centre of British politics. The post-war settlement had restructured the parameters of the state in such a way that projects of modernisation and renewal had not significantly challenged or reformed what was a set of comparatively flawed Fordist arrangements. As we have seen in Chapter 4, the resulting crisis was particularly evident once Britain entered an uncertain post-imperial trajectory. Thatcherism was therefore able to capture the ideological terrain in the context of the post-imperial crisis of British failed Fordism. Despite political constraints, it was a *successful* political project able to redraw the parameters of the British state enacting what Heffernan refers to as a new political consensus that reflected a new dominant political paradigm.

The relative success of Thatcherism in helping to engineer a shift in the political landscape of the UK finds reflection in a reordered political agenda; one which lies at the heart of the political change from a social-democratic inspired political world view to one which owes more to neo-liberalism. This reordered political agenda provides almost a mock theory of governance, one which guides what governments (and, as importantly, respective governments) can and should do and what they consider themselves able to do. Political change, be it gradual or dramatic, is ultimately realised as the transition from one paradigm to another. A dominant political agenda is structured around a series of contestable political beliefs that have over time become translated into a set of assumptions, an implicit “agreement” on the role of public administration, one existing as a “framework”, which acknowledges a prevailing political orthodoxy’ (Heffernan 1999, 15).

We should be clear, however, that Thatcherism was an attack on Fordism from *within the British state* and not an attack on the state per se. Thus it is very important to conceive of Thatcherism as *structurally continuous* with some of the core principles of organisation that have underpinned the historical development of the British state (Leys 1990; Anderson 1992; Nairn 1994). As a political project, Thatcherism ideologically repackaged and reasserted elements of the British political order within a favourable international environment. It represented a reaction against Fordist initiatives that had failed to resolve the post-imperial British crisis but did so by re-formulating an already embedded system of flexible accumulation into an extensive neo-liberal project of economic modernisation.

Thatcherism can therefore be viewed as an aggressive post-imperial reassertion of the liberal conception of Britain as a globalised free market society. The problems of modernisation were resolved by economic reductionism in which ‘the market was reconstituted as a major ideological force and crucial distinctions between

the productive and unproductive, private and public, wealth creating and wealth consuming came to be the yardsticks for judging policy' (Gamble 1988, 182).

The guiding principle of Thatcherism was the unleashing of individualism and market forces throughout British society. The underlying aim was to restore the confidence and security of the capitalist class by removing the destructive interference of a state no longer trusted by business and commerce (Leys 1990). This was to be achieved by removing the barriers between the British economy and the global market place. In particular, this meant attacking an inadequately corporatised and unpredictable national labour movement. The attempt to construct a viable national accumulation strategy was abandoned and an economy that was already far more transnationalised than most opened up its capital markets still further. The upshot of this was to continue the trend whereby Britain's stock of overseas investments was considerably higher than all Western economies, apart from the US, and at the same time Britain extended its role as a 'host country' for foreign investment and multinationals, particularly American and Japanese (Gamble 1988, 20). The full implications of this evident by the mid 1990s when it was clear that the British economy had become far more *globalised* than its competitors (Hirst and Thompson 2000, 343). An examination of Foreign Direct Investment (FDI) shows that these flows had become far more important for the level of domestic investment and capital formation than in most other large economies. In this respect, 'it is more like a Malaysia or an Indonesia than it is an Italy or even a France' (ibid, 344). An accumulation strategy was put in place that further privileged rentier incomes from foreign investments, internationally tradable services and inward investment from foreign multinationals (ibid, 226). This neo-liberal economic project went hand in hand with the assertion of a strong state in order to ensure the social stability that would underpin a successful free market economy. This was now given a stronger ideological justification in terms of the necessity of upholding and restoring traditional values and standards of individual and family responsibility that underpin the free economy and, thereby, a free society. There was a unity between the belief in the force of the market, the assertion of state domination and a conservative conception of the good society. In terms of statecraft, the emphasis on individual and market freedom justified the removal of the constraints on governing autonomy and the maximisation of the coercive functions of a fundamentally unreformed state structure. It represented a shift towards a form of populist politics in which there was to be a more direct relationship between the core leadership and the electorate (Mair 2002). There was a downplaying of the mediating role played by institutions such as parliament, Cabinet and party.

In a comprehensive sense, Thatcherism was a populist reassertion of a conception of the British state and society as a global market society that was profoundly rooted in a reactionary and authoritarian capitalist individualism.

Thatcherism and the financialisation of the global order

As an economic strategy, Thatcherism depended on the favourable external environment that had been created by the collapse of international Fordism that was

initiated by the crisis in US hegemony. Its real significance lay in its recognition that ‘the prospects for the successful modernisation along the lines previously attempted have vanished’ (Gamble 1988, 230). Both in terms of outward and inward foreign investment, Britain benefited from the deregulation of capital markets initiated by the United States and the expansionist fiscal policy of the early Reagan era. Gamble argues that the recovery in the British economy between 1981-1987 was fuelled by the budget and trade deficits of the United States that followed from this policy shift (*ibid.*, 98). In ideological terms, Thatcherism emerged as a particular British variant of an emerging US global project of neo-liberalism that was attempting to reconstitute the world order. During the 1970s, the American shift to the right and the growing hegemony of a free market philosophy helped provide the justification for a renaissance of a *laissez-faire* thinking in Britain and undermined those who continued to support projects of Fordist modernisation. Gray points out that this Utopia of the market was rooted in an Enlightenment thesis of Western superiority (1998, 2). From such a viewpoint, it was believed that the world would move inexorably towards a universal civilisation modelled on American free market capitalism (*ibid.*, 3). The Thatcher governments signed up to this worldview and enthusiastically imported American policies on a range of issues including, labour market deregulation, health reforms and taxation. An Anglo-American nationalism was at the heart of the Thatcherite project, a doctrine which Thatcher articulated more fully in her writings once she left office (Thatcher 2002, 20-23). In essence, at the root of American success was a national character whose development was informed by English individualism.

America is unique – in its power, its wealth, its outlook on the world. But its uniqueness has roots, and those roots are essentially English. Already at the time of their foundation, the settlements across the Atlantic were deeply affected by religious, moral and political beliefs. (Thatcher 2002, 20)

These reactionary conceptions of individualism and national identity came to justify the rampant individualism that found its highest expressions in the autonomy of financial markets. The key mechanism for the global shift to a system of flexible accumulation was the financialization of the global economy. Initially this had proved critical for a US regime of accumulation that found its banks and corporations seeking out quick profits abroad in the face of domestic instability and over production (Arrighi 1994, 2003; Greider 1997). By the late 1970s and early 1980s, the US had turned the situation to its advantage by a monetarist counter-revolution that ended its role as a world banker and re-routed capital back to the United States (Arrighi 2003, 66). Arrighi argues that there was nothing new in this and parallels can be drawn between the current period and the crisis of British hegemony at the end of the nineteenth century which culminated in the ‘*belle époque*’ of British financial capitalism between 1896-1914 (2003). Towards the end of the twentieth century, the British declining rentier regime was therefore offered an opportunity for partial renewal on the back of another wave of financialization initiated by the crisis of United States hegemony. An already structurally embedded system of flexible accumulation was able to take advantage of the growing autonomy of finance by

attracting and servicing free floating capital that accompanied the crisis of the US. This had initially been evident in the emerging Eurodollar market. By the late 1980s and 1990s the already high levels of mutual investment between Britain and the United States had increased dramatically. The degree of aggregate investment in the US by British firms climbed from £43 billion in 1988 to £122 billion in 1998 while the figures for the EU were £23 billion and £99 billion (Aspinwall 2003, 152). The evidence also suggests that American companies were larger and accounted for a larger proportion of UK employment (ibid, 152-153). This was driven by the deregulation of the City which opened the way for American investment banks such as Goldman Sachs and Morgan Stanley to penetrate the headquarters of British capital through their domination of integrated securities and corporate finance at the international level (Ingham 2002, 155).

Thatcherism did not so much drive through the reconstruction of the British state and economy as adapt and revive elements of Britain's inherently flexible capitalist system to a new set of global economic realities. It was a distinctively British form of economic modernisation, but one that was ideologically compatible with the ruling ethos in the struggling US Empire. A declining post-imperial regime that was struggling to find its place in the post-war world of global Fordism suddenly found that the world had come to it in the form of a renaissance of financially driven flexible accumulation.

A struggle for hegemony

The Thatcherite restructuring of the British political order has to be seen as both uncertain and as a profoundly political process. Heffernan (1999) points out that this *process* of enacting a Thatcherite political transformation of the British political order has come about over time and was variously constrained by, the dictates of political statecraft, the obligations arising from electoral imperatives, the demands of administrative realities and public policy agendas inherited from previous administrations.

These are important realities but it must equally be recognised that they did not necessarily weaken the broader ideological agenda or purpose of Thatcherism as a political project. Thatcherism emerged through a series of struggles and conflicts not just against ideological opponents but also amongst believers. At its core the Thatcherite settlement unleashed a form of market led economic modernisation that had a number of problematic social and political consequences for which it had no remedy. Despite its success in reshaping political agendas it did not resolve British problems of political modernisation. The problem was that the commitment to low inflation, privatisation and globalisation of the economy intensified social and regional inequities and left the British economy particularly vulnerable to external forces. Further, the broader complexities of the post-imperial crisis concerning the constitution of the British national order and the politics of citizenship were largely dealt with by their exclusion from the political agenda. It was illustrative of the extent to which the state had relied on market mechanisms and coercion while the deeper problems of *governing* a post-imperial, multi-national, pluralist political order remained unresolved (Hirst 1989). This was indicative of the extent to which

Thatcherism was a utopian project prepared to resist pressures to accommodate and adapt to the forces of social change in the pursuit of the higher ideal of a free market individualism. Thus, despite its compromises and confusions, both the strength and weakness of Thatcherism was an ideological certainty that was consistently and ruthlessly realised in policy.

Thatcherism, the crisis in the Conservative party and European integration

There is now a considerable literature exploring the splits and crisis of the Conservative party over European integration during the 1980s and 1990s (Baker, Ludlam and Gamble 1993a, 1993b, 1994; Young 1998; Turner 2000). The aim of this chapter and the next is to analyse these conflicts from the perspective of the discussion of British exceptionalism and the politics of modernisation developed during the course of this book. A useful starting point for understanding these disputes within the Conservative party is the framework developed by Baker, Gamble and Ludlam (1993a). Locating European splits and divisions within a broader historical context, they argue that they reflect continued tensions within the political class over Britain’s strategic relationship to the world political economy (ibid, 422). Parallels are drawn with the splits that emerged over the repeal of the Corn Laws in 1846 and those over Tariff Reform in 1903. The advantage of such an approach, and of particular importance in the British case, is that it attempts to integrate external and domestic policy issues (ibid, 425). Baker et al map the divisions along two axes,



Figure 5.1 (Source: Baker et. al., 1993a: 426)

of sovereignty and interdependence in terms of external policy and of limited and extended government in the domestic arena (*ibid*, 426-427; see Figure 5.1).

The European split can therefore be understood as follows,

Thatcher's stance was hard to sustain both because her position was not central and because she separated herself from many of those who had been part of her coalition on other interests. It seems likely that the bulk of Conservative MPs would be placed in the two lower quadrants. But most of the Cabinet Ministers of both the Thatcher and Major governments belong in the two upper quadrants. This is the potential Peelite split.' (*ibid*, 425)

The European split can be understood as the unfolding of these two splits. Firstly, the split within the governing elite between Thatcher, her supporters and other ministers and, secondly, as a wider split in the political class between the governing elite and the party during the Major premiership.

The Baker, Ludlam and Gamble ideological map should be developed and revised in a number of directions. To begin with the sovereignty/interdependence divide was more complicated than it seemed. The meaning of 'sovereignty' for a post-imperial state, which had become chronically dependent on its relationship to the United States both economically and politically, should be questioned. The real issue here is the nature of British post-imperial dependence. At one level the Thatcherite position can be viewed as concerned with national-sovereignty, at another it was concerned with consolidating Britain's Atlantic dependency. What distinguishes this from those who favour interdependence was the extent it was firmly located within an Anglo-American nationalism often at the expense of broader internationalism.

It is important to emphasise the divisions between those who have celebrated British membership of the European Union from the perspective of interdependence and extended government and those who have supported interdependence alongside minimal government. The first group is committed to European integration as the basis for a broader project of national modernisation and transformation. This project was most clearly articulated by the likes of Michael Heseltine and Chris Patten both of whom looked to move the Conservative party in a direction that was closer to European Christian democracy. This group can be separated from the European pragmatists who have primarily viewed further integration into Europe as a limited project that can make a positive contribution to domestic statecraft. They have been primarily reformist Thatcherites committed to the Thatcherite revolution but who also recognised the utility of international governance. For political figures such as Howe and Lawson state heritage of conservative modernisation remained important and the European project was viewed as making a significant contribution to this.

In relation to the European issue, Thatcherism became an attack on both these forces of modernisation within the Conservative party in favour of a populist English neo-liberal idealism. Thatcherism in this sense was distinct in its opposition to a politics of accommodation and adaptation to modernity, i.e. conservative modernisation, and instead expressed 'the more radical futurity of reaction' and 'the fervour of a historically purified neo-liberalism' (Osborne 1996). From this perspective, splits in the Conservative party over European integration have been

indicative of *chronically divergent positions on the politics of modernisation*. A further revision is that we have to take into consideration the broader context of these divisions and splits. If, as I have suggested, we take the hegemony of Thatcherism seriously its reactionary modernism and, concomitant Euroscepticism, keeps reasserting itself. In the European struggles within the governing elite Thatcher ultimately lost out, but Thatcherism was re-articulated. The implication was that the European power struggles within the Conservative party and the trajectory of this crisis were framed by the hegemony of Thatcherism.

This framework provides the basis on which to analyse the crisis of the Conservative party over European integration. The initial course of events established a Thatcherite approach to European policy at the expense of more committed Europeans. This was built on a coalition within the senior supporters of Thatcher, bringing together pragmatic Europeans, and more radical Thatcherites. It was this coalition that was destroyed by the second wave of integration, the shifts in geopolitical relations occurring during the 1980s and early 1990s and the emerging crisis in the Thatcherite project. There was a consequent opening up of strategic differences within the governing elite and a reassertion within the British state of the politics of modernisation. Most notably these conflicts over modernisation began to take shape around the issue of the European drive for EMU and the Maastricht agenda.

A Thatcherite European policy, the budget dispute and the Westland Affair

As we saw in Chapter 3, under the Callaghan administration there was a clear move away from the priority that membership of the EC had achieved in British strategic thinking since the Macmillan government. This was particularly evident amongst those party leaders who recognised the problems of legitimating a more proactive European policy. It was however less evident amongst sections of Whitehall, notably the Foreign Office. The position of the first Thatcher administration towards the EC was therefore closer to that of the previous Labour government than that of the Heath era, in the sense that the EC did not play a fundamental role in its policy proposals for British renewal. Europe was to be conceived as a flexible international arena for the vigorous pursuit of national interest. This strategy was nevertheless pursued alongside a continued commitment to the EC and to the Conservative party as formally the party of Europe. Undoubtedly, however, a key feature of the leader's approach was to resist the constraints imposed by the EC as well as by Europeanists within the state and to begin to craft a distinctive Thatcherite approach to the Community and, to European cooperation in general, that represented a break with the past. This distinctive approach was evident in relation to two issues, the budget dispute and the Westland Affair.

The issue of the Community budget came back onto the agenda because the initial renegotiation by Wilson had not actually produced any financial results. By 1979 the transitional period was coming to end so Britain would have to pay its full contributions (Butler 1986, 94). In addition, Commission figures showed that Britain was likely to overtake Germany as the major net contributor (*ibid*). For a government committed to major cuts in public spending the idea of paying out to

the Community an amount that was disproportionate to its economy was abhorrent. When the issue arose at the Dublin Conference in December 1979, Thatcher famously announced her intention 'to get our money back.' The issue was not resolved until the Fontainebleau meeting in June 1984 when Britain received an ad hoc refund on its contributions and an annual rebate. It also put in place a new budgetary mechanism. During the budgetary negotiations, the British government had invoked the Luxembourg compromise and Thatcher was quite prepared to use the withholding of British contributions as a negotiating weapon (Butler 1986, 100; Heath 1998, 699). The impact of the British stance towards the budgetary issue on the other Community members should not be underestimated. In his examinations of the negotiations for the Single European Act, Ziltener points out 'whether justified or not - the battle cry "I want my money back!" was traumatically imprinted on the memories of many persons who were active in the EC negotiation system at the time, as I could gather from practically all interviews' (1997, 12).

The budgetary issue both inaugurated and signalled the Thatcherite way of dealing with the Community. The idea of calling to account an overspending bureaucracy fitted neatly into the Thatcherite ideology. Domestically the dispute also enabled the leader to demonstrate her national credentials in a period before the Falklands war when they seemed less certain. The 'confrontational method' adopted meant approaching the Community as an arena in which British interests were either won or lost and in which Thatcher was determined to win (Young 1998, 345). Significantly the issue also demonstrated an underlying scepticism about the European project. Skidelsky argues that the Prime Minister was in reality questioning the very legitimacy of the Community,

The quarrel was embittered by Mrs Thatcher's view that the Community did not need a budget at all (apart from one to support its staff) because no continuous cross-border transfers were necessary. Therefore, she concluded, the main function of the budget was political - to provide revenue for a European state'. (1993, 358)

The issue outraged Heath and led him to write to the Prime Minister outlining his total opposition to any 'act of illegality by HM Government affecting the European Community' (Heath 1998, 699). Thatcher was not only at odds with sections of the party during the early period of her premiership but also with the pro-European Foreign Office. Owen, Foreign Secretary during the Callaghan administration, had found the Foreign Office to be seething with Europeanists who considered Britain's relationship to the Community as their number one priority (Owen 1991, 245-8). Lord Hunt of Tamworth expressed the view that Thatcher did not see the Foreign Office as 'one of us' and 'tended to feel that the Foreign Office was so committed (to Europe) that it wasn't on our side at all' (cited in Young 1998, 31). Thatcher therefore was pitting herself against those who since Macmillan had seen the European Community as central to the modernisation of the post-imperial British state.

