The Impact of European Monetary Integration on the Labour and Conservative Parties in Britain, 1983-2003

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THE IMPACT OF EUROPEAN MONETARY INTEGRATION ON THE LABOUR AND CONSERVATIVE PARTIES IN BRITAIN, 1983-2003

A Dissertation

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by

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ABSTRACT

This study examines what effect the movement towards deeper economic and political integration in the EU has had on the domestic politics of a member country, Britain. This study argues that this pressure to integrate by joining the single currency, or European Monetary Union (EMU), and its predecessor, the European Exchange Rate Mechanism (ERM), has exacerbated the cross-cutting cleavages inherent in British party politics, making them potentially dangerous to party unity and to successful governance by making party management more challenging. The pressure imposed by the EU on British parties and governments to follow the path of economic integration to its fullest extent exacerbates these cross-cutting cleavages in each time period examined in this study, forcing successive British politicians to seek an accommodation between pro- and anti-euro forces in their own parties.

In particular this study examines two factors that condition British politicians’ reaction to the pressure to join the euro and the impact that the euro cross-cutting cleavage has had on the parties and on British government. First, formal British political institutions, particularly the size of a ruling party’s parliamentary majority but also the
First Past the Post (FPTP) electoral system, shape the range of decisions on euro policy available to a political actor. Second, in keeping with the reiterated problem solving methodology employed in this study, this work considers the role of actors in managing the euro cross-cutting cleavages, especially prime ministers and/or party leaders and how they use their informal powers to manage their party. Examining how these factors and their interaction with the EU-level integration pressure impacted the decisions Prime Ministers Margaret Thatcher, John Major and Tony Blair, and Labour Party leader Neil Kinnock, made regarding euro policy provides insight into what range of options a future prime minister may enjoy when the pressure to integrate rises again.

Finally, this work examines the broader repercussions of the EU impetus to deeper integration in other member countries currently struggling to balance the EU-level imperative of economic integration with domestic political realities. The presence of euroskeptic countries such as Britain gives voice within the EU to alternatives to the dominant imperative to deeper integration whatever the cost. Thus, Britain’s protracted political agonizing over whether to join the euro has given the country a broader legacy in Europe by making the debate over economic and monetary union a more open and democratic one, allowing this “reluctant European” a key role in shaping the future of the European Union.
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Chapter One: Introduction, Literature Review and Conceptual Overview

For a long time Britain has maintained a seemingly ambivalent policy on whether to pursue economic and monetary union within the European Union, regardless of which party, Labour or Conservative, has been in power. Commentators have often written of Britain’s “ambivalence” about being a member of the European Union generally and whether to join the eurozone, or European Monetary Union (EMU), more particularly (Aspinwall 2004; Baker 2002; Gabel and Hix 2005; Kesselman et al 2008). This ambivalence has been evident in Britain’s dealings with the European Union (EU) from the community’s post-World War Two beginnings, when Britain declined to join the union’s original incarnation. Even after it finally joined in 1973 Britain gained a reputation, not least among domestic commentators, of being a foot-dragger, always the last to reluctantly adopt a regulatory advance supported by other EU member states. This has remained true in the case of membership in the eurozone: Britain is one of only three EU member states to choose not to join the euro currency.

This project asks why this ambivalence over EMU has persisted over three prime ministers of different parties, different strengths (in terms of personal leadership styles, party management skills, and size of their parliamentary majority), and different ideological positions on whether Britain should give up the pound. The study begins roughly when the notion of the single currency first began to be considered seriously, not just as an ideal but also as a concrete goal placed on the EU’s policy agenda, during the
negotiation of the Single European Act (SEA) in 1985. It ends in 2003, when the British government effectively dropped any serious attempt to mobilize public support for joining the eurozone. This project argues that Britain’s seemingly ambivalent stance on monetary union in this time period is in fact reflective of an active tension between various elite groups within the British political governing structure whose divergent opinions on EMU, expressed as a phenomenon Schattschneider (1960) called “cross-cutting cleavages”, result in an overall stalemate on the issue. The pressure imposed by the EU on British parties and governments to follow the path of Europe economic integration to its fullest extent exacerbates these cross-cutting cleavages in each time period in this study, forcing successive British politicians to seek an accommodation between pro- and anti-euro forces in their own parties.

This active tension on the issue reflects what has taken place within each political party and between parties over this twenty-year time period between those ministers and backbenchers who have supported Britain’s membership in EMU and those who opposed it. In reality, however, this elite-level tension over membership in the European Union has gone on far beyond the twenty years this project will explore. The euro debate is a new incarnation of older splits among British governing elites over what the proper degree of the country’s integration with Europe should be. These factions existed (and still exist) in each party and cut across party lines.

