



[salt&pepper] How not to join the euro

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EUOBSERVER / SALT&PEPPER - The British government's announcement yesterday, 9 June, that Britain will not be joining the euro any time soon should not have surprised anyone. It should not fool anyone, either. This is not a near miss or a postponement: this is failure.

The collapse of the British government's pro-euro strategy could have been - and in some honourable quarters, was - foreseen from the outset.

"They've got sovereignty, we've got economics," said Britain in Europe's newly appointed campaign director back in the summer of 1999. "We've got to make sure that our economics beats their sovereignty." Simple as that.

The economic case for British membership of the euro may be strong but it is hardly compelling.

Notoriously conservative political devices

Think about it. The economic arguments would depend on the British economy doing demonstrably worse outside the eurozone than it would within it. There are then two competing proposals: from the government, that we should change the currency; and from the opposition, that we should change the government. Referendums are notoriously conservative political devices that tend to reinforce rather than change direction.

So the economic road to euro membership depends on the government retaining its popularity in the face of economic failure and persuading the people to vote for change in a referendum. Not very likely, is it?

The political case for euro membership is much stronger. It is that we will be better placed to cope with future problems if we are solidly committed to political partnership with our nearest neighbours and best friends.

The record of European referendums shows that they can be won when the pro-European case is the natural continuation of current success, not as an alternative to current failure. That requires building the strongest possible political links with the rest of Europe, one of which naturally is using the same currency. But the crisis over Iraq shows that the British government hasn't followed this policy, either.

Going with the flow of popular sovereignty

The point about sovereignty is that it belongs to the people, not to the national government. British sovereignty is expressed through political systems that suit the British people. If that means transferring some powers to the European level, then so be it. Joining the euro means going with the flow of popular sovereignty, not against it. But a political philosophy with its roots in the Westminster village has failed to grasp this.

Instead, we were offered a route to the euro based on the so-called Five Tests. I write "so-called" because they are not really tests at all. They are not examinations of the economic record to work out what happened and why, they are speculations about what might happen next. But it would be rather harder solemnly to commit to a policy based on the Five Speculations or the Five Guesses. So we stuck with the name "Tests".

In the end, the tests are no more than a political figleaf, artfully arranged to cover the government's embarrassment. They were designed as a means of keeping Britain out of the euro, not as a means of getting Britain in. And, as such, they have succeeded.

A world of rapid change

The tests are of symbolic as well as practical importance. The publication of 1,738 pages of economic analysis and 250 pages of summary is a declaration that the debate about Europe is too complicated for the average voter to understand. In my view, that is quite the wrong way round.

In a world of rapid change, we need to reshape our political institutions to reflect the new world of economic, technological and environmental interdependence. Powers need to be exercised at the right level, democracy needs to be practised everywhere.

It's a very simple case, really. The euro is not an end in itself. It is merely a step towards a fairer and better governed world. Sadly, the present British government seems not to understand.

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