These tensions within the political elite also reflected differences emerging over foreign policy, particularly over the relationship with an increasingly unilateralist United States. The rise to power of Reagan in the US reinforced the growing

hegemony of a New Right conservatism. The implications of this for foreign policy were profound as the new administration adopted a unilateralist approach in order to re-establish US hegemony that advocated a policy of confrontation (Overbeek 1986, 20-21). The inclination of the Thatcher administration was to follow this lead was clearly demonstrated by the support Britain gave to America when it unilaterally decided to attack Libya. The strength of this support was particularly evident during the Westland Affair when the Prime Minister supported an American bid for the British Helicopter firm over a European consortium. Thatcher made a clear strategic choice to support those on the Westland Board whose primary orientations and connections were with American financial capital (*ibid*, 15). The struggles within the government over the support for the American bid led to the resignation of Michael Heseltine, the Defence Secretary, who later commented about the failed European bid,

It is impossible to think of any other country on earth where a defence contractor would be sold to a foreign purchaser with the government refusing even to allow a discussion about the merits of an alternative solution, led by two of its own leading national companies. (2000, 312)

The Westland decision was a further attack on those in the political elite who, since Macmillan, had believed in the possibility of an Atlantic partnership of equals between Europe and the US and saw this as fundamental to the economic modernisation and renewal of the post-imperial British state. Such a strategy had been outlined by Heseltine as early as 1973 in a speech to the World Affairs Council in America,

For many years I believed that for Britain and for Europe the arguments led overwhelmingly to the conclusion that such were the resources at the command of the world's major powers that we find it increasingly to maintain an advanced industrial base unless we moulded together a partnership of nations that in total would be the equal of the competition which the world will increasingly expose us'. (Heseltine 2000, 149)

Heseltine's position during the Westland Affair reflected a longstanding commitment to a distinctive European accumulation strategy that would inevitably involve considerable political intervention by European states within the framework of the EC. In contrast, Thatcherism implied a profound rejection of such a strategy of overt political modernisation in favour of a global free market strategy in co-operation with the US. The aggressive pursuit of profit by international financial institutions and giant corporations was expressive of the new ascendancy of mobile capital and did not require a distinctly European political project. The relationship to the EC that the Thatcher governments sought to establish reflected the extent to which European policy was conceived as a subordinate part of the British state variant of the US led global free market project. Such a position implied a rejection of any broader conception of European modernisation beyond economic liberalism. As will be shown below, this became particularly evident in the negotiations over the Single European Act.

The Single Market, Thatcherism in Europe

The decision of the Prime Minister to sign the SEA in 1986 is often viewed as inconsistent with the virulence of her later Euro-scepticism and opposition to the Maastricht Treaty in 1992. Yet the extension and liberalisation of the internal European market should be seen as entirely in line with the government's attempts to entrench neo-liberalism as a global hegemonic project. From the British perspective, the support for the SEA was part of an accumulation strategy that ended controls on the free movement of capital within Europe so that large multinationals could increase their flexibility and restore their profits. British European policy was therefore linked to the drive to rejuvenate the British economy through a strategy of flexible economic modernisation.

In the run up to the negotiations on establishing the single market, national governments began to outline their vision of the new Europe, George identifies the priority of the Thatcher government was 'to turn the direction of discussion towards *the practical achievement of a free internal market and away from discussion of institutional reform...*' (1990, 177 emphasis mine). In June 1984 at the Fontainebleau summit, Britain put forward a discussion document entitled 'Europe-The Future' which outlined a distinctively minimalist and free market approach to further integration (ibid,175). It did call for closer political cooperation but made no concessions on the issue of institutional reform. It outlined a distinctively pragmatic British conception of Community development that emphasised flexibility and policy 'exits' (Europe – the Future 1984).

This British discussion paper received a lukewarm reception and the summit chose to pursue the Mitterrand line that had been outlined at the European parliament. Following Fontainebleau, the Dooge Committee was set up with a mandate to look into the possibility of political unity. The majority on the Committee concluded that institutional reform was necessary to achieve these goals (George 1990,178).

The response of the British government was to vigorously oppose the momentum that was growing for institutional reform. In particular, it sought to defend the veto and resist the expansion of the powers of the European parliament. In June 1985, Sir Geoffrey Howe put forward a paper outlining the British counter-position that suggested the creation of a secretariat for improving foreign policy co-operation and conceded the possibility of the introduction of majority voting (George 1990, 179). During this period the particular aim of the British government was to prevent an intergovernmental conference being held. The possibility of an IGC raised the stakes of the game as it meant agreement had to be reached on the extent of political integration that in the normal running of the Community could be glided over (Ross 1995, 32). However, the British were out-manoeuvred when the Italian Prime-Minister Bettino Craxi called for a vote on an intergovernmental conference which he won by a majority of seven to three (Young 1998, 333).

Nevertheless, with the focus primarily on economic integration and with few concessions to those who had a more federalist agenda, the eventual outcome of the negotiations over the SEA was viewed as a British victory. In her memoirs Thatcher remarked that,

I was pleased with what had been achieved. We were on course for the Single Market by 1992. I had to make relatively few compromises as regards wording; I had surrendered no important interest; I had to place a reservation on just one aspect of social policy in the Treaty (1993, 555).

To an extent, these claims made by Thatcher were justified in that it was the drive for the free movement of capital put forward by Sir Geoffrey Howe that formed the basis of the single market project (Gowan 1997,100). The British government went so far as to trumpet the SEA as ‘Thatcherism on a European scale’ (Young 1998, 333; Howe 1995, 456). In particular, ministers stressed the benefits that would accrue to the City and Britain’s financial service sector in general (Buller 2000a, 83-84). It was estimated that one third of GDP growth expected from the single market would be the consequence of the expansion of services and the liberalization of financial services was a key part of the case for the single market outlined in the Cecchini Report (*ibid*).

The Single European Act appeared to fit neatly into the Thatcherite free market ideology and its programme of flexible economic modernisation. Its was a further move in the direction of securing the internationalisation and multi-nationalisation of the British economy. The limitations placed on political integration resonated with the pragmatic British approach to Europe. Moreover, there appeared to be an apparent convergence of economic policy across Europe with that of the British Conservative party, establishing the British government as a leading player in the Community. Wallace and Wallace commented that,

By 1986 only a minority of the radicals of the new right retained their earlier suspicions of the European continent, still repeated with diminishing force in parliamentary debate after parliamentary debate. The Prime Minister herself had become the senior member of the European Council, inheriting the status and style of Helmut Schmidt and seeing herself as a central figure in European intergovernmental conversations. The confidence with which the British government approached these European conversations reflected not only its lost fears of the monsters of federalism and corporatism, but also its sense that it was carrying the ideological battle onto the European stage, its policies on privatization and deregulation being gradually emulated by its continental partners in France, in Spain, even in Germany (1990, 98).

Nevertheless, the idea that British elites were drifting towards Europe and letting go of an ‘instinctive Atlanticism’ remained questionable. Despite the impact of globalisation and the continuation of different national trajectories, the states of Western Europe continued to embed market mechanisms within a diversity of national institutional arrangements that can be traced back to earlier phases of political modernisation (Crouch 1993; Hollingsworth and Streeck 1994; Crouch and Streeck 1997; Hasse and Leiufrud 2002). In particular, there was no drive to dismantle welfare state regimes or the underlying social contracts that underpinned them (Alber 1988, 463; Pierson 1991, 173-176; W. Wallace 1997, 38). In contrast, the attacks on organised labour undertaken by the Thatcher government indicated the extent to which the British economy was becoming globalised in far more extreme ways than on the continent. At its core, the approach of the Thatcher government remained

influenced by developments in the US and, as the Westland Affair demonstrated, were prepared to align British interests in that direction. The budget dispute, the Westland Affair and the SEA indicated a distinctive Thatcherite approach to dealing with the Community that reflected a British neo-liberal agenda centred on economic globalisation and policy exit. The aim was to employ a European market strategy in order to facilitate deregulation while avoiding re-regulation through the organisation of Europe as a political space. Thus, while the other member-states were moving towards agreement with Delors over the content of the second wave of European integration, Britain remained fundamentally at odds with many of its underlying principles and emphasis on a European led project of political modernisation.

In essence, the Delors strategy was to use the SEA to create the basis for future spillover initiatives and, by playing to Thatcherite neo-liberalism, the British guard was lowered sufficiently to enable suggestions of further integration to be put on the Community agenda. It is possible that Thatcher therefore underestimated the expansionist elements of the SEA because she so firmly believed that her free market agenda had been victorious. Yet at the same time she claims to have been aware of the shifts in power that were occurring in Europe around the time of the SEA,

In the two years of European politicking that led up to the Single European Act, I had witnessed a profound shift in how European policy was conducted – and therefore in the kind of Europe that was taking shape. A Franco-German bloc with its own agenda had re-emerged to set the direction of the Community. The European Commission, which had always had a yen for centralized power, was now led by a tough, talented European federalist, whose philosophy justified centralism. (1993, 559)

The underestimation of the extensive nature of the second wave of integration is best explained by the fact that European policy remained couched within a broader set of global economic and political objectives that obscured the real impact of integration (Bulmer 1992, 21). Such an approach followed the post-war Churchillian strategy of different spheres of British influence (the USA, the Commonwealth and Europe). This was constructed on the continued belief that Britain was able to maintain some kind of autonomy in relation to these different spheres and that the West remained interdependent. While Thatcherism was expressive of Anglo-Americanism within the British state, the danger was that any withdrawal from European developments meant losing out on the political resources and economic opportunities that were available in the EC and were not forthcoming from other areas (Bulmer 1992, 18-19). Not least of these was the continued attractiveness of Britain as a centre for international investment within the EC and its crucial role in the flexible economic modernisation of Britain. The British Europeans' case for continued and active engagement with the processes of European integration remained strong. The mid 1980s therefore reflected a large degree of consensus on European policy that reflected long standing foreign policy commitments and an emerging neo-liberal hegemony. In this context the real tensions between the British state and the second wave of integration remained obscured.

These underlying conflicts of interest and identity began to open up as the full implications of the Delors project became explicit. In particular, for many hard-line Thatcherites its emerging programme of political modernisation was viewed as fundamentally antithetical to its own programme of neo-liberal reform as well as representing a more fundamental attack on the British state and British political identity. This was exacerbated by the fracturing of the West as the US began to pursue a more unilateralist and nationalist, foreign and economic policy agenda as the Cold War came to an end. The underlying and unresolved strategic dilemmas concerning the role of the post-imperial British state within the global order began to resurface in the form of acute divisions within the governing elite over the relationship to the European project. Thatcher herself was central to the emerging split in the Conservative party as she increasingly attacked Conservative Europeanism as complicit with the Delors project and fundamentally questioned Britain's post-imperial European trajectory. As Gamble notes,

The depth of the split in the Party was a direct result of Thatcher's leadership. She legitimated opposition to Europe in a way which the leadership had hitherto successfully avoided. She suggested that there was an alternative – continuing to give priority to Britain's Atlantic over its European links, pursuing an open-seas, open-trade policy, which cultivated Britain's connections with all parts of the world economy, rather than being exclusively preoccupied with Europe. She pointed to the trade deficit Britain had with the EU and to the location of the bulk of Britain's overseas investments in countries outside the EU. True internationalism, she argued, meant avoiding entanglement with a protectionist, inward looking, interventionist, high-cost continental economy. (Gamble 1995, 23)

Such a position may not have been fully worked out until Thatcher left office but it was being devised in collaboration with an inner circle of advisors and supporters during her time as Prime Minister. It was the logical extension of the Anglo variant of the New Right position that since the 1970s had developed in a symbiotic relationship with the conservatism of the Washington consensus. Her commitment to entrenching this project within the British state led her into a collision course with other members of her government and to a rejection of the European compromises that had been central to the Conservative party since Macmillan. It was an attack on the forces of conservative modernisation that had viewed accommodation to the European project as central to post-imperial restructuring. Initially, these conflicts arose over Britain's participation within the (ERM) and the proposals for EMU.

'You can't buck the markets', Conservative conflicts over the ERM

As we have seen, since the breakdown of the Bretton Woods system, a major factor in economic instability had become fluctuating exchange rates and the considerable power that had accrued to the financial markets over monetary policy. The ERM had initially been established to counter these developments by locking European currencies into a system of exchange rates that were anchored to the deutschemark.

Chancellors, Sir Geoffrey Howe and Nigel Lawson, were convinced by the merits of the system and were concerned about the impact of fluctuating exchange rates was having on the British economy (Lawson 1992, 647-657; Stephens 1996, 24-25; Howe 1994, 111, 448). Bonefield and Burnham argue that the increasing support for ERM membership during the 1980s represented Thatcherism by another means. In particular, 'membership of the ERM put pressure on employers to confront workers in order to achieve lower labour costs, while capping consumer spending through high interests rate' (1996, 5). It was therefore a way of securing low inflation by disciplining the working class while at the same shifting political responsibility onto the international arena (*ibid*, 6). The growing support for ERM membership may not have implied an alternative to Thatcherism however it did represent a more reformist Thatcherism that supported forms of international economic governance. It was not however a position shared by Thatcher herself and these tensions over monetary policy evolved into significant splits within the governing elites over the relationship between Britain and the world economy.

The significance of support for ERM membership by those of the governing elite within the Thatcher administrations was that it represented a clear break with monetarist doctrine. In the 1970s, Thatcher and close colleagues had become disciples of monetarism. They believed that the British disease of high inflation could be controlled by restricting the amount of money in circulation. This had an instinctive appeal to Thatcher who saw 'no reason why the nation's finances should not be managed on the same basis as those of a prudent household or corner shop' (Stephens 1996, 8). As Bonefield and Burnham note,

Exchange rate problems and balance of payments deficits were seen as pseudo-problems, disguising the real problem of inefficient use of resources caused particularly by wage inflation and labour market inflexibility due to trade union distortion of labour market self-regulation. (1996, 9)

Monetarists therefore believed that if governments concentrated on controlling the public spending and removing distortions within the labour market then exchange rates would reach an equilibrium. This translated into Conservative government policy in 1980 in the form of the Medium Term Financial Strategy drafted by Nigel Lawson. This set growth rates for the amount of money circulating in the economy known as Sterling M3. The overall aim was to decrease inflationary pressures for pay demands within the economy (Stephens 1996, 13). However, establishing a reliable relationship between the monetary supply and inflation proved unproductive (Buller 2000b, 321). In particular, this policy was at odds with the liberalisation of the financial markets that occurred in 1979 when the government removed the controls on foreign exchange transactions and the abolition of internal credit controls (Hutton 1995, 64-66, Stephens 1996, 13-14; Buller 2000b, 321). The impact was to lead to a dramatic increase of private debt and a rise in City incomes that precipitated the housing boom of the 1980s. The government's attempts to control public debt and to control the money supply made little sense alongside an economy that was being expanded by the contingent economic management of the financial sector. The value of sterling did not reflect the government's monetarist targets but the

decisions of the financial markets. The main instrument available to government to control the exchange rate and influence inflation was control of interest rates. When Geoffrey Howe raised interest rates in 1981 to counter the devaluation of the pound, it represented the beginning of the end for monetarism and a return to fiscal economic management (Stephens 1996, 24). However, the government continued to set unsuccessful monetary targets. A change in direction only occurred in 1985 after sterling had been falling for four years. In September, at a meeting of the G5 there was an agreement to attempt to stabilise the financial markets. In October, Lawson dropped the M3 sterling target (*ibid*, 46). In a ministerial meeting on 13th November, Lawson made the case for membership of the ERM as now the best way of securing the government's anti-inflationary strategy (*ibid*, 49). This was strongly supported by those who attended the meeting (*ibid*, 49-50). It was a clear move in the direction of support for international economic governance as a solution to the problems of domestic economic management and was in line with historical preferences within the British state for strong and stable exchange rates (Gamble and Kelly 2000, 7). However, it was not supported by Thatcher who, with the advice of Alan Walters and Brian Griffiths (head of the No. 10 policy unit) listed a number of objections (Stephens 1996, 50). Thatcher regarded the policy as an abandonment of monetarism as it was no longer the control of the money supply that was being made central to maintaining economic stability but the exchange rate (1993, 689-690). For her, fixing the exchange rate would allow other economic indicators to be ignored for the goal of exchange rate stability and the economy could get out of control. As she said, 'the only effective way to control inflation is by using interest rates to control the money supply. If, on the contrary, you set interest rates in order to stick to a particular exchange rate you are steering by a different and potentially more wayward star' (*ibid*, 690). This approach was consistent with a free market philosophy. As she noted, the realignments within the ERM were a matter of 'political horse rather than the workings of the market – and the market does a better job' (*ibid*, 693). This position not only reflected Thatcher's opposition to fixed exchange rates, but also her reluctance to become embroiled in European forms of economic governance.

Despite Thatcher's opposition, Lawson began to pursue informal membership of the ERM when he introduced a policy of shadowing the deutschmark as a way out of the sterling crisis of 1986 when the value of pound fell by 12.5 per cent (Lawson 1992, 647). This crisis occurred as a consequence of the fall in the price of oil and the depreciation in the value of the pound because of the financial markets perception of it as a petrocurrency. Lawson's policy of shadowing the DM and securing the Bundesbank's support for sterling was therefore an attempt to find a European solution to this economic crisis. In effect, the underlying strength of the German economy and the deutschmark were being used to stabilise sterling and a volatile British economy against the financial markets. The belief was that this could be sustained because of the improved competitiveness of the British economy that in turn would be helped by a stabilised exchange rate and low inflation. In effect, Lawson believed that the markets had got it wrong and exaggerated the continued dependency of the British economy on North Sea oil (Lawson 1992, 648-649). This policy of shadowing the DM worked and took some pressure off the pound.

At this stage it was a short-term measure, however in March 1987, after the Louvre Accord when agreement was reached by finance ministers to stabilise international exchange rates it became policy. A policy shift that Thatcher claimed not to have known anything about (1993, 701).

Lawson was clearly pursuing an approach to monetary policy that favoured forms of international economic governance as part of the solution to domestic instability and can be viewed as a typical strategy of British conservative modernisation. His self styled approach to Europe was that of a pragmatist, 'I am neither a Europhobe, nor a Eurofanatic and no wish to ingratiate myself with either group' (ibid, 912). Yet this masks the fact that Lawson was clearly far more influenced by European models of political economic development than his leader. Lawson evidently believed that a new industrial competitiveness could replace the reliance on North Sea oil revenues and this would be underpinned by a stable and competitive exchange rate anchored inside the ERM. Stephens notes that 'Lawson's model was West Germany, the Deutschmark had been strong throughout the postwar period, but remained competitive because of the country's strong inflation and productivity performance' (Stephens 1996, 55). It was a position that had been echoed in 1978 when the Conservative party in opposition had supported the setting up of the EMS. At the time, Shadow Chancellor, Geoffrey Howe told his leader that 'fundamentally we do believe in the German principles of economic management' (Howe 1994, 111). The dilemma, as we have seen in earlier chapters, is that the structure of the British economy was characterised by extensive international penetration and a weak domestic industrial base. Between 1973-92, the rate of growth of capital stock in Britain was lower than in any other Western European country (Northcott 1995, 203). Yet, Britain was also receiving more inward investment than any of the others with around 45 per cent of the total and twice as many new plants from the United States and Japan than any other country in Europe (ibid). In the context of an increasingly globalised economy, within which capital was relatively easily moving in and out of the national economy, the use of the exchange rate as a tool of economic management was fundamentally constrained and could not prevent currency speculation. Sterling was characterised by short-term fluctuations reflecting the volatility of the British economy and long-term decline as a consequence of the ending of its role as a world currency. The belief that these structural shifts could be resolved by an exchange rate policy was a British delusion. The pursuit of a stable pound simply recreated all the problems that governments had faced in the post-war period of having to borrow heavily to maintain its value. By the 1980s the extent of the autonomy of the financial markets made such a policy even more difficult. The growing importance attached to ERM membership as a solution to exchange rate instability without a more fundamental restructuring of the British economy represented the continuation of a strategy of flawed Europeanism. In the wake of the failure of monetarism, it represented a short-term fix up for a rentier regime. The pursuit of ERM membership was therefore a return to more orthodox politics of economic management designed to accommodate Britain to changes in the global economy. It was in this sense a typical policy of conservative modernisation but one that could not be consolidated in the context of Thatcherism. For Thatcherites, ERM membership represented a

return to a discredited politics of conservative accommodation to forces that should be resisted in the pursuit of a purer form of neo-liberalism.