**Part I. Methodological approach**

This project follows a methodological approach from the historical sociology tradition known as reiterated problem solving (Haydu 1998). This method envisions a
connected chain of events, a constant unrolling of problem solving over time: actors do not randomly react to circumstances but also respond to the legacy of their predecessors’ approach to quandaries. These past choices shape the problem as actors encounter it in their own time as well as the possible range of solutions available to them. This legacy, when combined with the contingent circumstances of the actor’s own time period, generates both unique and linked explanations for how actors in each time approach a continuing problem.

While reiterated problem solving resembles the path dependency model in many ways, the focus on the actors allows a more multifaceted analysis of a recurring problem, Haydu argues. For instance, reiterated problem solving shows how switchpoints in history both enable and limit options for actors in subsequent time periods, something Haydu claims the path dependency model does not permit. In this method, then, actors are not just victims of past decisions, though these shape their own options, but actively problem solve in their own time, which in turn shapes events and options for actors in the future. Changing the focus from path dependence to solutions to recurring problems over time provides insight into “how new paths are themselves charted on the basis of ideological lenses, strategic tools, and pressing problems inherited from prior crises” (Haydu 1998, 364). The decisions made by actors in the past in regards to the recurring problem constrain subsequent actors, but also can trigger crises as well as affect the nature of these crises and the possible decisions future actors consider feasible in response to these crises. “Reconstructing the problem-solvers’ understandings and choices—how they make use of the past—enables us to account for trajectories across multiple periods” (Haydu 1998, 367).
Furthermore, by concentrating on both “recurrent crises [and] problem-solving actors”, as well as a resultant layered assessment of the mechanisms that cause problems over multiple temporal cases, a reiterated problem solving method offers more tools to provide an analysis of sequences across time periods than one can derive from a narrative approach, which offers interpretation within the case but not explanations derived from the case to apply more broadly (Haydu 1998, 366). Using time periods as temporal cases, as in this methodology, is similar in many ways to comparing institutions or events in different locations, but has the added benefit of comparing and contrasting how episodes are sequenced across time, acknowledging “that past problems and solutions have cumulative influences on later ones” (Haydu 1998, 360). The recurring problem of the pressure to integrate further in the EU, with its attendant implications for political and economic sovereignty (as understood, per Haydu, by the actors in each time period), created problems for parties, political institutions and governments in each time period in this study that each actor, prime minister or otherwise, had to attempt to solve or at least mitigate. In this study, for instance, the original decision for Britain to join the EEC in 1973 placed the nation on a path of increased economic integration within Europe over time, but instead of being locked into this course as a path dependent model would suggest, the problem-solving methodology recognizes the cumulative impact of decisions made by actors in different periods to resist this pressure, such as Prime Minister Margaret Thatcher’s galvanization of the Conservative euroskeptic movement in opposition to European monetary union, which pressured the subsequent John Major government and fostered a euroskeptic climate that Tony Blair’s Chancellor Gordon Brown later took advantage of to prevent Britain from joining the eurozone.
The reiterated problem solving methodology requires a consideration of what the actors themselves in each time period think about the situations they must confront. What solutions do they use to tackle their problems? One must consider “the agency of social actors as they define problems, devise solutions, and take action” as part of the overall causal explanation (Haydu 1998, 355). The methodology enables an examination of how actors of different ideologies interpret and attempt to solve the recurring problem, which can shed light on how the dilemma appears across multiple time periods. Also, it allows for the fact that short term problem solving attempts create instruments that later actors tackling the same problem can employ, such as Major’s promise to hold a referendum on the euro, which Blair as opposition leader then took up and was bound by as prime minister.

The reiterated problem solving method better allows one to demonstrate “how outcomes not only set new paths but also fomented new crises” (Haydu 1998, 363). For instance, Thatcher’s ouster set a new path for the Conservative Party and government but also engendered new predicaments as the party’s nascent euroskeptic movement began to solidify as a result. The referendum pledge also opened a policy space for the establishment of pro-euro and euroskeptic campaigns, which pressured the Blair government to commit to a policy stance.

In addition, Haydu argues the need to consider not just the role of main policy actors such as prime ministers but other actors as well, as their combined and varied interpretations of the recurring problem and their efforts to solve it create a more nuanced context of the time period and offer more opportunities to analyze similarities across time periods. Decisions in different time periods are shaped by the conflict between actors.
and their favored solutions, as Schattschneider (1960), discussed in the next section, argues, as well as how decisions have to be modified in order to accommodate the differences between the actors and their solutions as one objects to another.

This dynamic is evident in the arguments in each time period of whether Britain should pursue deeper economic integration in Europe culminating in membership of the eurozone: the agendas of backbenchers, cabinet ministers, prime ministers and chancellors, with some contributions from outside forces like campaigns and unions mixed in, offer a more complete understanding of the policy climate in each temporal case as well as across the entire era. Thus, in addition to considering the problem-solving efforts of the four party leaders analyzed in this study, Thatcher, Kinnock, Major, and Blair, a consideration of the solutions or attempted solutions to the pressure of monetary integration would be far from complete without considering the rival agendas of actors like chancellors Nigel Lawson, Kenneth Clarke and Gordon Brown, as well as other cabinet ministers and the collected efforts of backbenchers, particularly in the Major era.

