

[Comment] Strange news: a British pro-European policy

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EUOBESRVER / COMMENT - We are truly living in extraordinary times. Thanks to the credit crunch and the ensuing recession, some of the world's major banks have fallen into public hands. People have turned round and are now looking to governments to save them from the excesses of the market. And now the British government is proposing pro-European policies.

Gordon Brown, the British prime minister, addressed the European Parliament in Strasbourg yesterday and won praise for his warm words about that institution. He spoke of the importance of official cooperation and government cooperation, but above all he said he valued the democratic cooperation represented by the parliament. Fine words, and uncommon from a British politician. But no less welcome for that.

Of course, there is more to politics than words. Some people say that the test of the so-called Special Relationship between Britain and the United States is not what the Americans say to the British about it – they always talk about its virtues – but what they say to other countries about it. Do they tell the Germans or the Japanese that their policies have to be guided by their Special Relationship with Britain? That is when we know whether the Special Relationship counts for anything.

The same test can be applied to Gordon Brown's praise for the European Parliament. He has said it in Strasbourg. Let him say it in Westminster or explain it in the streets of Kirkcaldy and Cowdenbeath, the constituency he represents in parliament, and confront the eurosceptics who disagree. Then we will know he



"When the dogma is shed, there are clear benefits from federalism" (Photo: EUobserver.com)

means it.

But, as I said, there is more to politics than words. There are policies, too. And in the policy debate about responses to the financial crisis, Britain is blazing a trail.

There are proposals for a new Europe-wide system of regulation for the financial sector – Mr Brown referred to it in his speech – and there is an important debate about how to implement it.

The new system is needed because of the extent of interdependence in the financial markets, which makes it impossible for any one country to regulate its own banks properly any more. Each one has set up subsidiaries in other countries, and consumers depositing their money have no real idea in which country their money might end up. The collapse of the Icelandic banks revealed an extraordinary interconnection between different parts of Europe. Such banks cannot be regulated piecemeal, but must be regulated comprehensively.

But how to do it?

Eyes have turned to the European Central Bank for a model, but different people have drawn different lessons. The British proposal draws inspiration from the Executive Board, a group of technocratic experts acting independently of the member states to represent the common European interest. They want to see a new standard of regulation across the EU, guaranteed by a powerful independent force.

The counter-proposal, supported by countries such as France and Germany, looks to the Governing Council of the ECB instead. That body is composed of the members of the Executive Board plus one representative from each member state. That way, goes the theory, the diverse interests of the different parts of the EU can be represented in the decision-making of the regulator. In theory, the Governing Council is no less technocratic: in practice, it can turn out to be more political.

In the case of the ECB, where it is setting interest rates, perhaps a quasi-political approach is desirable. In the case of banking regulation, it surely is not. The explicitly supranational model is preferable – the citizens, consumers and taxpayers of Europe have a common interest in knowing that their finances are kept secure – and the influence of national governments should be kept limited.

It is rather unexpected to find the British government advocating a supranational approach, but that is the practical solution and federalism is nothing if not practical. When the dogma is shed, there are clear benefits from federalism. If only the British government would see them more often.

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