The ERM and the leadership crisis

The period from 1987 to 1990 saw an intensification of economic and political problems for the third Conservative administration under Margaret Thatcher's leadership. The expansion of demand that had occurred during 1987 was triggered by the deregulation of the financial markets that led to a massive reflation of the economy (Hutton 1995, 71). This was further fuelled by cuts in direct taxation. The economy quickly overheated and in 1989 it began to enter recession. There was a record balance of payments deficit, rising inflation and two million unemployed (ibid, 218). A consequent rise of interest rates to counter inflation saw them reach 15 per cent by May 1989. In effect the globalisation of the British economy had been pursued without any broader strategy designed to support the domestic economy and maintain long term stability. In summary, the tensions over the ERM not only represented the confusion at the heart of government economic policy as the underlying vulnerability of the economy was exposed, but also the deeper tensions surrounding the politics of modernisation in Britain.

Hay refers to the re-emerging crisis of the British state during this period as a crisis of 'under-load – of an under-extended, retrenched and debilitated state' (1999, 71). In particular, the intensification of the European struggle was evidence of an emerging Thatcherite revisionism within both the Conservative and Labour parties that was responding to the weaknesses apparent in Thatcherism's failure to address entrenched problems. Thus, the EC increasingly offered political opportunities, particularly as a new structure of economic governance, at a time when the weaknesses of Thatcherism as a strategy of political modernisation had been exposed. Even those sceptical about Europe found it hard to turn their back on the EU as Thatcher and her more ardent supporters were prepared to do.

Predictably, as the economic indicators worsened, Thatcher came under increasing pressure to join the ERM. By this time the Labour party had also dropped its opposition to the European Community and its European policy centred around membership of the ERM and emerging support for the Delors Report. With ERM membership now linked to EMU, the conflict over European integration increasingly became the issue around which the parameters of the Thatcherite settlement were to be contested. Thatcher's opposition to ERM membership was hardened by the Delors Report that saw entry into the ERM as stage one of EMU. Significantly, Thatcher linked British ERM membership to a broader European project designed to bring about political integration,

The ERM was seen by the European Commission and others as a path to EMU – and this subtly changed the former's purpose. But EMU itself – which involves the loss of the power to issue your own currency and acceptance of one European currency, one central bank and one set of interest rates – means the end of a country's economic independence thus the increasing irrelevance of its parliamentary democracy. Control of its economy is

transferred from the elected government answerable to Parliament and the electorate, to unaccountable supra-national institutions. (1993, 691)

By linking ERM membership to participation in European political union, Thatcher set herself apart from the pragmatic Europeanism of Howe and Lawson and opened up a strategic split in the Thatcherite governing elite. Despite the fact that Lawson shared Thatcher's opposition to EMU she believed that his policy of shadowing the DM had 'so undermined confidence in my government that EMU was brought so much nearer' (ibid). In May, Thatcher publicly blamed Lawson's policy of shadowing the DM for the rising inflation seen during the late 1980s (ibid, 919, Thatcher 1993, 710). After the June European elections in 1989, Lawson continued to press for membership of the ERM and responding to questions in a House of Commons Select Committee on the Delors Report responded that 'it would reduce rate fluctuation and we would be able to use it to assist us in our anti-inflationary policy' (Lawson 1992, 923).

The matter came to a head in the immediate run up to the Madrid Council in June 1989. During the weeks beforehand, Lawson and Howe attempted to get Thatcher to commit to a policy that would see British entry into the ERM by the end of 1992. They also wanted commitment on moves towards EMU while arguing that there would be no moves towards stage three 'until further work was done on what it entailed, including notably its political implications' (ibid, 929). Thatcher responded with a number of reasons for delaying even further Britain's entry into the ERM for four years or more based on a number of conditions outlined to her by her economic advisor Alan Walters (Thatcher 1993,709). At their second meeting with Thatcher on 25th June, Thatcher again refused to adopt a specific date for entry to the ERM and instead said she would continue to pursue a policy of 'when the time is right' based on the Walter's conditions. The meeting ended with both Howe and Lawson threatening to resign (Lawson 1992,933). Clearly, a profound split had emerged in the governing elite that forced the Prime Minister to take a more conciliatory tone at the Madrid Council. However, the consequence of the deterioration in the relations between Thatcher and Howe in the run up to the Madrid summit led to his dismissal from the foreign office and to him becoming a detached Deputy Prime Minister and Leader of the House. Nor were the relations between Lawson and Thatcher to improve. When the pound began to fall during 1989, Lawson found that his policy of trying to hold its value against the 'psychologically important' DM3 level was undermined by the increasingly public pronouncements of Thatcher and Walter's that the pound 'should find its own level' (Lawson 1992, 949-950). Eventually, Lawson considered his position as being more and more undermined and eventually resigned when Thatcher refused to consider getting rid of Walters as her economic advisor.

Stephens points out that when Thatcher refused to consider entry into the ERM in 1985, it was the only time during her premiership when she stood alone against the will of her most senior ministers on a crucial aspect of policy (1996, 51). She not only held out against the advice of her top ministers but undermined them by looking to personal advisors. It was a radical assertion of the powers of the Prime Minister's office and the clique of supporters and advisors who constituted it. Her position

hardened further when the ERM became linked to EMU in the Delors Report. What this resolute approach of the Prime Minister represented was a defence of a particular model of the international economic order against those moves towards more European regulation. Nevertheless, outside of the ERM did not mean a British government could pursue an independent monetary policy but that its policy was to continue to be dictated by international financial markets and the Washington consensus. It was the global neo-liberalism of the latter that Thatcher was defending against the emerging European alternative to global governance. It led her into a direct attack on the legitimacy of Europeanism within the Conservative party and the British state as a whole. It was powerful evidence of the continued fragility of the Europeanisation of the British state and further evidence of the failure to embed membership of the EC/EU as a project of post-imperial political modernisation.

Euroscepticism and renewing Thatcherism

For Thatcher, engagement with an increasingly organised European political order became diametrically opposed to a political project that was rooted in a neo-liberal Anglo-American nationalism. European integration was once again constituted as the 'other' of a British political order. This split the coalition within the Conservative party between radical and reformist Thatcherites. In Thatcher's critique of the second wave of integration during the period, lay the foundation for a revived Euroscepticism that became entrenched within the national political discourse. While it was criticised by the wider governing elite and led to Thatcher's eventual downfall, it can be seen as a profound attack on Europeanism from within the state that contributed to the consolidation of a neo-Thatcherite approach to European integration within the British state. The underlying opposition to European integration, that had been evident since the 1950s and reflected British 'exceptionalism', was powerfully reasserted as a populist ideological discourse. The strategy was to try and secure enough popular support to enable the break to be made with Europeanism and its supporters to be sidelined. This was particularly expressed in the increasingly public conflict between Thatcher and Delors.

Thatcher's concerns about the direction of the Community had been confirmed by the launching of proposals for a European social space to be formalised in a European Social Charter. This was rejected by Thatcher at the Madrid summit and the British government went on to obstruct any proposals coming out of the Community's Social Action Programme that followed the signing of the Charter. Delors had chosen the British TUC conference of 1988 to outline a vision of a Social Europe: 'the internal market should be designed to benefit each and every citizen of the Community. It is therefore necessary to improve worker's living and working conditions, and to provide better protection for their health and safety at work' (cited in George 1990, 193).

Before this speech he told the European parliament that within ten years 80 per cent of economic and possibly fiscal and social legislation would be coming from Brussels. In her memoirs, Thatcher describes her growing distrust

of Delors and his 'expansionist' aims and her belief that this would not be acceptable to the British people. In her memoirs she refers to her decision to oppose integration,

By the summer of 1988 he (Delors) had altogether slipped his leash as a fonctionnaire and become a fully fledged political spokesman for federalism. The blurring of the roles of civil servants and elected representatives was more in the continental tradition than in ours. It proceeded from the widespread distrust which their voters had for politicians in countries like France and Italy. That same distrust also fuelled the federalist express. If you have no real confidence in the political system or political leaders of your own country you are bound to be more tolerant of foreigners of manifest intelligence, ability and integrity like M. Delors telling you how to run your affairs. Or to put it more bluntly, if I were Italian I might prefer rule from Brussels too. But the mood in Britain was different. I sensed it. More than that, I shared it and I decided that the time had come to strike out against what I saw as the erosion of democracy by centralisation and bureaucracy, and to set out an alternative view of Europe's future. (1993, 742)

Here we see Thatcher appealing directly to public opinion and her sense of its mood to legitimate her growing opposition to European integration. In the summer of 1988, she commissioned a paper from an official which spelt out to her how the Commission was 'pushing forward the frontiers of its competence' and had 'misemployed treaty articles' in order to get directives past under qualified majority voting (1993, 743). She went on to ask,

Were British democracy, parliamentary sovereignty, the common law, our traditional sense of fairness, our ability to run our own affairs in our own way to be subordinated to the demands of a remote European bureaucracy, resting on very different traditions? I had by now heard about as much of the European 'ideal' as I could take; I suspected that many others had too. In the name of this ideal, waste, corruption and abuse of power were reaching levels which no one who supported, as I had done, entry to the European Economic Community could have seen. Because Britain was the most stable and developed democracy in Europe we had perhaps the most to lose from these developments. (1993, 743-44)

Thatcher rounded on Delors and his conception of the Community in a speech at Bruges delivered in September. This came only weeks after Delors had addressed the TUC and outlined an alternative vision of a Europe of nation-states,

Let Europe be a family of nations, understanding each other better, approaching each other more, doing more together, but relishing our national identity no less than our common European endeavour. Let us have a Europe which plays its full part in the wider world, which looks outward not inward, and which preserves that Atlantic Community-that Europe on both sides of the Atlantic – which is our noblest inheritance and our greatest strength. (ibid, 745)

This speech indicated that Thatcher believed that Europe was more than an economic area but she saw it as a defender of freedom *within* an 'Atlantic Community' (Young 1998, 357). This speech was not the basis for a new strategy

towards European integration that could find favour across the member-states but was designed as an attack on those 'enemies of freedom' she had identified in the Community. As she pointed out 'we have not successfully rolled back the frontiers of the state in Britain only to see them reimposed at a European level, with a European super-state exercising a new dominance from Brussels' (1993, 744-745). This was a far from a veiled attack on the Commission and the centralising French socialist who headed it. But the Commission was not the only target. A draft of the speech, which the foreign office insisted was toned down, had also contained a reference to Britain having saved Europe from being united 'under Prussian domination' and Britain as the only successful European imperial power (Young 1998, 348). A strong element of Thatcher's growing Euro-scepticism and the basis for mobilising against the Community was to do with her distrust of Germany. During the sterling crisis of 1986 when the Bundesbank had refused to directly support sterling, Lawson recollected Thatcher 'was furious that the Germans were not being more helpful, and went into her gut anti-German mode, which was never far from below the surface' (Lawson 1992, 656).

In particular, it was the Bruges speech that marked the clear break with Europeanists within the party and the beginning of the public mobilisation of the Eurosceptics within the Conservative party. It was a powerful and populist reassertion of the strong state/free economy position and of Atlanticism. This speech contained a number of themes that were to be replayed by Eurosceptics in their opposition to further British involvement in the integrationist project in the 1990s and beyond. It was constructed around a number of oppositions between Britain and the EC/EU. They included European bureaucracy and political formalism versus British pragmatism and democracy; British free trade liberalism versus European protectionism; British globalism versus narrow Europeanism; British political stability versus European instability. By presenting the project of European integration as fundamentally antithetical to British national interests and identities, Thatcher had taken on the mantle of Powell. It was however an attack on the Delors project to reorganise Europe as a politico-economic space and a defence of Britain's own particular response to globalisation. It was a populist ideological expression of British exceptionalism directed against the forces of accommodation to European integration.

The combination of a Europe economically dominated by Germany and an expansionist Commission headed by a French Catholic socialist meant that for Thatcher and Eurosceptic forces the second wave of integration became seen as Franco-German state building. These fears were exacerbated by proposals for German unification in the wake of the fall of the Berlin wall, a development that Thatcher opposed. The moves towards greater European integration were increasingly constituted as the most fundamental threat to the British state and British political identity. While the Heath government had seen Europe as the only way back to some sort of power in the world, Thatcher could claim to have achieved this by reasserting the Anglo-American alliance. She had put herself at the centre of super power relations and asserted a British commitment to a leadership role in the world system. George maintains that many of Thatcher's fears concerning the 1992 project reflected her belief in the importance of US leadership (1996, 35).

This attempt to forge a populist anti-Europeanism became obvious in the run up to the 1989 European elections: ‘the overall strategy was simple. It was to bring Conservative voters – so many of whom were thoroughly disillusioned with the Community – out to vote’ (Thatcher 1993, 749). Lawson described the campaign, as a crude and embarrassing anti-Europeanism that was encapsulated in the poster ‘Do you want to live on a diet of Brussels?’ (Lawson 1992, 922). He records he ‘suddenly realised, with a shiver of apprehension, that she saw the Euro-campaign as a trial run for the next general election campaign; and that, with the short term economic outlook unpromising, she saw a crude populist anti-Europeanism as her winning strategy.’ (ibid)

The campaign further opened up the splits in the party, Thatcher complained of the ‘Heathism’ of many Conservative MEPs who were at odds with her anti-European line and undermined the campaign (Thatcher 1993, 749 Lawson 1992, 922). These splits were clearly evident with the formation of the Bruges Group and parliamentary ‘Friends of Bruges’ formed in February 1989 to support the Thatcherite line. The Conservative press and the pro-Labour Daily Mirror also supported a revival of anti-Europeanism that culminated in a series of attacks on Jacques Delors in *The Sun* during 1990 (Wilkes and Wring 1998, 197). Meanwhile, during the campaign Heath launched attacks on Thatcher in Brussels and in the media (George 1994, 215; Heath 1998, 710). The message was that Britain would be left behind and become a second-class member of the Community. A similar warning came from Michael Heseltine in his book on Britain and Europe published in May 1989 (George 1994, 215). The result of the election was that the Conservative share of the vote dropped from 40.8 per cent to 34.7 per cent. In contrast to the Conservatives, the Labour party pursued its most unified pro-European campaign in its history. The possibility seemed to emerge of a revisionist Thatcherism centred on a renewed coalition of committed and pragmatic Europeans within the governing elite. This implied a return to the politics of conservative modernisation and opposition to the reactionary fervour of Thatcherite neo-liberalism.

The end of Thatcher

As we have seen with the resignation of the Lawson and the demotion of Howe, Thatcher’s position had been severely weakened and the alliance of Hurd and Major brought about ERM membership. Hurd, was a classic Tory European, he was as Young says ‘a Foreign Office man to his roots, trained there as an embryonic mandarin, embraced there as Heath’s private secretary when the 1971 negotiation took place’ (1998, 362). Major was ‘to all appearances a Thatcherite’ (ibid, 363) but his views on Europe took shape while Foreign Secretary and Chancellor. While at the Foreign Office he became more positive about the European Union and began to develop friendly relationships with European politicians (Seldon 1998, 95). In a speech to the Conservative party conference in October 1989 he restated Britain’s commitment to membership of the Community and in private he expressed reservations about Thatcher’s oppositional line (ibid). As Chancellor, he was committed to membership of the ERM as the only way of countering inflation (Major 1999, 138). A more

traditional conservative position on Europe was therefore being re-asserted within the governing elite contra the Thatcherite attack.

When, in the summer of 1990, Thatcher lost Nicholas Ridley from the Cabinet because of his anti-German comments in the *Spectator* magazine she lost what she referred to as ‘almost my only ally in the Cabinet’ (Thatcher 1993, 722). When John Major replaced Lawson as Chancellor her position was so weakened that she was unable to hold out any longer against membership and Britain eventually joined on the 5th October 1990. As she recalled ‘although the terms that I had laid down had not been met, I had too few allies to continue to resist and win the day’ (Thatcher 1993, 722). Nevertheless, her Euroscepticism had not abated and was on display at the Rome summit in the same month. She attacked the plans for economic and monetary union as ‘cloud-cuckoo land’ and promised to block things that were not in British interest (Young 1998, 367). On her statement to the Commons she rounded on Delors and the Commission referring to it as trying to ‘extinguish democracy’ and create a federal Europe: ‘no...no...no,’ she bawled, her eye seemingly directed to the fields and seas, the hills and the landing grounds, where the island people would never surrender’ (ibid, 368).

It was at this point that Geoffrey Howe made his decision to resign, and his resignation speech that followed secured Thatcher’s downfall. This speech was a powerful defence of the Tory Europeanism of Macmillan and Heath. He referred to the necessity of facing the ‘realities of power’ as Macmillan had done and not to ‘retreat into a ghetto of sentimentality about our past.’ (House of Commons Debate [H.C.Deb.] Vol. 180. Col. 2, 461-465 13th November 1990). It succinctly defended this political project and portrayed Thatcher as its enemy,

The tragedy is – as it is for me personally, for my party, for our whole people and for my right hon. Friend herself a very real tragedy – that the Prime Minister’s perceived attitude towards Europe is running an increasingly serious risk for the future of our nation. It risks minimising our influence and maximising our chance of being once again shut out. We have paid heavily in the past for late starts and squandered opportunities in Europe. We dare not let it happen again. If we detach ourselves completely, as a party or a nation, from the middle ground of Europe, the effects will be incalculable and very hard to correct. (ibid)

Howe argued that the Community should be seen ‘as an active process which we can shape, often decisively, provided that we allow ourselves to be fully engaged in it with confidence, with enthusiasm and in good faith’ (ibid). In contrast he referred to Thatcher as viewing the continent as ‘teeming with ill-intentioned people, scheming, in her words to ‘extinguish democracy’ (ibid).

Howe’s speech was a powerful reassertion of Conservative Europeanism that emphasised the negative consequences of becoming marginalized from European developments. Howe defended the ‘middle way’ which was neither a Federal Europe nor a Europe of sovereign nation-states (ibid). Thatcher’s view that there were only these polar opposite positions, he termed ‘a false antithesis, a bogus dilemma’ (ibid). It was a characteristic expression of British pragmatic conservative modernisation through engagement with European integration. While it harked back to the past, it was also suggestive of the continuation of the Thatcherite policy developed in

relation to the single market that Howe had played such a crucial part in negotiating. For Howe, the EC was arena in which Britain could pursue its neo-liberal agenda and 'maximise its sovereign power' within an increasingly interdependent world (Howe 1990, 687). It was an attack on Thatcher's ideologically populist and aggressive assertion of British exceptionalism in relation to European integration. However, from the perspective of Thatcherite Euroscepticism it was clearly viewed as complicit with the Delors agenda.

Howe's speech confirmed to many Tory MPs that Thatcher was now too out of step with the mainstream. The first challenge to her leadership came from Sir Anthony Meyer in 1989 whose motivations were directly related to Thatcher's anti-Europeanism (Young 1998, 370). He received sixty votes indicating that her leadership was weakened. However, it was Michael Heseltine's challenge that emerged after Howe's resignation speech that finally brought about her downfall. At this stage, as John Major recalls, 'the backbench rats began to desert the Prime Minister' and 'malcontents stalked the parliamentary lobbies' (1999, 179). Heseltine succeeded in achieving 152 votes to Thatcher's 204 forcing a second ballot. This was to be the fatal wound that destroyed her political authority and led to her resignation.