Finally, Haydu stresses that this method does not claim to identify a grand causal explanation that explains everything in each time period, but rather that the solution in each time period is a mix of elements that apply to other temporal cases and those that pertain only to that particular period. Accordingly, the reiterated problem solving method is useful in cases where evidence suggests that one should “treat institutional practices as temporary (and possibly contentious) accommodations for recurrent dilemmas” (Haydu 1998, 358). In this study, “temporary and contentious” institutional practices include the party management techniques of all three prime ministers (and Kinnock as party leader): Thatcher and Blair negating any backbench opposition to their policies on European
economic integration; and Major’s heavy-handed shutdown of backbench opposition by withdrawing the whip from euroskeptic dissidents and imposing the guillotine on Maastricht debate. All of these were efforts to accommodate the recurring problem of the EMU cleavage, with mixed results and repercussions. Ultimately, reiterated problem solving method is not always the appropriate tool to analyze cases, but it can link and sequence events across a number of time periods in a way that offers broader insight into the recurring problem at the same time as it recognizes the unique forces at play in each individual time period.

**Part II. Cross-cutting cleavages**

Reiterated problem solving methodology offers insight into how the cross cutting cleavage over the issue of European economic integration was both the recurring problem that plagued party leaders over the time period covered in this study, and a particular problem for the actors in each temporal case, whose ability to resolve or manipulate those cleavages were constrained by their unique circumstances. Schattschneider (1960) describes politics as a series of conflicts, each one of which may or may not come to the fore depending on who or what party or organization supports them. The shifts in sides that result in a new conflict becoming prominent splits the political cleavages that had ruled previous conflicts, causing former allies to turn on one another and former enemies to unite. These are cross-cutting cleavages. They emerge from an issue that cuts across traditional party ideologies, often creating unlikely allies across party lines as each party is similarly divided over the issue.
Where the division between those on one side of the conflict and those on the other falls shifts as the battle over the policy goes on, and “Every shift of the line of cleavage affects the nature of the conflict, produces a new set of winners and losers and a new kind of result” (Schattschneider 1960, 62-63). However, these shifts create problems as well as opportunities that party leaders must grapple with, particularly when the conflict is not one of their choosing. Just as they arise out of conflict, cross-cutting cleavages create conflict within parties. In this study, often the conflict that arose in British politics over the progressive stages of European monetary integration—the cross-cutting cleavage examined in this work—was not of the choosing of the policy actors confronting it and who had to deal with its effects on the parties and government as best as they could. While shifting cross-cutting cleavages produce winners, the policy actors in much of this study would not have seen the cleavage over European monetary integration as a victory, as they spent as much of their time trying to ameliorate the cleavage’s effects on the parties and on British domestic politics as they did trying to capitalize on the opportunities the cleavage presented. Only in the case of Gordon Brown could an actor in this study be seen to be fully exploiting the existence of this shift in the line of battle over European monetary integration to advance his own aims.

Overall, such shifting alliances and efforts to define the lines of battle played major roles in the UK euro debate, as the Labour and Conservative parties each substantially altered their positions on European monetary integration. This took place in large part because during the time period examined in this work, neither Conservative nor Labour party ideology offered a clear answer to the question of whether Britain should join the eurozone. Both parties have members touting the importance of parliamentary
sovereignty, which euro membership erodes, while also counting among their numbers supporters of euro membership. In the Conservative Party expressed free-market principles warred with the eurozone’s constitutionalist threats to parliamentary sovereignty and British nationalism (Forster 2002), while in the Labour Party the old anti-capitalist suspicions of the single market (and euro membership) clashed with a newer belief that the party’s social policy goals could be met through, rather than hindered by, economic and monetary union. Thus the issue cuts across the traditional Labour/Conservative demarcation, even as that definition shifted over time, making the issue deeply problematic for both parties. To the extent that similar issues arise in the future, they will continue to challenge the ability of British political parties to develop coherent ideologies.

Cross-cutting cleavages were evident in all three time periods (the premierships of Thatcher, Major and Blair respectively, and the party leadership of Kinnock), although their existence proved challenging for different parties at different times. For example, cross-cutting cleavages did not become problematic for Thatcher until the end of her tenure as prime minister, while they split the Labour Party at the beginning of the 1980s. Similarly, Labour successfully contained its cross-cutting cleavages caused by euro policy in the Major years but cross-cutting cleavages during this time period threatened to break up the Conservative Party, and certainly caused the Major government to become ineffectual due to constant squabbling between europhiles and euroskeptics. In the cases of both parties over time, successful party management minimized the impact of

\[1\] At the very least, as Labour Party grandee Peter Mandelson observed, they kept any such divisions to themselves.
cross-cutting cleavages, while inexpert party management allowed the divisions to overshadow the party’s prospects.

The shifting line of the euro cross-cutting cleavage became evident through the political campaigns established to fight the euro issues during the Blair years: both sides of the euro debate were cross-party coalitions. Schattschneider’s observations that an advocate of a new political conflict may peel off elements from other conflict cleavages in order to form a new alliance thus apply to the pro- and anti-euro campaigns as well: Prime Minister Blair established pro-euro group Britain in Europe (BiE) in 1999, an endeavor in which he was joined by Tories Clarke and Heseltine, former members of Prime Minister Major’s cabinet. Meanwhile, the Green party, citing concerns about environmental protection regulations at the EU level, aligned itself with Conservatives and Labourites in the anti-euro ‘no’ campaign. While the split in the Labour Party over the euro appeared to be less profound in the Blair-era British debate about Europe than the split in the Conservative Party, a significant minority of Labour Party members remained anti-euro and suspicious of further or too-rapid integration within the EU. Meanwhile, the small but significant third party, the Liberal Democrats, remains almost entirely pro-euro.

Cross-cutting cleavages differ from other divisions within a party both by nature and (often) by degree of impact on the party. In the context of this study, cross-cutting cleavages are ideological divisions within a party that otherwise more or less shares the same broad ideological platform, though particular members may differ in degree of adherence to particular tenets. This is particularly true in a political system using the First Past the Post (FPTP) electoral institution, in which the winning party takes all,
unlike in Proportional Representation (PR) electoral systems where coalition governments are common. Because coalition governments are so rare in Britain as in other FPTP countries, the two (or three counting the Liberal Democrats) major parties encompass a “big tent” philosophy in the range of ideological fervor found in its members. Over the time period discussed in this study one may find “liberal” to “far right” conservatives (or “wets” and “dries” as they used to be known), and liberal to conservative Labourites, because of the FPTP system.

A party in a FPTP system will have members who disagree on that issue but remain in the same party because they broadly agree with other issues across the spectrum of the party’s policy platform. These cross-cutting cleavages can lie dormant, in a sense, within a party for years, allowing the members with differing points of view to coexist easily in order to achieve common goals. As Schattschneider (1960, 67) puts it, “Every political party consists of discordant elements which are restrained by the fact that unity is the price of victory. The question always is: Which battle do we want most to win?” But when an outside event or pressure, or a leadership change, suddenly changes the party’s stance on that issue or raises the issue’s salience, it can become very divisive.”

Even within the FPTP system in which parties act as large ideological umbrellas for varying points of view, parties tend to stand for distinct platforms. At the beginning of the era examined here, Labour was an officially anti-Europe party, while the Conservatives were known as the “party of Europe”. But the circumstantial changes discussed in this study caused the cross-cutting cleavages existing over the issue of European integration in each party to flare up, and eventually caused the parties to completely transform on the issue so that by the end of the era in question, Labour was
officially a pro-Euro party, whereas the Conservatives were solidly euroskeptic. These circumstances include change in party leadership, change of party in government, and pressures imposed from outside Britain.

Central to this study of how the EU as an external power system affects domestic governance, Schattschneider (1960, 125) notes that outside “power concentrations” can disrupt the balance of power that has existed within domestic politics and can require domestic political actors to exert considerable energy to return the domestic system to equilibrium. Observers “have had difficulty perceiving change because we have looked for the wrong kind of conflict (conflict within the government) and have underestimated the extent to which the government itself as a whole has been in conflict with other power systems” Schattschneider 1960, 126). As Britain has struggled to identify and accept its role within an ever more integrated European Union, the imperative to integrate has created great pressures on the domestic political system as power has shifted to the transnational level in exchange for benefits of EU membership.

In the case of the Labour Party, a couple of factors activated the Europe cross-cutting cleavage that began to damage the party’s cohesion. When James Callaghan was prime minister in the late 1970s, Labour was an anti-Europe party, but Callaghan pursued a fairly moderate approach in Europe policy. This moderation allowed the party’s pro-Europe members to exist peacefully within an officially anti-Europe party. However, following the Conservative victory in the 1979 general election and the election of the extreme left-wing Michael Foot as party leader, the Labour Party began to pursue a much more actively anti-Europe policy, so much so that the party’s manifesto for the 1983 general election promised an exit from the European Union (then the EEC) entirely.
This caused the dormant cross-cutting cleavages over Labour’s Europe policy to flare up, as the party’s europhiles found the new leadership’s stance unacceptable. In this case, the cross-cutting cleavage led to a party split, as the europhiles left the party altogether to form what would become the Liberal Democratic party.