The question arises of what were the implications of Thatcher's defeat at the hands of Conservative Europeans? How far did it imply a fundamental shift in a post-Thatcherite direction?

What kind of a victory?

The splits in the leadership and the party over the ERM and EMU represented fundamental strategic divisions within the Conservative party (Baker et al 1993). Since the end of the 1970s, Britain had been on a particular trajectory that emphasised the defence of the traditional unitary state as well as a particular form of flexible economic modernisation that prioritised a global free market strategy. European policy had been subordinated within these wider objectives of a reactionary neo-liberalism. In contrast, continuing to engage with the process of integration, as many pro-Europeans claimed was essential, potentially compromised this trajectory as Britain became further integrated within a European regulatory regime.

The choices regarding the nature of post-imperial dependence determined the overall trajectory and structure of the British political order. The question arises as to whether the downfall of Thatcher represented a fundamental shift away from a neo-liberal Anglo-American trajectory in favour of a politically integrated Europe. Were these strategic choices clearly articulated within the factions of the Conservative party? It is my contention that to answer this question in the affirmative is to understate the significance of the Thatcherite settlement and the complexity of the divisions within the political class over European integration and politics of modernisation. The Thatcher years had entrenched British dependence on the United States and partially resolved the problems of economic modernisation through the assertion of a strategy of flexible globalisation. In so doing, 'a rentier class was born again through rebuilding very large portfolio investments in North America and in other parts of the non-European world' (Gowan 1997, 102). These economic arguments

were becoming central to the emerging anti-European Thatcherite position and were articulated by Thatcher herself once out of office,

...the European Community's relative importance as regards both world trade and Britain's global trading opportunities is diminishing and will continue to diminish. Our politicians should become less concerned with European markets, whose most dramatic expansion has probably been achieved and more interested in the new opportunities emerging in the Far East, Latin America and the North American Free Trade Area. The disposition of Britain's massive portfolio of overseas assets – over £1,300 billion in 1993 – provides an insight into the judgement of the private sector on this question, over 80 per cent are held in countries outside the EC, and the proportion in the merging markets is expanding vigorously. The share of our total trade with countries outside the EC, and particularly with the Pacific Rim, is increasing and will continue to do so.' (Thatcher 1995, 498)

The assertion of flexible accumulation in Britain provided the basis for a populist renewal of a reactionary British exceptionalism. Thatcherites therefore felt increasingly justified in defining and constituting the British politico-economic order as distinct from much of continental Europe. Further moves in the direction of an integrated Europe were therefore considered to have major domestic political costs. This was made explicit in the attempts to renew Thatcherism by an anti-European campaign of political mobilisation. This implied, as key sections of the political class recognised, was that for a post-imperial politico-economic order dependent on its wider regional and global relations and with a volatile economy, the opportunities opened up by European integration could not be ignored. The dilemma was that this implied a return to the politics of conservative modernisation that Thatcherism had rejected.

While the removal of Thatcher indicated that a new cross party consensus appeared possible on European policy, the election of the right wing pragmatist, John Major, to the leadership of the Conservative party instead of Michael Heseltine reflected the support within the party for the Thatcherite settlement. Major was viewed as a party manager whose role was clearly to unite the various factions and constitute a viable European policy. A Heseltine victory would have brought the party 'much nearer to a fatal split on Europe' (Turner 2000, 136). However, with the support of a pro-European Labour party and in the context of a less sceptical public opinion, it may also have resulted in the most significant shift towards the EC and European integration that had been seen since the Heath government. Indeed, in combination with a radicalised regional and industrial policy, it may have been the basis for a more profound British Europeanisation. In contrast, the election of Major was therefore primarily about the consolidation of the Thatcherite settlement and with it the reproduction of the contemporary form of British exceptionalism that this implied. This was most clearly seen in Major's strategic decision to try and keep the right of the party on board in key policy decisions. As we will see in Chapter 6, the attempt to square this with a viable European policy that could positively engage with the second wave of European integration created a distinctive and unresolved European crisis for the Conservative party and British state. The differences over Europe opened up across the political class and became a source

of political mobilisation, creating divisions and splits that could not be contained by the governing elite. This represented the full manifestation of the chronic divisions within the Conservative party over the politics of modernisation.

Conclusion: the emerging European crisis of the British state

We have seen that Thatcherism fundamentally challenged the idea of conservative modernisation that surrounded Britain's relationship to the EC/EU. This represented a populist reassertion of a reactionary British exceptionalism that located British interests and identity in a purified conception of the global market society. Consequently, European policy was conceived in terms of economic liberalisation and the negotiation of policy exits became the defining feature of a British European strategy. Thatcherism, however, reduced political problems to those of the market and state domination. The chronic instability of such a project for establishing stable government in the complexity of late modernity suggested that European 'options' and 'opportunities' could not be erased completely from British political agendas. However, any constructive engagement with European integration was compromised by Thatcherism and the underlying British opposition to political modernisation. In Chapter 6 it is shown that the Major governments could only adopt contradictory and unstable positions on European integration that gave rise to attacks on the governing elite and resulted in a significant European crisis for the British state.

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Chapter 6

The European Crisis of the British State

John Major was elected to the leadership of the Conservative party to resolve the crisis of Thatcherism. This crisis was evidenced by an economic recession, growing electoral unpopularity for the Conservatives and the unease within the party over European integration. In forging a post-Thatcher agenda, the Major government set itself the task of rebuilding relationships on the continent and re-engaging with the integration process. A new constructive European policy, including a commitment to Exchange Rate Mechanism (ERM) membership, was to be a central plank of the Major administration's governing agenda. Nevertheless, this new approach remained distinctly Thatcherite in terms of its commitment to neo-liberal policies and a strong, centralised state. In this chapter it is proposed that the attempt to incorporate Europeanism into what was primarily a Thatcherite agenda proved fundamentally flawed. It soon became clear that such a course of action was disastrous for the government and triggered a distinct *European crisis* for the British state. Initially, this crisis emerged in the form of the humiliating ejection of sterling from the ERM. It culminated in an extraordinary attack on the governing elite by Eurosceptic forces during the attempts to ratify the Maastricht Treaty. Here, I explore the unfolding of this crisis, its aftermath and its implications for the arguments developed in the course of this book. I shall show that these events are central to understanding the continued construction of Eurosceptic Britain.

Majorism: the missing political strategy

'Majorism' did not exist as a distinct political project but was primarily an attempt to consolidate the Thatcher legacy (Marquand 1991, 41; Riddell 1992, 428-429; Hay 1996a, 163; Seldon 1998, 742-743). Nevertheless, a key reason for the electoral success of the Conservative party in 1992 was that it presented itself as less ideologically doctrinaire than it had been during the 1980s. It was more in line with the One Nation tradition that had served the party so well under mass democracy. For instance, a key feature of the Major administration was a commitment to protecting and improving public service provision and this justified increases in public expenditure. The intellectual force behind this new focus was Chris Patten, Chairman of the Conservative party (1990-1992), who advocated a social market philosophy along the lines of the German Christian Democrats (Riddell 1992, 427). Alongside Patten, David Willetts attempted to articulate modern conservatism as a combination of Thatcherite free trade radicalism and a belief in community that was rooted in a long tradition of conservative nation building,

This preoccupation with linking communities and markets is part of a continuing Conservative concern with national integration. Disraeli's two nations, Salisbury's fears of national disintegration, the One Nation Group, John Major's opportunity society – all address the question of how to ensure that all British citizens feel that they participate in national life. (1992, 420)

Initially, therefore the Major administration looked to a more inclusive conservatism in order to distinguish its policy agenda. Major's apparently emollient and conciliatory nature seemed to fit with this mood and had been important in securing his leadership bid. Nevertheless, this was clearly not a radical agenda for political modernisation but a pragmatic Thatcherism tempered by English social liberalism. Noting the underlying vacuity of this strategy, Marquand commented,

The end of Thatcherism has, however, left a vacuum which nobody had yet rushed in to fill. Majorism is not a project in the sense that Thatcherism was a project. It is a sort of ragout of old style Tory paternalism and new-style Thatcherite entrepreneurialism, laced with upward social mobility and palpable personal decency of its author. It may suffice to win the Conservatives the next election, though that looks less likely that it did a year ago. There is no evidence that it offers any solution whatever – good, bad or indifferent – to the long-drawn-out crisis of maladaptation which grips the British state. (1991, 41)

Thus, none of the modernisation deficits of the British state were being addressed by the emerging post-Thatcher political agenda. The ideological dominance of Thatcherism left little room for creative political agency. This became increasingly evident once the Major governments became preoccupied with party unity and abandoned attempts to construct an intellectually coherent project along the lines that Patten and others had envisaged. In particular, the Major government remained strongly attached to a traditional conception of British parliamentary sovereignty and it did not consider redrawing the existing constitutional settlement. Apart from Northern Ireland, the sensitive and contentious position of the non-English nations were ignored. Crucially, the decentralisation of state functions that was evident in other European states, and the devolution of power to other political authorities remained problematic with a governing consensus that continued to support centralised state power. There was no resolution of what Hirst had referred to as the 'constitutional crisis' that continued to challenge Britain's homogeneity as a nation-state (1989, 40).

While the organisation of political authority across European states became more decentralised and neo-corporatist (Crook et al 1992, 97-104; Offe 1996, 65), what was notable about the British case was the extent to which this was primarily associated with privatisation and marketisation of state functions. The emphasis on the strong state remained but was combined with an extensive application of free market principles across a range of sectors. A programme of privatisation was continued in the areas of coal (1994) and rail (1996-7). There was a radical shake up of Whitehall with the extension of compulsory competitive tendering and contracting out to central government (Riddell 1992, 428). Thatcherite welfare reforms were continued such as the opting out of schools from local authority control and the extension of the quasi-market in the health sector. While the government began to

grapple with the politics of the welfare state, it did so by reinforcing the status of the individual consumer in the shape of proposals such as the Citizen's Charter. Increasingly, the power of centralised government combined with the language of consumerism was used to justify increased surveillance over public services and the intensification of the 'audit culture'. The key focus here was on finding performance indicators for the producers of public goods and to maximise efficiency and competitiveness. This programme was underpinned after 1993 by economic policies designed to ensure British economic stability once ERM membership and EMU membership had been ruled out. Kenneth Clarke, as Chancellor, put in place a more transparent process of decision making which gave increased power to the Bank of England in the setting of interest rates (Stephens 1996, 292-293). This underlined a shift towards a more general focus on domestic economic stability, over any artificial focus on the exchange rates. As such, it represented a significant modernisation of the institutional infrastructure of domestic policy and laid the basis for the impressive macro-economic performance between 1993-1999 (Gamble and Kelly 2000,19). These were, however, national reforms occurring in the absence of participation in EMU.

The policies of the Major government implied a distinct trajectory for the British state during the 1990s. The losses of power faced by organised labour in Britain during the 1980s and 1990s meant that Britain was not going to engage in the kinds of modification of institutionalised class compromises that other European states began to embark on (Grote and Schmitter 1999; Rhodes 2000, 162-163). Despite the reform of the institutions of monetary policy, the emphasis on economic stability did not represent any commitment to a long-term industrial strategy. Indeed fixed investment per year in manufacturing in Britain in 1992-94 as lower than in 1961-1973 while imports had reached 33 per cent by 1990 compared to 21 per cent in 1970 (Northcott 1995, 202-203). In comparison, by 1994 London accounted for 44 per cent of European equity markets which represented three times as much as Paris or Frankfurt (*ibid*, 202). The emphasis continued to be conceived in terms of the stability and attractiveness of Britain for mobile capital and largely at the expense of social cohesion and a productive economy (Hirst and Thompson 2000, 354).

It was in the area of European policy that the Major government faced its severest test when it attempted to move beyond the increasingly Eurosceptic agenda set out by the former Prime Minister. Initially, the Major government saw its commitment to the ERM and to a more constructive European policy as the basis for distinguishing it from the later Thatcher governments and as part of a bid to revive electoral fortunes and outflank an increasingly pro-European Labour party. Yet, Major's attempt to stake the national prestige of the government on a revived Europeanism proved to be an unmitigated disaster that split the Conservative party, possibly with fatal consequences, and destroyed the credibility of the government. While it might be argued that this was a product of a particular set of circumstances, it was the way in which these events reinforced and made manifest structural tensions between the British state and European integration that concerns us here.

The three key factors that emerged during the period of 1990-1993 which undermined the government's policy, were indicative of the continuation of Eurosceptic Britain. Firstly, the government's policy proved completely at odds with

the extensive nature of the second wave of European integration. Bulpitt notes that from 1988 the Community could no longer be confined to,

a common external tariff, the CAP, and internal tariff reductions – EFTA with knobs on. On this level the Community threatened to become an ‘association’ possessing that capacity for continuous, comprehensive and public penetration of British governing, which, Conservative leaders had always tried to avoid. (1992, 266)

The government’s claim that the Maastricht negotiations were a British victory and the extensiveness of integration could be contained proved completely unsustainable. In the domestic arena, the British government was faced with having to publicly defend a European agreement in which they were awkward and reluctant participants. Secondly, the government’s attempt to craft a European monetary policy based on membership of the ERM proved unsustainable in the context of a classic British recession that demonstrated continued weaknesses in the domestic economy. Furthermore, the government’s reaction after ERM withdrawal was to further undermine the possibility of participation in Economic and Monetary Union and to advocate national solutions to monetary problems. Finally, and most significantly, these two developments exacerbated and provoked a comprehensive Eurosceptic mobilisation, particularly on the right of the Conservative party, that launched one of the most devastating attacks on a British government in the twentieth century. The combination of these three factors was to further distance the government from European developments and move it in the direction of an explicitly Eurosceptic Thatcherite approach to the European Union. It is to the history of this European crisis of the British state between 1990-1993 that I now turn.

‘At the heart of Europe’

The conditions in the country in 1990-1991 appeared favourable to a more pro-European stance. The Eurosceptic forces in the Conservative parliamentary party had been temporarily muted by the downfall of Thatcher. There was growing public support for a pro-European position with a two to one majority believing Europe was a good thing for Britain in 1991, the highest level of support since the 1975 referendum (Northcott 1995, 330-331). The continued membership of the ERM had become the central plank of the Major administration’s economic policy. Europe appeared to be fundamental to the government’s attempts to revise the Thatcher settlement and symbolised a modification of some of its less palatable elements. In this context, Major proposed to place Britain at the ‘heart of Europe’.

A key feature of the initial approach of the Major government to the European Community was to rebuild relations and secure those alliances with European politicians and governments that had been alienated by Mrs Thatcher. The main figures behind this strategy were Chris Patten and, the Foreign Secretary, Douglas Hurd (Forster 1999, 32-33). A central aim of the Hurd-Patten strategy was to place British Conservatives in the mainstream of European politics. Patten already had considerable contacts with European Christian Democratic parties from the time when he was Head of the Conservative Research Department (ibid). When he

became Party Chairman, he aimed to have British Conservative (MEPS) join the Christian Democratic centre-right group in the European parliament. He believed this would lead to Major attending Christian Democratic leaders' meetings where many European bargains were struck (*ibid*). The main focus, however, was to improve relations with Germany and Major set about building a strong alliance with the Christian Democratic government in Bonn. Forster argues that behind this was the aim of exploiting German concerns over the Delors proposals for monetary union (*ibid*, 32). The close relationship built up between Major and Kohl was in marked contrast to Thatcher's lukewarm meetings with the German Chancellor. In his memoirs Major emphasised his friendship with Kohl, as well as with other leaders, and claims that 'he had no hang ups about Germany' (1999, 265-267). Unsurprisingly, therefore, Bonn was chosen for a keynote speech by Major in March 1991 in which he emphasised the differences between his government and that of his predecessor to the European Community. In the speech Major stated that, 'my aim for Britain in the Community can be simply stated. I want us to be where we belong. At the very heart of Europe. Working with our partners building the future' (cited in Major 1999, 269).

This new cooperative approach within the Community was concomitant with an economic policy that placed ERM membership at its centre. Nevertheless, despite being received by domestic Eurosceptic forces as a cryptic statement of Federalist intentions, Major's speech was a classic example of British Conservative Europeanism, as the summary by his advisors at the time demonstrates,

Europe, John Major said, should develop by evolution, not some treaty-based revolution provoking disunity in the cause of unity. It must keep its Atlantic ties strong. Britain had not, by playing its part in the transformation of Europe, 'abandoned our history or our ties with the Commonwealth and the United States'. But there were limits to the notion of a common foreign and security policy for European countries; NATO must remain paramount. So far as monetary union was concerned, 'we think it best to reserve judgement', and 'we accept its imposition.' Co-operation – already a code word for a way of doing business outside of the Brussels institutions – was the way forward for members of the Community. (Hogg and Hill 1995, 78)

Above all, Major emphasised that 'Europe was made up of nation-states' and that a right balance had to be found between 'closer cooperation and a proper respect for national institutions and traditions' (cited *ibid*). Moreover, this was to proceed alongside the overarching aim of advancing a free trade Europe. Major therefore re-emphasised what he saw as the limitations of the European project.

From the outset the government's position was unconvincing. It combined a clear statement of constructive engagement with the second wave of integration even reviving the idea of a leadership role for Britain in that process, yet re-affirming a fundamentally Thatcherite set of principles based around neo-liberalism and state power. The consequence of the latter was that the government increasingly looked for policy exits and appeared sceptical about the new multi-level institutional architecture that was taking shape. The Commission, under the leadership of Jacques Delors, and many member-states were moving towards an overtly federal agenda, thus the idea that the Community could be reduced to a common market firmly under

the control of states appeared out of date and out of step with the direction of the integrationist project. As the largely negative and obstructive goals of the British government for the Maastricht Council began to emerge, the ambition to put Britain at the heart of Europe looked increasingly devoid of content.

The Maastricht negotiations: a Roman triumph?

The position of the British government during the Maastricht negotiations has been comprehensively documented (Blair 1999; Forster 1999). The government's objectives during the negotiations were to pursue selective opt outs in the areas of monetary union and social policy and to put forward proposals designed to obstruct the more ambitious objectives of the other member-states. Both Blair and Forster emphasise that this negotiating strategy was largely determined by domestic circumstances and, in particular, the need to maintain Conservative party unity (Blair 1999, 219; Forster 1999, 177). Forster notes that by September 1991, 'the problem of Eurosceptic dissent was an increasing preoccupation for John Major' and he was forced 'to abandon his Party Chairman's attempt to chart a new intellectual path for the party' (Forster 1999, 88). Yet, at the same time, the government was committed to continuing to engage with European developments and, as Major later protested, 'engage in the argument' and 'argue the British case' (cited in Seldon 1998, 167). The central proposition here is that developments within domestic politics were in fact reasserting Eurosceptic Britain.