In 1983 Labour lost the general election by a decisive margin, which caused the party to jettison its extreme left leader in favor of a more pragmatic politician, Neil Kinnock. Kinnock also stirred up the party’s cross-cutting cleavages over European integration, but in a different way. He decided that the only way that Labour would become electable again was to persuade the party away from its radical economic policy in particular, including its attitude about European integration via the single market and, later, the single currency. Since the party had purged its most europhilic members earlier, the party consisted mainly of euroskeptics, whom Kinnock now compelled to adopt a gradually more pro-European stance. By 1992, Kinnock had succeeded in transforming party attitudes, to such a degree that in the party leadership contest that year the lone old-style euroskeptic candidate, Bryan Gould, fared poorly. The concurrent transformation of the Conservative Party on Europe aided Kinnock’s endeavor: Prime Minister Thatcher’s increasing (and increasingly vocal) euroskepticism made it easier for Labour euroskeptics to change their tune in order to oppose her. But the cross-cutting cleavage on European integration made this Labour Party transition a long and difficult one, and even in the votes on Maastricht Treaty ratification in 1993, a substantial number of Labour MPs defied the party whip and voted against further European integration.

Meanwhile, the Conservatives’ reputation as the party of Europe was based on the party’s commitment to achieving deeper economic integration through the Single Market,
a free market of goods and services across the entire European Economic Community. Though party members differed in their degree of enthusiasm for this integration and in their level of concern about the implications for national and parliamentary sovereignty, this cross-cutting cleavage remained dormant even through passage of the Single European Act (SEA) in 1986, where the party’s skeptics who objected to the act on sovereignty grounds had no impact on the Thatcher government’s passage of the legislation.

At that point, however, Schattschneider’s outside power concentrations began to stir up the party’s cross-cutting cleavages on European monetary integration. Once a commitment to create the single market had been achieved, European Community (EC) members, led by President Jacques Delors, began to press for deeper economic integration in the form of a single currency union. For a party whose pro-Europe reputation was predicated on a support for free trade but which also promoted defense of national and parliamentary sovereignty, this pressure began to cause divisions to emerge. Some party members supported this move towards deeper integration, considering it a natural extension of the Europe project and a way for Britain to further its influence in the EC. But others, led by the prime minister herself, believed that the European integration project had achieved its objective with the establishment of the Single Market, and that monetary union entailed too much of a relinquishment of Britain’s ability to govern itself. Under Thatcher’s active leadership on the issue, the Conservative Party began to reshape itself as a euroskeptic party, but the party’s longstanding europhiles resisted. This push-pull dynamic continued throughout the 1990s under Thatcher’s successor, John Major, causing considerable damage to the party along the way.
In summary, many issues may be considered cross-cutting cleavages in party politics, causing ideological differences that could potentially split the party or that do not conform to the official party ideology. But many of them lie dormant, allowing a wide variety of members to co-exist within the same broad party. However, when an outside event or force, or a change in leadership or in leadership tactics takes place, these changes can cause a dormant cross-cutting cleavage to flare up, its salience to rise dramatically, and its effect on the party and on the government to become serious.

Other factors that affect the power of cross-cutting cleavages to disrupt parties and governments include formal institutional issues such as whether the party is in or out of power and the size of the government’s parliamentary majority. Labour’s long years in opposition arguably gave it a better opportunity to resolve its cross-cutting cleavages over European economic integration than the Conservative Party had trying to do the same while in power in the 1990s. At the very least, the conflicts within the Labour Party were subjected to less fervent media and public attention because the stakes for the country as a whole were lower.

Moreover, Blair’s massive parliamentary majority minimized the impact of any opposition to the government’s euro policy from within the party. However, by Blair’s era the Labour party had largely resolved its cross-cutting cleavages on EMU. A sizeable parliamentary majority alone cannot spare a government from damaging effects of cleavages: Thatcher enjoyed a large parliamentary majority in the late 1980s but that did not stop the growing cross-cutting cleavages over the pressure to create and join a single currency from disrupting her party and her government. This was due in large part to the fact that it was the prime minister herself and her most powerful ministers who were
leading the divisions, which made the challenge more difficult to face than one arising from the backbenches, and moreover meant that the large Parliamentary majority meant relatively little when dealing with intra-cabinet dissent. Then again, it is important to note that while the government began to suffer the effects of the euro cleavage, the party did achieve its ultimate aim of remaining in power after the 1992 general election, albeit with a vastly shrunken parliamentary majority. But after this election the euro cross-cutting cleavage begins to seriously damage the Conservative Party in large part because of its tiny majority, which meant that Prime Minister Major was now vulnerable to cleavages in the backbenches as well as those in the cabinet, and the mutually reinforcing effects those might have on each other.

The broad platform of a big tent party means that differences of opinion over party positions normally take place over how best to achieve these ideological goals rather than the policy stances themselves. Such differences are not cross-cutting cleavages. Cross-cutting cleavages are those divisions that, even given the broad tent of FPTP system parties, challenge the overall ideological stance of the parties. Sometimes, if the party must transform its ideological stance as a whole, this transformation process creates cross-cutting cleavages or exacerbates them.2 For instance, there was already a Labour Party divide over Europe in the early 1980s that contributed to the split that led to the (re-)creation of the Liberal Democratic party as pro-Europe Labourites defected. But as the Labour Party transformed, it left some members who had been in the mainstream

2 For instance Labour’s transition from official commitment to a socialist Britain in 1983 to adopting a pro-capitalist stance as New Labour in 1997, having finally officially ditched Clause IV in 1995. Also, see the Conservatives’ transition to euroskepticism over a similar time period.
of the euro issue on the outside as Labour went from a stance of anti- to pro-European integration.

For the Conservatives, the issue of European monetary integration pitted two Conservative Party ideological positions against each other: the defense of national and parliamentary sovereignty, on the one hand, and the commitment to advancing free market integration on the other. This shifted the lines of the conflict within the Conservative Party, and the issue of European monetary integration began to become very divisive within the Conservative Party by the end of the 1980s. However, another issue was also very divisive within the party during that time and also contributed to Thatcher’s downfall: the prime minister’s determination to impose a community charge, or “poll tax”. The party was deeply divided over this plan, but it was not a cross-cutting cleavage. It did not challenge party ideology, and it certainly did not find adherents in the Labour Party. The party’s differences over the poll tax were a matter of tactics: no one in the party was suggesting that taxes not be imposed, merely whether or not the proposed change to the current system was a good idea. But while this issue was not a cross-cutting cleavage, it did have deep and lasting effects on the Conservative Party.

By contrast, Labour party experienced other ideological cleavages during the Blair years; for example, the division over Britain’s participation in the Iraq war. This was a cross-cutting cleavage: the Labour Party was deeply divided over whether Britain should even participate in this war, and whether it was an appropriate use of British power. Going into the House of Commons vote on whether to approve British participation, Blair knew that he could win the overall vote because of Conservative conviction on the issue, but without winning the votes of the majority of Labour MPs his
government would be seen to have lost the confidence of his own party (Coldstream 2007). Even though Blair did win the support of a majority of his own MPs, the issue continued to divide and disrupt the party and government. By contrast, differences within the Labour Party over public service reform and reform of the House of Lords, part of the party’s official general election manifesto of 1997, were usually questions over tactics, not of whether reform should be done at all (Parsons 2009). Again, these differences could cause divisions within the party, but they were not ideological.

The existence of cross-cutting cleavages in a FPTP electoral system means that the party leaders must carry on a constant juggling act between the different extremes of the party on the issue, as Thatcher, Kinnock, and especially Major demonstrate. Even Blair, with a massive parliamentary majority, had to take into consideration the desires of both the majority of europhiles and the minority of euroskeptics in his party. But attempts to balance the desires of both extremes of the party, especially on a high stakes issue like the euro, sometimes breaks down, and the leader may fail to retain both extremes within the party. This may literally lead to a split, as happened to the Labour Party in the early 1980s over Europe, or it may lead to members of the party voting against their own government or party leader, as happened to Major as well as to the Labour opposition during the Maastricht Treaty ratification process.

Aspinwall further claims that the nature of the formal electoral institution actually dictates British policy on EMU and EU integration as a whole: the FPTP system makes for a more euroskeptic British policy than would be the case if the country had a PR electoral institution. This is because the need for each party to incorporate both pro- and anti-EMU viewpoints into government policy when in power means that the ruling party
must strike a line between moving towards versus pulling away from further integration in the EU. On the other hand, PR systems tend to form coalitions around the center, which means that parties representing more extreme positions on either side (generally the euroskeptic, since elite ruling parties in many EU member states tend to favor deeper monetary integration) usually are left out of ruling coalitions entirely, their voice disregarded in policymaking (Aspinwall 2004).

Denmark, the other EU member who opted out of the single currency during the Maastricht Treaty negotiations, did not experience the same cross-cutting cleavages that British parties did over the euro. Aspinwall (2004) argues that the nature of the formal electoral institutions in the two countries explains why the pressures were worse on British parties. Denmark’s PR electoral system results in a number of political parties taking part in ruling, and a government formed regularly from a coalition of parties. On the other hand, Britain’s FPTP electoral system means that only two (or arguably three including the Liberal Democrat Party) parties seriously vie for control of the government, and coalition governments, David Cameron and Nick Clegg notwithstanding, are exceedingly rare. This means, as discussed above, that ruling British parties must accommodate a broader range of views on issues such as European monetary integration in their policy formations, thus increasing the risk of intra-party divisions as the salience of the issue rises.