The bargaining position of the Major government during the Maastricht negotiations reflected 'Britain's European dilemma' (1999, 178). More specifically, it reflected the impossibility that a government operating within the paradigm of Thatcherism could engage with a process of European political modernisation. Therefore, it proved increasingly difficult for the government to defend its policy against the Eurosceptic right of the party. The attacks on Major's policy followed immediately after his 'heart of Europe' speech. In an interview in the US, Thatcher railed against German domination of Europe and the idea of European unity. In June of 1991, the Daily Telegraph gave prominent coverage to a publication by the Bruges Group which effectively accused Major of supporting a federal Europe (Major 1999, 269). This right wing pressure group had become the 'rallying point' for sceptics and opponents of further integration across the party and by 1990 had 132 Tory backbenchers as members as well as prominent right wing academics such as Patrick Mitford, Norman Stone and Kenneth Minogue (Seldon 1998, 164). However, arguably more significant in shaping the direction of the government's approach to Europe during the run up to the Maastricht negotiations was the influence of Eurosceptic ministers (Blair 1999, 203-204). Major's consensual style of leadership, and Thatcherite sympathies, increased the power of these ministers who held portfolios directly relevant to the IGC (*ibid*). As Blair notes, 'the Eurosceptic quartet of Baker, Howard, Lamont and to a lesser extent Lilley, led government departments influential in the formation of British European policy' (*ibid*, 204). In effect what Major did was to successfully buy off the support of these ministers while still putting together a realistic bargaining position. He did this by holding firm

on the opt-outs over EMU and the Social Chapter. This was evident in the Commons debate that took place before the IGC. Major recalled that, 'the debate worked well. I set out our negotiating aims with great care. No federalism. No commitment to a single currency. No social chapter. No Community competence on foreign and home affairs or defence' (Major 1999, 274).

By emphasising these negative goals and objectives, the Major government was able to resist Eurosceptic pressure for a British veto to be exercised over economic and monetary union and new Treaty agreements on political integration. In effect, the British government's position at the Maastricht Council (December 1991) was to try and prevent moves towards further integration without having to veto the Treaty. It indicated the extent to which the structure of British politics prevented any British European strategy becoming part of a broader European Christian Democratic project, as politicians such as Patten and Hurd may have wanted. The overriding concerns at the Maastricht Council were increasingly those of domestic politics and Conservative party unity (Forster 1999; Blair 1999). Once Major had won over Eurosceptics to his negotiating position it became possible for the government to make concessions, such as strengthening the European parliament to include co-decision making powers. Such areas remained under the tight control of the foreign policy executive (Hurd and Major) and it was made difficult for more Eurosceptic ministers to challenge such decisions (Blair 1999, 204). On EMU the government's negotiating position was to seek a general opt out for all governments and to continue to pursue the alternative of a hard European Currency Unit (ECU) as a parallel European currency. The latter was designed to halt the move towards monetary union. This was pursued alongside attempts to separate the French from the Germans by playing on differences over the speed towards monetary union (Forster 1999, 59). The British government failed to achieve these objectives and underestimated the momentum for EMU amongst the other member states, 'London was left to determine the terms and conditions of its own self exclusion and negotiators concentrated on securing a UK opt out and the important right to reverse the initial position at a later date' (*ibid*, 72).

The opt-out over the single currency was relatively easy to achieve as it allowed the other member states to negotiate the details of EMU without the risk of a British veto. In contrast, the British opt out of the Social Chapter was a matter of intense political bargaining during the final stages of the negotiations. A compromise agreement on social policy circulated by the Ruud Lubbers, President of the European Council, was rejected by Major when Michael Howard, Employment Secretary, threatened to resign (Forster 1999, 92; Blair 1999, 113). The conclusion to this was the negotiation of a separate protocol by the other 11 member states that inevitably weakened the development of the social dimensions that had been so central to the Delors project.

The pursuit of selective opt-outs and the negative negotiating position adopted by the Major government was the only viable position that the government could hold in the face of divided party and Cabinet. It enabled Major to avoid political ramifications of the moves towards EMU and the Social Chapter without having to veto the entire Treaty. However, the degree to which the government had been pressured into adopting a hard-line and negative stance towards the Treaty meant that the attempt to place Britain, and the Conservative party, at the 'heart of Europe'

was shattered. In effect, the British government had contributed to the emergence of a two speed Europe in which Britain would be in the second lane, the very thing it had argued against.

The scepticism shown towards European developments contrasted with the government's continued support for American global power, most clearly evident in the extent of British support for the First Gulf War. In marked contrast to the divisions over European policy, Major reflected in his autobiography on the cross party support for the war and British involvement; 'here was a nation working together. It was an enriching experience' (Major 1999, 237).

Thus, behind the rhetoric of the new relationship with European partners remained a strong attachment to an Anglo-Saxon conception of the unity of the English speaking world, under American hegemony. As Wallace noted, the Gulf War was welcomed by commentators of the right as the re-emergence of an Anglo-Saxon partnership,

Pride in the past, pride in Britain as a military power, seeking to regain and reassert a status which marked us off from the defeated nations across the Channel; contrasting – to use Peregrine Worsthorne's graphic revealing language – the 'selfless even self-sacrificing idealism' of Britain's response with the flabbiness of a European Community dominated by a lobotomised German economic giant, psychologically unable to spill blood even in a good cause'. (1991, 30)

This Anglo-American nationalism, combined with the Thatcherite attachment to the free market, remained at the heart of the Conservative party and the Major government. Patten's attempt to construct a project of British Christian Democracy that fitted with mainstream European developments was an exceptional attempt to shift the trajectory of Eurosceptic Britain. However, the undermining of the Maastricht Treaty and Britain's marginalisation from the integration process was viewed as a success for Major both in the party and sections of the press. Major described it as the 'modern equivalent of a Roman triumph' (1999, 288). Nevertheless, it was a hollow victory, as Major had signed up to a Treaty that involved institutional developments that could not be ideologically incorporated into the British state. This was the dangerous consequence of the salvage operation on European policy carried by pro-European politicians such as Hurd, Heseltine and Clarke, who remained at the core of the governing elite.

For a short period Major had united the party and helped secure the election victory of 1992. In retrospect, however, the truce within the Conservative party was inherently fragile because the Maastricht Treaty had moved the European Community in the direction of further integration, to an extent that it was never going to be acceptable to Eurosceptic forces. In early 1992, Delors told the European parliament that the Maastricht Treaty was a significant move in the direction of further integration (Turner 2000, 155). Despite the limitations of the Treaty, this was certainly the case and it contradicted Major's claim that he had halted the drive for further integration at Maastricht. Thus, the Major government entered into a highly dangerous political game with its own party as it attempted to ratify the Treaty in parliament and secure legitimacy for its Maastricht deal. What stood out was the extent to which loyalty to both party and leader began to breakdown during

the ratification process of the Treaty in parliament. For an administration already weakened by a small majority of 21 after the 1992 election, the European issue was to result in a crisis that derailed the government to such an extent that it was unable to recover. Yet, before exploring more fully the Maastricht rebellion, we should note that the ferocity of this attack on the government became increasingly evident with the failure to Europeanise economic policy. I want to turn to the events surrounding British withdrawal of the ERM.

‘Black’ or ‘white’ Wednesday?

As we have seen, a central plank of the Major government’s economic policy was membership of the ERM. As Chancellor, Major had persuaded Mrs Thatcher to enter the system. As shown in Chapter 5, this was part of an attempt to modernise monetary policy and move away from Thatcher’s outright acceptance of the autonomy of financial markets. At a time of recession, ERM membership was viewed as fundamental to keeping inflation under control and bringing interest rates down (Hogg and Hill 1995). In particular, membership was seen to give the government’s economic policy credibility in the eyes of the financial markets and thereby avoid destabilising speculations on the pound. It was a policy designed to break the stop-go cycle of the British economy by facilitating stable growth alongside low inflation (Stephens 1996, 198). The value of sterling once again became the guiding principle of British economic policy. A questionable form of financial management was equated with a broader project of modernisation.

The difficulty for the government was the nature and depth of the recession of the early 1990s. The bank base rate had risen to 15 per cent in 1989 to take the heat out of the housing market with the result that house prices collapsed in 1990. Between the first and second halves of the same year GDP fell by 2 per cent and manufacturing output fell by 9 per cent in nine months. Both consumers and companies faced problems of debt and stopped spending. Unemployment began to rise and had increased by a million in early 1992 (Hogg and Hill 1995, 186). Underlying these problems was the continued structural weakness of the British economy already evidenced by a current account deficit of twenty billion pounds in 1989 (*ibid*, 175). Therefore, the concern was that ‘unless demands for higher pay could be resisted, and productivity increased, then rising inflation would lead to sustained pressure on the pound’ (Bonefield and Burnham 1996, 14). The government entered the ERM at the relatively high rate of DM 2.95 in order to help bring down inflation and believed this rate could be sustained by the underlying competitiveness of the British economy rather than devaluation (Hogg and Hill 1995, 175). This strategy was thought to form the basis for a sustained recovery and ward off speculative pressure. However, the British economy nose-dived into a recession characterised by low output and disinflation, alongside an overvalued currency.

The real problems for the overvalued pound began to emerge once the ERM was discredited in the aftermath of the Danish no vote on the Maastricht Treaty. The result of the Danish poll had shaken confidence in the project of monetary union, and financial markets began to question the existing ERM parities. Furthermore, these

problems were exacerbated by a German refusal to cut its interest rates, as Stephens notes,

The Deutschmark was the anchor for the system, but Germany was sailing in the opposite direction to its European partners. Its domestic economy demanded high interest rates to stifle inflationary pressures caused by reunification; elsewhere in Europe governments were struggling to pull their economies from recession and inflation was subdued. As long as interest rates in Germany remained high, its partners could not cut their own borrowing costs to stimulate economic expansion. (1996, 194)

The ERM increasingly became the target for those attacking the government's economic policy. The government, however, stuck to its chosen course and in a speech to the European Policy Forum on 10th July 1992, Norman Lamont ruled out either a cut in interest rates or leaving the mechanism (Seldon 1998, 298). Although the economy required lower interest rates, it was believed that these were more likely to be delivered inside the ERM and that devaluation would ultimately lead to higher borrowing costs (Stephens 1996, 209-210). The argument was that a devaluation of the pound would undermine confidence in sterling and lead to depreciations which could only be halted by high interest rates (*ibid*). The Treasury believed that the consequence of a devalued pound would be similar to the 1980s when a weak currency had resulted in rising inflation (*ibid*, 210-211). Following Lamont's speech, Major told the House of Commons that the government's commitment to the ERM was '100 per cent' (*ibid*, 214). In late July, Major went so far as to state at a dinner hosted by *The Sunday Times* that he believed that sterling would become one of the world's strongest currencies, possibly, stronger than the deutschmark (Stephens 1996, 219; Seldon 1998, 298; Major 1999, 317). This led to headlines in the *Sunday Times* that emphasised the extent to which the ERM policy had now become a symbol of 'national pride' for the Major government (Stephens 1996, 219). Indeed, the policy had come to represent the reversal of post-war decline by claiming to have halted the continued fall of sterling and the problem of high inflation (*ibid*). It was, however, a rather limited strategy considering the continued weakness of the British economy. In addition, without being linked to the broader project of monetary union the British commitment to membership appeared uncertain. Indeed, it was unfathomable why there was a return to a policy of strong and stable currency in the context of a deep recession that exposed continued problems in the British economy. As Bonefield and Burnham suggest, it could only be seen as a rather blunt instrument of economic management designed to impose low inflation discipline on wage demand (1996, 18). In effect it was a short-term instrument for renewing capitalist accumulation; 'the discipline meant a prolonged period not merely of living on less but also of working harder in the face of declining conditions' (*ibid*, 19).

The problem was that the 1980s had seen an attack on the Keynesian nexus between wages and public expenditure without any 'breakthrough in levels of productivity, productive investment or a reduction in average wages relative to other European states' (*ibid*, 24). The expansion of the economy had been built on deregulation of credit and the financial markets and not on any fundamental restructuring of the industrial base. This left the British economy particularly exposed to external shocks. Without a sustained economic recovery, the capacity to maintain confidence in the

pound inside the ERM was impossible and could only be sustained in the short term with high interest rates. As the government defended its ERM policy, the extent of the British recession became clearly visible. Between 1990 and 1991, unemployment increased by 700,000, business failures ran at 930 a week, and house reposessions climbed continuously (Bonefield and Burnham 1996, 20-21). The second quarter of 1992 saw Britain's GDP fall 3.6 per cent from its 1990 level whilst other EC nations experienced a rise of 2.8 per cent and industrial production began to fall culminating a balance of payments deficit of £13,680 million in 1992 (*ibid*).

In effect, the British economy remained too weak to ride out a global recession. This was compounded by the depth of the American downturn and a weak dollar which made British exports uncompetitive. The continued appreciation of the deutschmark in 1992, to compensate for German reunification, left the government in a straitjacket as it was unable to lower interest rates to provide a stimulus to the economy. The pound continued to fall against the deutschmark during 1992 while it rose against the falling dollar (Stephens 1996, 221). Meanwhile, at a meeting of European finance ministers at the beginning of September, Lamont criticised German economic policy for the growing turmoil within the exchange markets. This outraged the Bundesbank President, Helmut Schlesinger, and was indicative of the extent to which the Treasury had not become Europeanised. As Stephens argues,

Britain's membership of the ERM was not followed by a coordinated attempt to make friends among those upon whom the government might well have to rely. In the summer of 1992 an imperious manner could not disguise the absence of reliable allies. As one Treasury official was to lament, "We were never much good with foreigners". (1996, 233)

When Schlesinger announced only a small cut in German interest rates of 0.25 per cent in response to an Italian devaluation, the markets began to put increased pressure on sterling. On Tuesday 15th September 1992, the Governor of the Bank of England sought approval to step up the scale of intervention to stabilise the value of the pound. The following day saw sterling driven out of the ERM by financial speculators. The extent of the speculation on sterling meant that intervention by central banks was ineffective. Indeed, the Bank of England's holdings on foreign exchange amounted to just over 10 per cent of the average £300 billion in the average daily turnover of the London markets (*ibid*, 249). Despite what was evidently the largest intervention into the currency markets ever seen by the Bank of England (exhausting the reserves see Stephens 1996, 254), and raising interest rates to 15 per cent, the government was unable to halt the massive speculation and by the end of the day the pound was forced to leave the ERM.

The government was overwhelmed by the events of black Wednesday, which it considered to be largely out of its control. In the Commons debate that followed, Major reported that sterling was forced out of the mechanism by events world wide and the severity of the attack by the markets (H.C. Deb. Vol. 212. Col. 2 24th September 1992). He implied that if responsibility lay anywhere it was with the Bundesbank which had encouraged the markets with 'injudicious comments about realignment that should never have been made' (*ibid*). There was no official

apology or acceptance of responsibility by the government and no inquiry followed (Stephens 1996, 255-256; Seldon 1998, 323). Certainly, there were flaws with a system that depended so heavily on one anchor currency and this was evident once the German economy diverged from the rest of Europe as a consequence of unification. The British difficulties with the ERM, however, also reflected deeper political and institutional problems that were primarily of a domestic nature. The economic policy was inherently paradoxical. On the one hand, it was believed that an economic policy that focused on a stable exchange rate would secure stable growth without leading to high inflation. It was viewed as an essential political instrument for the economic modernisation of a weak economy. On the other hand, this policy was only viable because a strong and stable exchange rate reflected the supposed underlying strength and competitiveness of the British economy. In this sense, it was considered to be symbolic of the new found strength of the British economy. The exchange rate became both a cause and an effect of British economic renewal. When the extent of the recession was evident in 1992, it was clear that maintaining a high exchange rate was damaging the economy and the eventual fall in the pound reflected the reality of the British economy. As Stephens notes,

Sterling's steady depreciation over several decades had been a symptom as much as a cause of economic failure. Fixing the exchange rate would not solve the more fundamental structural problems besetting the economy – a weak manufacturing base, a large current-account deficit, low investment, poor education and training among them. (1996, 259)

In a similar vein, Bonefield and Burnham point out that 'the continued comparative decline of British competitiveness made an eventual devaluation of the pound inevitable, in spite of the ERM' (1996, 29). What compounded the problem for Major was the fact that the exchange rate had been made into a symbol of national pride, particularly evident when he claimed that sterling would come to rival the deutschmark. In effect, ERM membership and an exchange rate policy had been presented as a strategy of modernisation for the British economy by governing elites that would place Britain in the first division of European economic powers. According to an editorial in *The Independent on Sunday*, the failure of this policy represented an end of another British delusion akin to the Suez crisis of 1956 (Comment 20th September 1992). It was a typical British policy of financial (mis)management employed as an alternative to any more fundamental process of politico-economic restructuring. While it aimed to secure sustainable growth and low inflation there was no evidence that it was underpinned by a broader strategy designed to tackle the continued problems of poor productivity, social inequality and decaying public services. Increasingly the policy came to reflect the chronic absence of a coherent strategy of politico-economic modernisation. This was particularly evident in the fact that the Major government did not link its ERM policy to participation in monetary union. Equally the government seemed to lack any economic policy once blown off course by forced withdrawal from the ERM. A situation exposed by John Smith, as opposition leader, who picked up on Major's earlier comments that sterling could rival the deutschmark,

To claim that the German economic miracle had been surpassed and then in the middle of the recession, to go on to foresee the pound replacing the Deutschmark takes a certain detachment from reality of which Walter Mitty would have been proud. The real lesson to be drawn from a comparison between the British and German economies is that, before one can have a strong economy we need consistent investment, a recognition of the vital importance of manufacturing as the basic wealth creator, a strategy of training, for innovation and technology and for regional development. In short, an industrial strategy. (H.C. Deb. Vol. 212. Col. 13 24th September 1992)

In a devastating attack, Smith stated that with its ERM policy blown apart, any claim to economic competence by the Conservative party had been destroyed (H.C. Deb. Vol. 212. Col. 22 24th September 1992). Smith was right but it was not simply a verdict on the government. The ERM crisis reflected the general vulnerability of a globalised British economy and the underlying weakness of British economic governance. The Labour party did not call for the end of the pound which was the logical conclusion of the events of the Black Wednesday.

The withdrawal from the ERM allowed the Major government to rethink its European strategy in the light of wider European developments and domestic political problems. The role of ERM membership was reduced to a policy designed to curb inflation and was no longer part of a broader 'heart of Europe' strategy (Major 1999, 340). The withdrawal from the ERM was re-written as an opportunity to push Europe further in a British direction, as Major told the Commons during the ERM debate,

We have the chance to build in our time, in our generation, the sort of Europe for which we have always longed for; the sort of Europe I believe its citizens want; a secure Europe of nation-states co-operating freely for the common good; a prosperous Europe, generating new wealth within the biggest free trade area in the world; a free trade Europe in which Brussels is kept off industry's back. (H.C. Deb. Vol. 212. Col. 11 24th September 1992)

In many of the member states, the problems and eventual collapse of the ERM only highlighted the weaknesses of the current arrangements and the need to press ahead with full EMU. It had proved the case for more extensive forms of economic governance beyond the nation-state to resist the autonomy of the financial markets. However, the British government and the Eurosceptics began to see the crisis over the European project as a validation of their different positions. For the Major administration, the viability of the whole EMU project was considered to be even more problematic and the government's focus shifted further away from European monetary arrangements towards domestic reform of monetary policy. In effect, the capacity of the global financial markets to judge economic policy by speculating on a currency was accepted and the possibility of long term stability within a European set of arrangements was questioned. More specifically the possibility of getting rid of a debased currency chronically exposed to financial speculation was clearly not on the agenda. For Eurosceptics 'White Wednesday', as they called it, was validation of the crisis of legitimation at the heart of the European project and had proved that the Maastricht Treaty was fundamentally flawed and had to be defeated. Thus, the

ERM debacle fuelled the emerging crisis over Maastricht ratification that was facing the Major government.