In Denmark, by contrast, not only were the majority of parties (certainly the influential ones) in favor of EMU, but the vast majority of national newspapers were as well, so that the debate would seem to be closed off from anything other than a pro-euro position (de Vreese 2004a). But because Danish law requires voter referenda on matters
that would alter the national constitution, the ruling elite had to put the vote on the single currency to the people who—narrowly—defeated it. Nonetheless, the issue was not a cross-cutting cleavage in Danish politics because all the ruling parties were on the same side, and there were no euroskeptics within the most influential parties. Euroskeptics existed in fringe parties, which also did not suffer from any cross-cutting cleavages but were not allowed to take part in the national policy debate on the euro. In the UK, when both major parties encompassed a broad range of viewpoints on the issue, cross-cutting cleavages divided both parties.

The active tension between elites in British government caused by the euro cross-cutting cleavage has consistently resulted in a British policy that splits the difference between full acceptance of the eurozone project and total and permanent rejection of joining the single currency.³ British policy on monetary union thus, oddly enough, looked remarkably similar coming from the premiership of Margaret Thatcher, who vociferously expressed a total rejection of EMU but ended up entering its first stage, the Exchange Rate Mechanism (ERM); from John Major’s pragmatic attempt to split the difference between euroskeptics and europhiles in his party while satisfying neither; to the premiership of Tony Blair, who enthusiastically expressed his ideological support for joining the euro but who fell back on the same formula of joining “when the time is right” that had prevailed since 1985. All of these leaders were dealing with cross-cutting cleavages, and the process of party and elite interest group management trumped their

³ Insofar as any Parliament can legally bind a future Parliament’s decisions (Smith 2000).
own policy views. These outcomes also reflect informal institutional dynamics, which will be discussed in a subsequent section of this chapter.

Conflicts engendered by the cross-cutting cleavages can arise in three informal institutions, relationships between prime minister and chancellor, cabinet and backbench respectively. Informal institutions shape how the cross-cutting cleavages play out within the party and government. During the Blair years, cross-cutting cleavages were evident in government even though the party as a whole had largely resolved the conflict. While ministers are most often on the same side of policy issues in the same government, this was not always the case on monetary union (Rose 1980). For instance, cross-cutting cleavages were clearly in existence at the top level of the Blair government, as the euro issue set prime minister and chancellor at odds with each other. While the two had other policy differences, by and large they shared common goals, but not on the euro. Their division over this issue (among others) caused conflict within the government, hampering its ability to successfully enact policy.

Cross-cutting cleavages were particularly a problem in British politics for formal institutional reasons as well: until the Major government (followed by the Labour opposition) pledged to put the euro membership issue to a referendum if it ever came up, British political actors had no outlet to alleviate the tension caused by the cross-cutting cleavages within the parties and government. The divisions over the euro had to be dealt with within the parties and within the unitary parliamentary structure, which led to some highly damaging and divisive votes during the Major era in particular, but also contributed to Labour’s difficulties in its long years in opposition in presenting a united front on European monetary integration to a skeptical electorate. Ironically, as will be
discussed, once the two parties did adopt the referendum option as an outlet for pressure caused by the intra-party divisions on the euro, both parties ended up resolving the cleavages without resorting to an extra-institutional remedy.

In this case an important component of reiterated problem-solving sequencing is salience: the prime minister, other ministers, and back bench factions can try to downplay (in the case of Blair) or heighten (in the case of Thatcher and Major) the importance of the issue in the public eye, and thus in the eye of the parliamentarians seeking re-election (Opperman 2006). The more salient the euro issue becomes, whether by outside pressure or by actor design, the more problematic the cross-cutting cleavages regarding the issue become.

According to Opperman (2006), the most important legacy of New Labour’s euro policy was not something it achieved but rather that it successfully lowered the salience of European issues, thus removing it from the political argument. In 1997, European policy, specifically the debate over the euro, was highly salient, a centerpiece of the Opposition's electoral platform, mentioned all the time by the media, and thus always in the public eye. Public opinion was primarily euroskeptic while Labour was officially pro-euro, so in order to minimize damage to its own position in the polls Labour began to de-emphasize the euro issue. First, it had adopted the Conservative policy of promising a public referendum on whether to join the euro in 1996. Then New Labour under the guidance of Gordon Brown made the issue technocratic by creating the five tests model.4

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4 Brown announced in 1997 that the government would not hold a public referendum on whether to join the single currency until and unless five economic tests relating to the euro’s impact on the British economy were passed.
This did have the effect of increasing volatility of the issue’s salience, since when an assessment was due the salience spiked as the media, opposition, and public zeroed in on the topic, but for the rest of the time the salience dropped. But overall the move removed the salience of the euro issue until an assessment came due. This was a considerable accomplishment for the Labour government, since the European policy issue with the most salience in Britain during the time period examined in this project was the single currency, with all the issues of national identity and economic sovereignty that came with it.