Eurosceptic mobilisation and the Danish no-vote

As a number of commentators have shown, the Eurosceptical groupings that emerged during the Maastricht ratification crossed the party divide and often consisted of disparate political positions and motives (Norton 1996; Berrington and Hague 1998; Seldon 1998, 341; Buller 2000a; Forster 2002, 109). As a starting point a chronological distinction can be made between those implacable marketeers who had been opposed to Britain's initial membership of the Community under Heath in 1972 and those who became later converts to the cause. In the first group were politicians such as Teddy Taylor, John Biffen and Richard Body. This group consistently attacked the Community as primarily a political project that represented a profound attack on the British nation. As we saw in Chapter 4, the exemplar of this tradition had been Enoch Powell. There was also a second small group that came to prominence during the Thatcher years and who opposed the Single European Act. Notably, this group included Enoch Powell's successor in Wolverhampton, Nicholas Budgen, but also the former party Chairman, Edward Du Cann. The Single European Act separates the latter two groups from those politicians who, with the departure of Mrs Thatcher, were no longer prepared to support the official party line (Young 1998, 384). Young notes that these conversions came in 'many times and shapes' and there is 'a variety of motive and explanation' (ibid, 385). This group included Bill Cash, a leading Eurosceptic politician during the Major government, who had been a supporter of both British entry in 1972 and the SEA in 1986. Young described Conservative Eurosceptics as a,

confederacy of zealots and lurchers, with the latter amply outnumbering, often outreaching, the former. One might venture some conclusions from their history. Some were moved by disappointment born of failed ambition. They resented their exclusion from office sufficiently to allow an embryonic scepticism, hitherto suppressed, to prepare them for full rebellion. Others were pushed by personal loyalty to Mrs Thatcher, over an edge they had already spent some time looking across. (ibid, 387)

However, what was distinctive about this group was that together they articulated a particular discourse of British nationalism constituted in opposition to the process of European integration. There were different variants of this that further separated out the various groupings. As Baker et al note (1994), some could be described as constitutionalists whose primary concern were the federalist intentions of the Community and its impact on parliamentary sovereignty. Others were English nationalists motivated by anti-German and anti-French sentiment. Nevertheless, the extent to which Eurosceptics were essentially inward looking was challenged by those who regarded themselves as internationalists opposing a regional European nationalism (Holmes 1996, 1).

Despite these differences, for the purposes of our discussion the key division within the political elite is between Eurosceptic Thatcherite 'purists' and those

revisionist Thatcherites, as well as non Thatcherites, who continued to believe in the accommodation of the British state to the trajectory of European integration. As shown in Chapter 5, leading members of the political elite, such as Howe and Lawson, continued to see Europe as an essential part of British post-imperial renewal. What the European crisis indicated was the inability of the Major government, and its pro-European governing elite, to bring about this more revisionist Thatcherism that would allow for a positive European strategy. In particular, the problems that emerged over Maastricht indicated ‘the nature and depth of penetration of the ‘Thatcherite’ revolution in the party’ (Baker et al 1994, 57). As we shall see, what became strikingly evident was the extent to which Thatcherite Eurosceptics organised and dominated the campaign against the Maastricht Treaty.

Out of office, Thatcher became a prominent spokesperson for the Eurosceptic cause and she began to articulate an alternative free market vision of European integration. In May 1992 she made a speech at The Hague where she called for a decentralised Community in ‘which the model should be a market – not only a market of individuals and companies, but also a market in which the players are governments (1995, 489). In this scenario, governments would compete with each other for foreign investment, top management and high earners through lower taxes and lower regulation’ (ibid). She went on to call for a multi-track Europe and argued that ‘we have to face up to the fact that a united Germany was a problem’ (ibid, 489-491). The extent of Thatcher’s personal involvement in supporting the Eurosceptic cause was recalled by Major,

It was a unique occurrence in our party’s history, a former prime minister openly encouraging backbenchers in her own party, many of whom revered her, to overturn the policy of her successor – a policy that had been a manifesto commitment in an election held less than six months before. It was Margaret’s support for the defeat of the Maastricht legislation which helped turn a difficult task for our whips into an almost impossible one. Beyond this she began to cast around to see how the party could be moved to a more Euro-sceptic position. By the early autumn of 1993 she was telling friends that she hoped for a leadership contest a year before the next election, and for Michael Portillo to win it. (Major 1999, 350-351)

Thatcher’s speech at The Hague was made ten days after the Bill had gone through parliament to implement the Maastricht Treaty. Major made the decision not to try and force the Bill through parliament quickly but to allow time for a full debate on the Treaty. The Bill successfully went through its first and second readings then, as Major put it, ‘all hell broke loose’ (1999, 347). The cause of this was the Danish no vote on the Treaty. The government made the decision not to proceed with the Committee stage of the Bill as he believed this would reignite the divisions over Europe (ibid, 349). In effect, this decision gave the Eurosceptics time to fully mobilise against the Treaty. The day after the Danish referendum result an Early Day Motion was signed by 69 MPs and called for a new approach on Europe.

At Prime Minister’s Questions on 3rd June 1993, Major defended his version of the Treaty, ‘the Maastricht Treaty began to build the kind of European Community that we wish to see. It introduced the concept of intergovernmental cooperation outside of the Treaty of Rome. It established the principle of subsidiarity rather than

centralism. It established financial and other controls over the Commission' (H.C. Deb. Vol. 208, col. 827 3rd June 1992). Major consistently emphasised the themes of subsidiarity, enlargement and inter-governmentalism as the guiding principles of the Maastricht Treaty. He presented the Treaty as a British victory for a decentralised Europe contradicting the interpretation of the Treaty that was presented by Delors and Mitterand. Adopting a position that was full of contradictions, the Maastricht Treaty was sold to the Conservative party as a victory for Eurosceptic Britain. In the debate, Major's version of the Treaty came under heavy criticism from Eurosceptics such as Bill Cash,

In the light of my right hon. Friend's insistence on decentralisation in Europe, with which we all agree in principle, how is it that there is in the common provisions in title 1 of the Treaty an insistence that we comply as an obligation with the single institutional framework which implies centralisation together with those provisions that deal with the union, which imply that we will be citizens of a union with duties imposed on us, and as a result of which we shall be moving into a centralised Europe? (H.C. Deb. Vol. 208, col. 831 3rd June 1992)

The central demand of the Eurosceptics and of the Liberal Democrats was for a referendum which Major refused to grant them. The statement to the House on the Danish result represented a turning point in the Conservative party. As a Foreign Office official recalled, 'behind him there were rows of sullen faces. He had virtually no support. Suddenly, we had the sense that whatever goodwill and pro-European feeling there had once been, was gone, and that the atmosphere from then on was going to be ugly' (Michael Jay cited in Seldon 1998, 294).

The Eurosceptic cause found continued support within sections of the British press. Two of the three most powerful press proprietors, Rupert Murdoch and Conrad Black, questioned Britain's European involvement and both of them had appointed editors with similar views (Major 1999, 358; Turner 2000, 158). Notably, 'both proprietors and their editors maintained close relations with Mrs Thatcher and her circle, and filled their columns with contributions from intellectuals she had encouraged' (W. Wallace 1994, 286). The Murdoch owned *Times* and *Sunday Times* took a strongly anti-European line, while *The Sun* and *The News of the World* became increasingly nationalistic and xenophobic in their attacks on European institutions and partners. Meanwhile *The Telegraph*, *The Sunday Telegraph* and *The Spectator* took the side of the rebels against the government's policy. In particular, opposition to Europe and admiration for the United States were persistent themes of these publications (W. Wallace 1994, 286). Clearly, underlying this were the economic priorities of global media empires and their fear of a regulated and politicised European market.

The problem for the Major government, therefore, was that it did not only face a small group of zealous Eurosceptics within the parliamentary Conservative party, but this was part of a broad based mobilisation of anti-Europeanism that reached across key sections of the Conservative press, as well as the higher echelons of the party and the government itself. This was a particularly British variant of a broader crisis of legitimation for European unity, which was evident in the narrow Yes vote for Maastricht in France and the growing concern over monetary union in Germany.

Its full impact, however, was not felt until the Maastricht Treaty finally came to parliament to be ratified at the end of 1992.

The Maastricht ratification and the European crisis of the British state

The Eurosceptic campaign in parliament during the process of ratification of the Maastricht Treaty represented one of the most significant rebellions in parliamentary history and, alongside the ERM debacle, helped destroy the credibility of the Major government. It was a profound attack on the governing elite by an emerging national movement. It undermined the legitimacy of the government's strategy on Europe, exposed the contradictions on which British policy towards European integration had been based since Macmillan, and significantly, contributed to a potentially fatal split in the Conservative party. Indeed, it was a powerful reassertion of the extensive nature of Euroscepticism at the heart of the British political establishment and intensified the uncertainties about Britain's European future. A discussion of the dramatic events surrounding ratification will demonstrate the extensive opposition faced by the Major government.

The ratification of Maastricht was rescheduled to begin again in the autumn of 1992. In the wake of the ERM crisis, the Major government came to the conclusion that it was a way for the government to regain the initiative on the European issue and to reassure its European partners of its commitment to the Treaty (Seldon 1998, 326). The decision to press ahead immediately led to attacks on the government at the Tory party conference in October. The former Party Chairman Norman Tebbit made a powerful speech that ignited the conference floor. He called on Major to 'raise the flags of patriots of all the states of Europe' and that the conference wanted to see 'policies for Britain first, Britain second and Britain third' (ibid, 327). In response, Hurd, as Foreign Secretary, defended a traditional Tory pragmatic policy on Europe and that going back on Maastricht would destroy Britain's future in Europe. However, further attacks on the government came from Thatcher who argued in an article for *The European* newspaper that Maastricht was a 'ruinous straitjacket' damaging Britain's 'constitutional freedoms' (ibid, 328). It was evident from the number of Eurosceptical motions submitted to the conference that there was strong grassroots opposition to Maastricht within the party and this became crucial for legitimating the Eurosceptics' causes within parliament (Turner 2000, 162). Major made a speech that was sympathetic to Eurosceptic concerns but restated his commitment to the government's policy of ratifying the Maastricht Treaty.

During the Maastricht rebellion, it is possible to identify three objectives adopted by the rebels in their bid to undermine the government (Baker et al 1994, 38). Firstly, they aimed to delay the Bill hoping that it would be made invalid by external events such as another No vote in a second Danish referendum. Secondly, they campaigned for a referendum as they increasingly believed they had considerable public support. Thirdly, they put forward and supported Treaty amendments that they considered fatal to the Treaty and would force the government to abandon ratification. This added up to an extraordinary attack on the governing elite from within the ruling party.

The first test for the government was the paving motion introduced in November 1992. In the debate, Major defended the government's conception of the Community; 'we can develop as a centralist institution, as some might want, or *we can develop as a free-market, free trade, wider European Community more responsive to its citizens*' (H.C. Deb. Vol. 213. Col. 284, 4th November 1992 emphasis mine). This expressed a Thatcherite strategy towards the Community that also drew on a traditional conservative fear of the negative consequence of being marginalised from European developments. Although the government won the paving motion, it did so by a small margin (319-316) and Eurosceptics were successful in getting a promise from the government that the third reading of the Bill would be delayed until after the Danish referendum (Seldon 1998, 342). After the problems over the paving motion, some of the initiative appeared to return to the government with a successful European summit for Major in Edinburgh in December. Under the British Presidency, agreements on Denmark, enlargement of the Community and the European budget were reached. Furthermore, there was a stronger commitment to the principle of subsidiarity that had been incorporated into the Maastricht Treaty. Major was credited with having patched-up Maastricht while avoiding further moves along the road of political integration. With a second Danish referendum agreed to take place on the 18th May 1993, the committee stage of the Maastricht Bill began in December 1992. The rebels continued to attempt to delay the Bill in order to demonstrate the intensity of British Euroscepticism and hopefully contribute to another Danish rejection of the Treaty (Baker et al 1994, 39). By the time of the third reading of the Bill, there had been 210 hours of debate and over 600 amendments (ibid). It was now recognised by the government that the rebels were unwhippable and had become a separate organised faction within the party with their own offices, unofficial whips and 'briefing books' (Seldon 1998, 369). The rebels proved successful in defeating the government on the method for selecting UK members of the Committee of the Regions proposed at Maastricht. However, this did not stop ratification of the Treaty and the Bill continued its passage through the Commons. Alongside delaying ratification, the rebels kept up their pressure on the government to hold a national referendum. This came to a head on the 21st of April when the rebel Richard Shepherd called on the government to 'trust the people' and that the Bill had no mandate as the British people had been denied a choice on Maastricht during the election of 1992 (Wintour, *The Guardian* April 22nd 1993). Major had already stated his opposition to a referendum in the June debate following the Danish referendum when he defended parliamentary sovereignty in a reply to Tony Benn. The rebels' referendum amendment was defeated by the government but only with the support of the opposition.

With the defeat of the referendum amendment, the Bill had finally passed through the Committee stage proceedings. Major celebrated with an upbeat speech to the Conservative Group for Europe that emphasised the importance of European trade and claimed that the Community was heading in Britain's direction (White, *The Guardian* April 23rd 1993; Comment, *The Guardian* April 23rd 1993). The extent to which the party was now moving in Major's direction was however another question, as the *Guardian* editorial noted that, 'the speech did not tell the Conservative party things it does not know. But it tells the party many things which large parts of it still

prefer to ignore. Recent surveys have implied, not always convincingly, that the rank and file Tories are not only unhappy with the rows over Maastricht but are moving towards a more Thatcherite position on Europe' (Comment, *The Guardian* April 23rd 1993).

The Maastricht crisis was already adding to the depth of the growing disillusionment with the Major government that was evident since ERM withdrawal. At the beginning of May during the local elections and the Newbury by-election, the Conservative party faced heavy defeats. The Conservatives lost 500 seats in county councils across the country and Newbury was its worst by-election defeat since 1979 with a 28.4 per cent swing from the Conservatives to the Liberal Democrats.

The government eventually secured the passage of the Bill through the committee stage and it was eventually ratified on the 20th May, two days after a positive vote in the Danish referendum. Yet the rebellion had not subsided and the number voting against the third reading of the Bill had risen to 41 with 5 deliberate abstentions, from 22 and 6 abstentions during the second reading in May 1992. The Bill then went to the House of Lords where Thatcher led the attack claiming she would never have signed the Treaty and calling for a referendum (Seldon 1998, 384). In the Commons, the government's problems were not yet over as they had to concede to a special vote on the Social Chapter. The rebels had joined with the Labour opposition in supporting the restoration of the Social Chapter, believing that Major would not proceed with the Bill if the opt out was not included. There was considerable confusion over whether a vote on the Social Chapter could kill off the Bill or whether the government could circumvent a defeat on the opt out using the Crown prerogative (Baker et al 1994, 41). Douglas Hurd confirmed that this was a possibility when he announced that 'there was no question of our ratifying a treaty other than the one we negotiated' (Comment, *The Guardian* 15th February 1993). The role of parliament in ratifying the Treaty became increasingly unclear.

In April, the government accepted the opposition's clause 75 calling for a debate on the Social Chapter but it was delayed until after the Bill had been ratified. The government continued to intimate that even if there was a majority vote for the Social Chapter they would not be bound by the vote (Wintour, *The Guardian* 16th April 1993). On the 22nd July, the government faced two votes, the first on Labour's amendment on the Social Chapter and a second on the government's motion noting the opt out. The first vote was won by a margin of one vote while on the second vote the government was defeated by 8 votes (324-316). Twenty-two rebels had resisted the government and voted with the opposition. Baker et al described it as the most damaging Commons defeat for a Tory government in the twentieth century (1994, 47). Those rebels who went back to supporting the government only did so after they extracted government statements stating there would be no re-entry into the ERM or moves towards joining a single currency (*ibid*). On the 23rd July, the government was forced to call a confidence motion on its policy on the Social Chapter and only with the threat of a general election, which the Conservatives looked destined to lose, did the rebels support the government. It was a 'pyrrhic victory' for the government that had needed to resort to various deals and compromises with opposition parties, bullying of its own MPs and threats to use the Crown's prerogative. In effect, there had been such a profound attack on the governing elite that only the full exploitation

of the power at the disposal of the British executive secured ratification, and when Major threatened a general election did the rebels come back on board. In contrast, the rebels' victory was considerable as 'they had imposed longer-term constraints on the European stance of the government that would certainly not dare to bring any new treaty before parliament that furthered European integration. ERM re-entry was off the agenda even before the collapse' (ibid, 47).

Euroscepticism: a national movement for British exceptionalism

When Major was interviewed about the affair he referred to the rebels as 'a tiny minority' (Seldon 1998, 389). However, the real sociological dilemma for the Major government was that by the July vote the Eurosceptics had become a significant right wing national movement. They drew strength from the extensive extra-parliamentary support that was emerging for their cause. Increasingly, their refusal to accept the government whip suggested that their primary loyalty was to the anti-European cause and not to the Conservative government under John Major. We should note that in comparison to many other social movements, Euroscepticism was able to exert considerable power because its members had access to, and were part of, the centre of British political authority. It was only when a general election threatened to remove this influence that they sided with the government. In this section, I want to explore the nature of this movement and aspects of its discourse. Rather than viewing it as a fragmented or extreme political movement, it is my contention that it must be seen as the manifestation and reassertion of macro-ideological norms within the British political order primarily centred on the populist articulation of Eurosceptic Britain.

National Mobilisation

The extent of Euroscepticism as a national movement had been evident in the sustained attack on the government's attempts to ratify the Maastricht Treaty. They had become organised into a number of cross-cutting alliances and groupings both inside and outside parliament. Indeed, some twenty seven separate groups had been created in the 18 months following the December 1991 Maastricht Council (Forster 2002, 88). In particular, the Fresh Start Group set up after the debate on the Danish referendum provided the organisational dynamism for opposing the government's European policy and became the dominant parliamentary grouping. Its radical opposition to government legislation and fundraising activities outside the party dramatically altered the rule of political conduct (ibid; Young 1998, 366). Forster describes its impact as follows,

Until its creation, sceptics had been rather like individual fish who had been swimming in the same general direction. Fresh start offered a sense of community and purpose, transforming the sceptics into a shoal of fish synchronising their activities with a shared objective, opposition to the ratification of the Maastricht Treaty. Thanks to the Fresh Start Group, Euroscepticism thus matured rapidly within the parliamentary Conservative Party. (Forster 2002, 87-88)

Alongside growing parliamentary organisation and support, Eurosceptics found that they could look to the press, the wider party and public opinion for support. Significant sections of the press continued to provide substantial backing for the cause. The Sunday Telegraph and the Murdoch press all supported the call for a referendum (Baker et al 1994, 46). The Newbury by-election defeat led to vicious attacks in the Murdoch press on Major's leadership which culminated in a notorious article by Lord Rees Mogg on how 'Major fails the leadership test' (ibid). Support was also evident across all sections of the Conservative party. A survey of 4,000 grassroots Conservative supporters by the Conservative political centre and made public during April 1993 indicated widespread disaffection with the Maastricht bill and significant support for a referendum (Bates, *The Guardian* 19th April 1993). This trend was confirmed by surveys that showed a significant shift to the right on European issues amongst Conservative supporters between 1991 and 1996 (Turner 2000, 175). Furthermore there was significant financial support for the rebel's Maastricht referendum campaign (Marc) from traditional Tory business fund raising channels and overseas supporters (Baker et al 1994, 46). In terms of public opinion, polls demonstrated that there was widespread support for a referendum alongside growing disillusionment with the process of European integration since the Maastricht summit of 1991 (ibid, 48; Marshall, *The Independent* 25th July 1993). The most vivid expression of this new movement was the founding of the European Foundation in October 1993, headed by Bill Cash. The European Foundation became an important vehicle for Eurosceptic arguments and for mobilising against the Major government. It also introduced a significant figure into the European debate 'Jimmy Goldsmith, its biggest patron, a man of gigantic wealth who had the quixotic idea of using some of it to promote the anti-EU cause in Britain' (Young 1998, 407). Goldsmith went on to form the Referendum party and fight the 1997 general election and attracted 811, 827 votes, the best ever showing by a minority party (Carter, Evans, Alderman and Gorham 1998, 483).

A populist right wing national movement had been established that had no loyalty to the Conservative government. What was increasingly evident during and after the Maastricht rebellion was the extent to which this movement re-asserted Eurosceptic Britain.

The discourse of right wing Euroscepticism

The most influential alliances and arguments developed by Eurosceptics were on the Thatcherite right of the Conservative party. These included significant Eurosceptics in the Major Cabinet (Lilley, Redwood and Portillo) and vocal ex-ministers from the Thatcher and Major administrations (Tebbit, Baker, Lamont). The most prominent backbench rebel during the Maastricht crisis, Cash, was essentially a Thatcherite as were the most prominent of the 1992 intake of MPs such as Iain Duncan Smith and Bernard Jenkin (Forster 2002, 109). The conflict over Maastricht appeared to consolidate a shift to the right by the Conservative party (Berrington and Hague 1998, 54). In particular, with the Treaty the Eurosceptics had a clear object on which to focus their critique and begin to apply some of the arguments Thatcher had

already developed in her Bruges speech (Forster 2002, 91). Euroscepticism became a populist reassertion of a belief in British 'otherness' from Europe.

A key feature of the right wing Eurosceptic discourse during the Maastricht debate was that they presented themselves as the representatives of the people and the guardians of popular sovereignty. For instance, in the debate following the Danish No vote Tony Marlow, MP for Northampton North, enquired of the Prime Minister,

Would my right hon. Friend suggest to Monsieur Napoleon Delors who today rather than showing humility, seems to be showing his customary arrogance that, henceforth 2nd June should be a public holiday throughout Europe, to be known as the day of the people, the day of democracy or, even better, the day of the nation-state? (H.C. Deb. Vol. 208. Col 835 3rd June 1992)

The argument was that the people of Europe, and in particular the British people, did not want the kind of Europe that had been envisaged at Maastricht. The freedom of the people was posited against a centralising European state. As the former Home Secretary, Kenneth Baker stated 'the Danish and French referenda have shown vividly in the past six months that there is a movement across Europe which is not anti-Europe but anti-bureaucratic and against a centralised and bossy Europe. That is what I believe the no-votes in France and Denmark were saying and what many people in Britain feel.' (H.C. Deb. Vol. 212. Col. 56 24th September 1992).

Although the Eurosceptics aligned themselves with the people of Europe, they articulated a conception of popular sovereignty that was rooted in a Thatcherite authoritarian-populism of nation-states and the free market. The MP John Butcher claimed that 'our people have always been in favour of a Europe-wide free trading area. They have never been in favour of the gradual and surreptitious building of a European state' (H.C. Deb. Vol. 208 Col. 838. 3rd June 1992). While this discourse had much in common with the Major government's claim that Maastricht was in line with the British conception of Europe, a distinctive feature of the Eurosceptic position was that the governing elites could no longer be trusted on Europe and had led the British people into a European state against their will. In the early Committee stages of the Maastricht bill, Cash made the point that Heath when Prime Minister had misled parliament and the people in a government White Paper claiming that Britain would retain its essential sovereignty on membership. Cash went onto argue 'that it is the basis on which the process has tended to move, and I believe that the same thing is happening with the present treaty, too. The British people are not being told the truth; they are not being told exactly what is involved' (H.C. Deb. Vol. 215. Col. 214. 1st December 1992). Cash proved a tenacious opponent of the government. He tabled 240 amendments to the Bill and voted 47 times against the government when a three line whip was in place (Young 1998, 395). Crucially, he set out to prove that the treaty was not the decentralising document that the government claimed. He claimed that 'the bottom line is that the treaty creates a legally binding union within Europe, which is quite different from the treaties that are normally transacted among countries' (H.C. Deb. Vol. 215 Col. 205 1st December 1992). Essentially, Cash argued that the government's interpretation of the treaty was misleading and different from the other member-states: 'the Government, in their booklet 'Britain

in Europe', say that they do not want and will not have a united states of Europe, but that is the objective to which the German Chancellor has been moving. ...The problem is that on European union we are at loggerheads with the Germans, as we are with other member-states.' (H.C. Deb. Vol. 215 Col. 210 1st December 1992). The fear that Britain was being incorporated into a European state was compounded by the in balance of power within the European Union. In particular, Cash highlighted concerns over German domination: 'we must contain Germany by a balance of power and not by a spurious, academic, theoretical, theological attempt to contain it by pieces of paper. I remember Munich at least I remember that it was the waving of a piece of paper ' (H.C. Deb. Vol. 215 Col. 222 1st December 1992). This echoed Thatcher's comments in May 1992 in which she had argued that Maastricht and its federal agenda augmented German power rather than contained it (Thatcher 1995, 491). Evident in this discourse was the way in which German economic power was elided with a continued concern over a threatened renewal of German military power.

A central theme of the Eurosceptic discourse was the underlying instability of Europe. The folly of the Maastricht Treaty was that it continued the European trend of centralising state building that had created the problems in Europe in the first place. European political modernisation was in essence flawed, fundamentally anti-British and potentially aggressive. With regards to the later, Cash warned the House of Commons of what he saw as some of the less explicit implications of the formation of a European Union,

What is the most important function, or certainly one of the prime functions, of a legal entity of the kind that this European union is to be? It is the call to arms. That is the direction in which this is going, to a common defence policy. What is the first requirement the first duty to be imposed on citizens? It is that they may be conscripted. (H.C. Deb. Vol. 215 Col. 227 1st December 1992)

Another key argument was that the other member-states and the Commission effectively wanted to impose socialist policies onto Europe. This was an argument that Thatcher had set out in her Bruges speech. Teresa Gorman, MP for Billericay, restated this 'threat' when she claimed that this was the intention of the establishment of a social cohesion fund; 'Is not the cohesion fund the essence of a communist ideal of taking from the people to redistribute to the people? Is not that socialism, the tooth and claw?' (H.C. Deb. Vol. 215 Col. 225 1st December 1992). This so-called 'Euro-realism' claimed that the Maastricht Treaty and, in particular, EMU represented an attack on the principles of free trade. It was an argument taken up once more by Cash who argued that the original free market agenda of the Community had been thwarted by the desire for political integration; 'they want to have fixed exchange rates not only to get a greater degree of control over the currencies but also to create one country' (H.C. Deb. Vol. 231 Col. 222 1st December 1992).

Eurosceptics: the guardians of British exceptionalism

From this discussion, it is evident that key aspects of the Eurosceptic discourse were centred on a call for the re-assertion of a distinctive sovereign, independent British state and a free market economy. The second wave of European integration represented the antithesis of this project. In particular, the parliamentary debate over Maastricht reflected the continued political currency of the arguments made by Thatcher in her Bruges speech. In its claims to represent and defend the will of the people this discourse was fundamentally populist employing simple messages and emotive language. In this respect, it exposed the problems of legitimacy and democratic accountability that were undoubtedly features of the supranational elitism that was driving the second wave of integration. The Major government's position was shown to be inherently contradictory and in many respects misleading. Cash dissected the Treaty and exposed the drive towards further political integration that the Major government had signed up to. Buller goes so far as to claim that the Eurosceptics' campaign represented a significant defence of British parliamentarianism (2000a, 164). The danger with this argument is that it underestimates the underlying authoritarianism at the heart of the right wing Eurosceptic discourse. It was primarily a powerful defence of a strong and exceptional British state that was aligned with global capital interests, represented by the likes of Murdoch and Goldsmith. This was what Thatcherism had claimed to be at the core of British national identities and interests and was fundamentally threatened by European forms of political modernisation. While Eurosceptics appeared to recognise and fear a revived nationalism emerging from the process of European integration, they also seemed to welcome and incite these developments as evidence of the rightness of their cause.

Euroscepticism can be viewed as part of the development in modern politics of populist movements that challenge the existing governing order and party system (Mair 2002). It was clearly evident in the extent it developed an exclusive discourse that constituted Europe as essentially the 'other' of British society. Young characterises it as follows,

Even where unanimity was required, the EU had its own momentum. It couldn't be stopped without a massive, perhaps destructive, effort. All these features rendered it an unlovely, sometimes highly dangerous, menace to the British way of life and government. *Above all, perhaps, it was not British.* As the years passed, a critique developed which asserted that the differences between island and mainland were written into history; were unalterable, were, sadly, part of the ineluctable order of things. (Young 1998, 403 emphasis mine)

This populist articulation of British exceptionalism and European 'otherness' was possible because it reflected the underlying continuities in a post-imperial state. A state in which comprehensive and creative forms of political modernisation had proved inextricably and chronically constrained. The hold of this rigid and exclusive discourse over the Conservative party left the Major government little room for statecraft beyond servicing mobile capital by the extension of neo-liberal policies. In relation to European policy, the Maastricht rebellion and the extensive nature of Eurosceptic mobilisation was to further push the Major government in a more explicitly aggressive Thatcherite direction. This further undermined any constructive

engagement with European developments. Its impact can be demonstrated by the exploration of policy shifts that took place in the aftermath of the rebellion, and as the government adjusted to sustained pressure from Eurosceptic forces.

Major's Euroscepticism and the aftermath of the European crisis

Initially, the 'heart of Europe' strategy was an attempt at a revisionist Thatcherism designed to reinforce the distinctiveness of Major's leadership and secure Conservative Europeanism. From the start of his premiership, however, Major's position on Europe was ambiguous because his key objective was to maintain party unity and represent both the left and the right. Major reflected the impossible compromise at the heart of his European policy, at times appearing as the heir of Heath, while at other times claiming to be on the side of the Eurosceptics. However, in the long run the Major government responded to its European dilemma by trying to placate Eurosceptics and in so doing moved to the right. The government increasingly adopted an obstructivist, neo-Thatcherite approach to the European Union that left the government marginalized and damaged.

In the wake of the Maastricht rebellion, in article in *The Economist* in September 1993 Major fleshed out what was to be the focus of government European policy for the next four years (Seldon 1998, 393). Here, Major (1993) came out as overtly hostile to the whole European project, claiming that 'we take some convincing on any proposal from Brussels'. He effectively dismissed the Delors project and argued that 'the new mood in Europe demands a new approach'. As for this new approach, it can be read as a restatement of Thatcher's Bruges address,

It is for nations to build Europe, not for Europe to attempt to supersede nations. I want to see the Community become a wide union, embracing the whole of the democratic Europe, in a single market and with common security arrangements firmly linked to NATO. I want to see a competitive and confident Europe, generating jobs for its citizens and choice for its consumers. A community which ceases to nibble at national freedoms, and so commands the enthusiasm of its member-states. (Major 1993)

Major emphasised a vision of the European Community as one of independent nation-states within a single market. In particular, he questioned the legitimacy of the EMU project: 'I hope my fellow heads of government will resist the temptation to recite the mantra of full economic and monetary union as if nothing had changed. If they do recite it, it will have all the quaintness of a rain dance and about the same potency' (ibid). The speech reflected the belief within the government that the problems of Maastricht ratification across the EU and the collapse of the ERM in 1993 meant that the drive for integration was over. The British government viewed this as an opportunity for it to act as a 'Trojan horse' for a conception of the world order centred around free markets and nation-states. British 'exceptionalism' was to be the driving force behind the construction of a residualised, European market society. Indeed, there was a growing belief that the European Union was now heading in a British direction. This was the position that Douglas Hurd, as Foreign Secretary, was increasingly advocating. As Young comments,

He developed the conceit that Europe was “moving our way.” Those who called on him heard these words often. So did the Cabinet. They were a way of arguing that, if you took the long view, the problem between, say, Portillo and a pro-Europe man like Michael Heseltine might be said not really to exist. For Britain’s objectives were coming about anyway. “The climate is changing.” Hurd told me on several occasions between 1992 and 1996. The Commission, repeatedly, was said to have got the message about subsidiarity. So had Delors and Mitterrand personally. There was now a new stream of higher wisdom percolating through the Community from its source-bed in London. Ideas that had once been regarded as “heresies, eccentricities of British thought” were now beginning to prevail, a development that made it “not sensible to back off into noisy and destructive isolation”. (1998, 451)

The immediate post-Maastricht period was characterised by uncertainty about the integration project. There were tensions between Paris and Bonn over enlargement and the future of a single currency policy (Buller 2000a, 147-149). The commitment to monetary union locked governments into an anti-inflationary policy that, during a recession, increasingly seemed to be at the expense of growth and jobs. Further problems emerged over the institutional reform of the Union in order to rectify the so-called ‘democratic deficit’ and make way for enlargement. For the remainder of its time in office, the Major government was not able to constructively exploit these differences. Instead it was pursuing a more aggressive and oppositional Thatcherite approach in response to Eurosceptic mobilisation. On a number of issues, most notably over voting arrangements in the Council of Ministers after enlargement and on the non-cooperation policy during the beef crisis, the British government were isolated and obstructive. The government increasingly turned issues of Community business into totemic struggles over the preservation of national independence and identity.

The most significant problem for the government was over EMU which, despite the predictions of the British government, was continuing to go ahead. The government, while sticking to its opt out position negotiated Maastricht, refused to rule out the possibility of membership. The Eurosceptics increasingly demanded that the government did so. In an attempt to placate its opponents, the government promised a referendum on the issue and that if it did go ahead, which if considered unlikely, then Britain would not be part of the first wave. It was further evidence of how little room was left for manoeuvre for the Major government in continuing to engage with European developments.

In conclusion we can say that the Major government was primarily a Thatcherite government and its European policy came to reflect Thatcherism’s underlying Euroscepticism. In an attempt to resolve the chronic problems of modernisation that continued to haunt the British state, Conservative Europeans used the crisis of Thatcherism at the end of the 1980s to try and push the party and government into a more constructive European policy. However, this was clearly at odds with the overall general direction of Eurosceptic Britain. The Europeanisation of British political identity and political economy was fundamentally contested by a right wing Eurosceptic movement. Euroscepticism became a way of consolidating and reinforcing the Thatcherite legacy and securing its grip over the Conservative party. As it remained committed to continued EU membership, the only viable strategy

for the government was to try and push the EU towards its worldview. This meant pursuing an agenda that was characterised by economic reductionism and policy exit. The main difference between the government's position and the Eurosceptics was that the government continued to claim that the EU could be moved in a British direction and that it was necessary to stay in the game. However, the argument that this was indeed occurring failed to convince Eurosceptics and the government could not unite a bitterly divided Conservative party around a common European strategy. The Eurosceptics increasingly envisaged more radical forms of exit from the EU, without necessarily proposing complete withdrawal, and questioned the economic basis for Britain's involvement in the integration process.

In this intensely contested political terrain, Eurosceptic Britain was once again reproduced against the European project. The political basis for the incorporation of British citizens within a European political order remained chronically undermined. Rather than reflecting the exaggerated influence of a political faction or part of the subversion of national liberal traditions, Euroscepticism should be seen as continuous with the post-imperial re-articulation of Britain as a fundamentally Eurosceptic political order. This left the Major government without either the inclination or political resources to engage constructively with the process of integration as a project of politico-economic modernisation. Instead, the British government became a force for disintegration.

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Chapter 7

Labour in Power: Anglo-Europe and Euroscepticism

The election of a Labour government in 1997 put into a power a political party committed not only to fundamental constitutional change in the UK but also to the institutions of transnational governance. The policy review after the election of 1987 had committed a future Labour government to a co-operative European policy that placed ‘“social Europe” at the centre of its modernised post-Keynsian platform’ (see Fella 2006, 4). The 1990s witnessed the Europeanisation of the Labour party with growing support for the European Union’s economic and social agenda (Gamble and Kelly 2000, 3-5). This constructive approach was partially realised when the Blair government took office and immediately negotiated Britain’s incorporation into the Social Chapter. It seemed to signal a new era in Britain’s relationship to the European Union and was followed by an ‘impressive investment of British politicians in all the European institutions’ (Elisabeth Gigou, member of the French parliament, cited in Baker 2003, 237). On a number of areas, the Labour government placed itself in the mainstream of European policy-making and took on a leadership role in areas such as crime and immigration. Labour’s modernising agenda appeared to represent a genuine shift away from a British tradition of majoritarian rule and towards multi-level governance. Alongside a renewed commitment to the European Union there were devolved authorities, the incorporation of the European Convention of Human Rights, the adoption of proportional representation in regional and European election and the introduction of a directly elected London Mayor.

Labour in power has clearly been more pro-European than its recent Conservative predecessors. Euroscepticism has not become the fundamental ideological issue that it did in the post-Thatcher Conservative party allowing Labour governments to pursue a more pragmatic and less politicised European policy agenda. Nevertheless the argument of this Chapter is that Labour under Blair largely abandoned the pro-Europeanism of the modernised Labour party and that the chronic problems of legitimising Britain in Europe have remained. It has drawn back from more contentious aspects of European integration such as the single currency and been reluctant to open up the European issue to public debate in the form of referenda. What is argued here is that this is not necessarily inconsistent with the underlying ideological stance and macro-policy positions of Labour in power. It has re-articulated British exceptionalism in terms of both political economy and political identity and actively pursued an Anglo-European project that attempts to shift the direction of the European Union in a British direction rather than vice-versa.

Re-asserting Anglo-Europeanism

Rather than committing to a pluralist system of European multi-level governance, there remains the suspicion that Labour in power has adopted a traditional British approach towards the European Union. Initially the Blair governments pursued a leadership role, attempting to undermine Franco-German dominance and construct an Anglo- conservative hegemony centred on security and economic de-regulation. This involved non-partisan approach to politics has been evident in the European Union where the New Labour government actively pursued coalitions with right wing governments and courted conservative leaders such as Berlusconi and Aznar. Blair in particular made considerable efforts to woo new allies and build coalitions, both East and West, in support of a strategy that would place a principled opposition to any deeper integration process at the heart of the European Union. This involved the characteristic pursuit of a looser European Union that concentrated on ‘economic policy, immigration and the environment while devolving everything else down to the national, regional and local level’ (Baker 2003, 254). There are parallels here with the Major government i.e. the pursuit of British leadership of the European Union alongside attempts to undermine, or at least check, further integration and its impact on Britain. For example, Labour have resisted any attempt to make a European Charter of Fundamental Rights binding for the UK much to the frustration of the British trade union movement as British workers will be excluded from its social and employment rights (Fella 2006).

Labour’s approach to the European Union has been to encompass it within a broader project that primarily views Britain within a global and international arena (Baker and Sherrington 2004; Sherrington 2006). The reality of this has been to continue to re-affirm Britain’s ‘special relationship’ with the US and to maintain the idea of Britain as having a central role as bridge between the US and Europe. The expressed pro-Europeanism of Labour in power has therefore been couched in terms that are not necessarily inconsistent with Britain’s post-imperial strategy on Europe as summarised by Nairn,

For a world-power regime, being “in Europe” is neither successor nor alternative to the past. It is simply one amongst other ways of remaining Great. A Euro-UK may be alongside but will never be ahead of the Special Relationship with the USA, the Commonwealth, over-valued Sterling, and the Crown. For it to become more important would imply abandoning the treasured stigmata of Providence. It would mean downsizing, dilution, a retraction into the ordinariness of contemporary nationhood. (2001, 6)

Labour in power has attempted to give Britain a leadership role in Europe and construct a new Anglo-European hegemony based on the special relationship with the US and the construction of new alliances on the continent. Its mission therefore has been to encompass the European Union within a wider Anglo-American hegemony that has at its central tenet the primacy of the global market (see Gamble 2003, 105). As a basis for European policy such a position is inherently unstable as it will always prioritise a wider set of global and international commitments above those of European integration. It particularly became unstuck when the Blair administration unreservedly backed the US mission in Iraq. The latter placed Britain in opposition

to the mainstream position within the European Union and produced a fundamental schism on foreign policy amongst the most powerful member-states. However, it is possible to argue that Labour's macro-policy positions are a recognition and assertion of the fundamental direction of British political economy.

British exceptionalism continued

From a political economy perspective Labour's initial constructive approach on Europe issues did not imply a fundamental shift away from a liberalisation agenda (see Callaghan 2000, 126-127). It was clear that on entering office New Labour were not about to pursue a more European form of stakeholder capitalism that would have implied bolstering the collective power of the European Union in the face of globalisation. While signing up to the Social Chapter at Amsterdam, the Blair Government rejected French plans for interventionist policies on growth and employment. Moreover, further measures under the Social Chapter were rejected as was any extension of Qualified Majority Voting to social policy. By the Lisbon Summit of March 2000, the Labour Government was leading the agenda for European economic liberalisation in the face of French opposition (Black *The Guardian* 25th March 2000). The Lisbon agreement signalled the end of any attempt to renew the Delors' vision of a more interventionist European Union in terms of growth and employment. At the summit's conclusion Blair claimed that 'there is now a new direction for Europe, away from the social regulation agenda of the 80s and instead a direction of enterprise, innovation, competition and employment' (ibid). This consolidated a British approach to European integration that had as its main priority the liberalisation of the European single market. This position was restated in British government documents on the IGC discussing the European constitution (Fella 2005, 14).

While there has been convergence towards a more flexible and liberal economic agenda in the European Union, this does not necessarily imply a common approach or understanding of globalisation (Hay, Watson and Wincott 1999, Hay and Rosamund 2001). The Labour Government has established a distinctive British approach to globalisation in a European context of diverse and competing constructions that reflect different national ideologies and institutions. Marquand notes that despite New Labour's acceptance of the centrality of the European Union to Britain's economic interests, it fundamentally accepts the American perspective on the new capitalism (1999, 239). From the perspective of this book, therefore, New Labour can be viewed as consistent with a continued Thatcherite hegemony. Gamble and Kelly note that the New Labour project has 'defined itself through its opposition to traditional social democratic concerns such as centralised wage bargaining, neo-corporatist approach to policy formation, higher marginal rates of taxation, extensions of economic democracy, or an increasing ratio of public expenditure to GDP' (2000, 22). It has 'proselytised within the EU for an 'Anglo-American' model of capitalism' and 'campaigned against the social model' (Callaghan 2000, 127). From the perspective of this paper, this is a re-articulation of the British belief in the desirability of an open global economy and that any European project should be subordinated to this wider

goal. A key dimension of this is the emphasis on the inevitable logic of globalisation and the necessity of domestic accommodation (Hay and Rosamund 2001, 7; Watson and Hay 2002, 295-300). Watson and Hay (2002) claim that the adoption by New Labour of a political project that ascribed a logic of necessity to globalisation was primarily motivated by electoral interests. The Labour Party's full-scale adoption of the rhetoric of the business model of globalisation was not, they argue, based on a structural reality but designed to legitimise their increasingly orthodox policies of macroeconomic management. However, this is based on a sceptical view of globalisation which is not borne out by what Hirst and Thompson have identified as the 'peculiarities of the British economy' that relates to the high level of integration of Britain into the global economy (2000, 354). This is particularly evident in the continued centrality of global finance to the British political economy. The overall size of the financial services of the UK means that it is the largest industry in terms of employment and accounted for approximately one-fifth of total employment in 2000 (Centre for Economics and Business Research 2001, 6-14 cited in Luo 2003, 6). It is also distinctively global in character. The penetration of the City by American investment banks after deregulation was announced in 1983 dramatically changed the character of the City which resulted in the 'death of gentlemanly capitalism' (see Ingham 2002, 155-157). This has been referred to as the 'Wimbledonisation' of the City as it increasingly acts as UK host for foreign owned companies (Kynaston 2001). A great bulk of the business that occurs in the City serves non-UK residents, for example seventy per cent of world transactions in secondary bond markets take place in London (International Services London 2001 cited in Luo 2003, 4).

The UK economy is driven by trading and financial activity rather than manufacturing and production and this means domination by business activities whose primary service is to maximise economic flexibility by transferring and selling financial assets across the globe. This has profound implications for Britain's political economy. The revived strength of financial capital in the British economy fostered by the institutionalised subordination of the formal state to these interests implies the continuation of a direct relationship between British governments and global market forces that is not typical of other European countries. The resistance that British governments have shown to embedding themselves within forms of European economic governance follows on from this. A major concern regarding further integration into Europe is that the flexible and globalised British economy would be propelled into a European regulatory regime.¹ In contrast, the decision to give control over interest rates to the Bank of England can be seen as a move in favour of a direct relationship to the institutions of global finance over those of European monetary policy. The ambivalence of the Labour Government towards further integration into Europe reflects an underlying politico-economic consensus in favour of a flexible financially driven global market over a productive regional economy. Consequently, while there remains a significant fear of exclusion from

1 This was demonstrated by Gordon Brown's opposition to a withholding tax on cross-border savings because of its impact on the Eurobond market. One of the British government's five tests before entry into the Euro is considered is the impact of membership of the single currency on financial services.

further European integration and Labour in power has been consistently committed to constructive engagement in the European Union, there has been no compromising on the superiority of the British model of political and economic development. However, it has become a central means of legitimating Britain's continued role within the European Union.

Legitimation dilemmas and solutions

As we have seen this populist re-imagining of 'Europe' as 'other' was particularly evident during the Maastricht Treaty. Major's shift to a harder form of Euroscepticism failed to heal the divisions within the Conservative party as a virulent Euroscepticism had taken hold across key sections of the party and, crucially, amongst grassroots supporters. The consequence of this was to ensure that Eurosceptics came to dominate the leadership of the Conservative party. The leadership of William Hague saw the party adopt a strong Eurosceptic line in the run up to the 2001 election as it attempted to win back voters who had defected to the Referendum party (Crowson 2007, 66). A central conservative slogan of the 2001 election campaign was 'Keep the Pound' and set out a 'flexible Europe' policy that would mean a fundamental reversal of the *acquis communautaire* and the return of powers to the nation-state. As leader Ian Duncan Smith, a prominent backbench Maastricht rebel, attempted to downplay the European issue, however Conservative policy pronouncements remained firmly Eurosceptic including rejection of the single currency and the necessity of treaty renegotiations (ibid).

This opposition to any further British involvement in integration was consolidated by the leadership of Michael Howard, one of the main Eurosceptics in the Major cabinet during the Maastricht crisis. Howard initially adopted a softer tone on Europe but the rise of United Kingdom Independence Party (UKIP), a party that defines itself by opposition to the European Union, and the drafting of a European constitution, rallied Eurosceptic Conservatives around the call for a referendum on the constitution in the 2004 European election. The continued Euroscepticism of the Conservative party however did not halt UKIP which successfully secured 12 MEPs in the 2004 European parliament elections. Ironically, its policy of complete withdrawal from the EU has allowed a Conservative party to present itself as the middle way on Europe illustrating how far the British European debate has moved in a Eurosceptic direction. A significant factor in the election of recent Conservative leaders has been the expectation that they would remain faithful to Thatcherism and its ideologically driven Euroscepticism (Hill 2007).

Despite the attempts of the Cameron leadership to shift the focus of Conservative politics on to new concerns in an attempt to capture the 'centre-ground', Euroscepticism amongst the public and the powerful right wing press reinforces the fundamental anti-Europeanism of the British Conservative party. The party continues to represent a large section of political interests in the UK that are hostile to the European Union and it seems unlikely that the Cameron leadership will significantly moderate the party's Euroscepticism.

Against this background, Labour in power under both Blair and Brown has been reluctant to take on right-wing Euroscepticism and seek legitimation for British engagement in the evolving European order. This has been clearly evident over the issue of a referendum on the single currency on which the leadership was evidently split and unwilling to become 'entangled in a ferocious battle for an unpopular cause' (Rawnsley 2001). It also re-emerged in the defensive u-turn on a referendum on the ill-fated European constitution and the resistance to a referendum on the European Treaty that followed it. For a leadership that has put considerable emphasis on maintaining a broad political base of support, the idea of opening up a highly divisive issue that would re-ignite a populist Euroscepticism remains extremely risky. While public opinion may be volatile, it is noticeable that since the mid-1990s public attitudes towards membership of the European Union have moved in a more negative and sceptical direction (Northcott 1995, 330, Hix 2002, 54-55).

The reluctance of Labour to legitimise its European strategy leads to a questioning of the extent it is genuinely committed to pluralist institutional arrangements. Marquand argues that there is a paradox in the New Labour project between its programme of constitutional reform and its continued commitment to a centralised democratic collectivist state (1999, 240-241). Labour elites, he claims, continue to believe in the transformation of society through regulation and manipulation from the centre. This is reflected in the 'Prussian discipline' that has been imposed on the Labour party and the combination of 'commanding premier and over mighty Chancellor' that typified the Blair years (Hennessey 2000, 527). Such continuities appear to contrast with a constitutional programme that implies a pluralistic ensemble of checks and balances (ibid, 241). Mair, however, has argued there may not in fact be a contradiction between the two sides of New Labour (2000; 2002). From his perspective, the defining characteristic of New Labour is its populism and this implies taking the party out of politics,

In other words, if we accept that the political strategy has not been developed as a means of strengthening party and partisanship, but rather as a means of taking party and partisanship out of the equation, the apparent paradox disappears. Indeed, seen in this light, both the political strategy and constitutional strategy are wholly compatible with one another. The point is that neither is driven by a partisan impulse. By exerting total control over their own members and representatives, the Labour leaders in government effectively substitute themselves for the party as a whole, thus denying the party writ large a separate or autonomous voice. This also leaves the leadership free to reach across in an effort to incorporate other parties or elements of other parties into a loose and potentially less partisan governing coalition. (2000, 95)

Mair suggests that New Labour constituted itself as a populist all embracing governing coalition beyond left and right and the old party divides. This was legitimated by reference to the undifferentiated *British people* as the source of political authority. This is particularly associated with the New Labour discourse of globalisation as an 'intensifying field for survival between nation-states' which requires a response that is committed to ' "national renewal" and Britain being "the best", appeals to the "British spirit" and "to our destiny as one of the great nations of the world" ' (Fairclough 2000, 35).

Gordon Brown has made the securing of Britishness as a core political identity a central theme of his premiership. As Chancellor and Prime Minister, he has re-asserted the advantages of British exceptionalism,

...a consensus can be built in Britain and Europe for a new vision for Europe, that, as a trading bloc, Europe is superseded by the Europe of the global era, Europe's institutions are having to be reshaped in line with long-held British values – internationalism, enterprise, fairness, political accountability. (Brown 2003a)

Brown's willingness to adopt the language of Euroscepticism suggests that the exclusion of 'Europe' is central to a new re-assertion of Britishness by the governing class. 'Europe' is characterised by Brown as having 'old flawed assumptions' about inexorable moves towards federalism (2003b) and a populist discourse of an Anglo-Europe is presented as the solution to Britain's European dilemma,

British values have much to offer, persuading a global Europe that the only way forward is inter-governmental, not federal; mutual recognition not one-size-fits-all central rules; tax competition, not tax harmonisation, with proper political accountability and subsidiarity, not a superstate. (Brown 2003a)

Brown has adopted the Eurosceptic language and set out a principled opposition to further integration based on British 'values'. The extreme UKIP version of hard Euroscepticism may in fact be limited by the capacity of a Labour government to retain its own populist credentials and adapt the European issue to both British public opinion and contemporary European developments. Britain's relationship to the European Union is increasingly articulated in terms of 'red lines', opt outs and negative negotiating positions pursued in defence of the national interest. The implication is that pragmatic and nationalist arguments will form the basis of Labour government attempts to legitimate the continuation of Britain's European trajectory. In this Labour is helped by the stalling of the integration process which has characterised the integration process since the late 1990s. The focus of European developments has shifted to consolidation of the integration process and opt outs have become the norm within Treaty negotiations. The existence of populist Euroscepticism across member-states and the defeats in France and Holland on the European constitution have left the European Union with a chronic identity crisis, notwithstanding continued economic problems in a number of member-states. In this uncertain environment, despite Iraq and non-membership of the Eurozone, it is easier for the Brown government to assert its peculiar form of Anglo-Europeanism and, in particular, trumpet the British economic model. Furthermore, a large degree of institutional adaptation and policy convergence with the European Union has been evident in micro-economic policies. Britain has 'simply absorbed EU related policies without substantially changing its own policies or institutional arrangements' because of the extent to which the British economy de-regulated 'much further, much faster, much earlier' than any other EU state (Schmidt 2006, 16-17). Labour governments can continue to accept economic liberalisation while resisting, containing or opting out of further integration. Clearly, the Brown government's attempts to assert its populism with appeals to British nationalism faces a significant problem over

legitimizing its European policy as any further engagement with the integration process will be a focus for Eurosceptic mobilisation. Whether the government does or does not have a referendum on major European developments, as in the case of the Treaty of Lisbon 2007, its nationalist credentials will always be weakened as to engage with any extension of the European project will lead it to be constituted as pro-European by Eurosceptic forces. On the European issue, the capacity of Labour in power to keep at bay the more virulent forms of Euroscepticism and consolidate its own populist nationalist credentials is therefore questionable. However what is no longer credible, if it ever was, is the idea that the British Labour party is a principled pro-integration European social democratic party that could be a vehicle for an integrated Europe that seriously challenges global neo-liberalism.

Conclusion

There has been an explicit comparison built into this book between a process of European integration that is viewed as continuous with European political modernisation and the British state that is considered to be opposed to such developments. The emergence of Eurosceptic Britain is the product of a *long history* of British political and economic development. Nevertheless, the current work has also attempted to show that this structural logic is neither static nor straightforwardly deterministic but is played out in the practices of the British political class.

Chapter 2 counter-posed European integration as a facet of organised modernity consistent with national modernisation with a British imperial state and a post-imperial crisis characterised by a distinct absence of coherent projects of modernisation. This became evident in the attempts to legitimate and consolidate a European trajectory for the British state along the lines of post-war Fordism. The ‘turn to Europe’ was highly contested and problematic and this reflected an underlying structural tension over the relationship between the British state and political modernisation. In contrast, for a number of nation-states, post-war European Fordism was established within a context that linked national projects of modernisation with the political and economic organisation of Western Europe. As Milward (1992) has shown, there has been an interdependent relationship between national modernisation and European integration. This has also been the case for later entrants into the EC/EU that have linked membership to national reconstruction and renewal. For a number of countries, it has been associated with democratisation, stabilisation and economic reconstruction (H. Wallace 1995, 49). This has not meant, however, that the process of European integration can be reduced to nation-state trajectories. It as an independent process of post-national modernisation and an important, albeit problematic, regional defence against economic globalisation.

The British state stood in a distinctive relationship to the second wave of European integration because it asserted a global neo-liberalism against European politico-economic organisation. The key point is that Britain has not just expressed distinctive national interests in the process of European integration but has been a vehicle for international and global projects that represent an alternative model of political and economic development. The globalisation of Britain cannot be accounted for in terms of external force but is the product of the interplay between an institutional heritage, active policy decisions, and the changing structure of opportunities within the wider global political economy. In the immediate post-imperial period, British European policy was directly affected by the pursuit of an integrated transatlantic political economy and the structural position of global financial interests in the state. More recent developments have re-asserted Britain’s global trajectory albeit in new directions, and seen the assertion of the British ‘model’ within the European Union. However, the globalisation of Britain has to be fully contextualised and cannot be generalised as part of a pattern that has been occurring across the European Union.

Sceptics are correct to point to the failure of general narratives of globalisation to explain developments in specific European countries. Interestingly, it is in the new accession countries where there has been an extensive and quite dramatic opening up of economies to global capital that the parallels with the British case are most evident.¹

Nevertheless, these economies are far smaller than Britain's and are not global centres of commercial activity. Other countries have successfully adapted to intensified global competition through a careful liberal re-organisation of their politico-economic settlements. These countries, such as Sweden, remain primarily productivist in outlook and contrast markedly to Britain with its chronically large trade deficits and poor productivity levels. A revived Scandinavian social model may be particularly important for the future of the EU and may provide an important benchmark for those economies in and out of the Eurozone which remain stuck with low growth and high unemployment. In contrast, the success of the British political economy is highly dependent on a level of inter-penetration of the national and global that is characterised by the dominant role of the City and London within domestic, European and global economies. This re-articulation of aspects of 19th century free trade imperialism is simply not on offer to the political economies of the European Union.

The assertion of Euroscepticism as a facet of British collective identity is possible because of its compatibility with Britain's global politico-economic development. Since the 1950s Britain's position in the world has been cited as a reason for Britain's distinct identity from continental Europe. A central proposition of this book has been that the defence of Britain against the European 'other' whether from Eurosceptics on the political left or the right has been a defence of a particular kind of state and political order that has its roots in imperialism. The move to membership of the EC and the continued role of Britain in the European Union represents some kind of break with this past. Nevertheless, what has been argued here is that this break is problematic and has been increasingly absorbed within a broader set of political parameters that re-assert continuity rather than change. In particular, the consolidation of Thatcherism in Britain included the mobilisation of a powerful right wing Euroscepticism during the 1980s and 1990s that effectively marginalised the European cause in Britain. While the more extreme variants of this remain on the fringes of British politics, a central argument of this book is that Euroscepticism has become the dominant and hegemonic position within the British political order. It is reflected in the failure of Labour in power to establish its European credentials and the often pragmatic nationalism that has come to typify Labour's dealings with the EU. This is a conservative strategy on Europe reminiscent of the approach taken by British governments to Europe from Macmillan onwards. While it affirms Britain's continued membership of the European Union, it re-asserts Britain's exceptionalism from Europe and is complicit in the reproduction of Eurosceptic Britain. This position is reinforced by the chronic scepticism of British public opinion towards

1 See Gowan (1995) on the 'shock therapy' model of transition to capitalism imposed on post-communist states by American and British governments.

the European Union and the often virulent anti-Europeanism of large sections of the British press, particularly those owned by Rupert Murdoch. However, from a longer view this Eurosceptic hegemony in Britain has been dependent on the continued identification of British patriotic and national interest with an unstable US global hegemony.

In modern British society, the structure of political economy combined with the processes of political identity formation have therefore resulted in the making and re-making of Eurosceptic Britain in ways that appear unchangeable in the short term but possibly unworkable in the long-term.

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