Opperman observes a “cognitive miser” quality among the public, in that there are only so many political issues a person can follow at once, and people tend to follow a “top of the head” pattern so that whatever that person has heard most recently is likely to be on his mind when he comes to the polls to vote. Thus the more the opposition (and government) can keep a topic in the limelight and the more the media promotes it the more likely it will impact a voter’s decision at the polls. Labour successfully placed other issues at the forefront of voters’ attention, so that for much of Blair’s first term the euro issue was not at the top of the public agenda. In addition, voters cannot constantly monitor the government on every issue, so they use what Opperman describes as a “fire alarm” approach, where the public relies on the media and the opposition to raise the alarm when the government makes a misstep on a particular policy, at which point the public will be alerted to it and act upon it (Opperman 2006). This backfired for the Conservatives during Blair’s first two terms in office, however, since their constant harping on the euro membership issue gave the electorate the impression that they had no other policy proposals.
Part III. How formal and informal institutions affect British euro policy

This project explores how divisions of power, both formal and informal, affected the making of British policy on the euro, and the range of possible solutions policy actors had at their disposal in addressing the cross-cutting cleavages resulting from the pressure to join EMU. Formal and informal institutions shape the way cross-cutting cleavages express themselves in parties and government. Accordingly, they shape the nature of the problem in each time period, since the problem is cross-cutting cleavages over the European economic integration issue. Also, they shape the range of problem-solving options for actors in each time period. Actors must act within the formal framework of parliamentary structure, and informal institutions enable and limit the range of problem solving options for actors like prime ministers, who have informal powers but also informal constraints in the nature of their relationships with cabinet ministers and backbenchers. Institutions limit as well as enable how actors are able to address the euro cross-cutting cleavage problem.

First, in the parliamentary system the prime minister formally has tremendous power as leader of the majority party in Parliament and thus as head of government. However, even the powerful prime minister cannot always get his or her way on policy regarding the single currency, as is the case for all three of the prime ministers in the time period examined here. In the case of Thatcher and Blair this is due in large part to a powerful chancellor exerting his will in a position contrary to the prime minister’s, while in Major’s case the chancellor exerted a strong influence in one direction, swaying a
prime minister who was agnostic on the issue, and who had no strongly held ideological views on euro membership.

This is an example of a cross-cutting cleavage between the two top-ranked ministers of the realm, but is also in line with informal expectations of the role of prime minister and chancellor. The chancellor has the power of the purse and often has a power base of his own within the party. Other ministers can also exert pressure on the prime minister, as indicated by the battles within the Major cabinet, thus shaping his or her ability to dictate policy regarding the euro.

The most potentially powerful minister, however, is the chancellor, since he runs the Treasury. The chancellor can weigh in on an appointment based on this role. As for appointing the chancellor himself, the prime minister may consider his overall priorities and how well the chancellor can advance them even if they disagree on some policy matters. Allen and Ward (2009) speculate that Blair may have traded off Brown’s objection to euro membership for his support on domestic social policy issues to which other possible chancellors might have given less support. Brown’s power within the Labour Party, however, played a key role in his appointment as well.

The chancellors in this time period tended to wield a great deal of power over Britain’s policy towards economic union with Europe, but Norman Lamont’s lack of power of during Major’s premiership suggests that a great deal of a chancellor’s influence lies in the power base he has amassed within the party and with his record of success in office, not merely in the position itself.

Another informal institution shaping the expression of the euro cross-cutting cleavages in each time period is the veto power of the two top government ministers over
the euro issue. The power of the chancellor’s veto depends on the power given to the Treasury to become involved in policy making (Allen and Ward 2009). Of the chancellors in this time period, each, with the possible exception of Lamont, acted as a veto player (Tsebelis 2002) over Britain’s policy on the euro. The strength of veto players is contingent on the power each minister brings at each particular time: ministerial strength varies according to events and how well the minister manages them. The same is true, of course for the prime minister, although he or she can shape the structure of veto players in the government, since he or she has the power to appoint ministers. But the prime minister cannot use his or her own veto too often, or it will erode his or her authority (Allen and Ward 2009). Lawson, Thatcher’s Chancellor, noted, “There is a limit to the number of resignations that a Prime Minister can wear sensibly” (Lawson 1994: 44).

In addition to cross-cutting cleavages, formal institutions, particularly that of electoral and party structures, which shaped each party’s policy on the euro, also shaped the ambivalence of overall British policy on euro membership. For example, the power of the unions in the Labour Party, particularly in the 1980s when trade unions held 40 percent of the vote for party leader (Rose 2001)⁵, meant that the Labour party leader had to make sure that the trade unions broadly supported the party’s shift from an anti-European integration stance to a pro-integration position. Similarly, Conservative party rules that held that a challenge to the party leader could only take place at the beginning of a new parliamentary session in late autumn played a key role in toppling Thatcher

⁵ The party modified its constitution at the 1993 party conference, after which unions held a third of the vote for electing a new party leader.
from power and, ironically (since it was a europhile who instigated the rebellion), opening the door for the party’s newly mobilized euroskeptics to wield a powerful role in the party. Influential formal institutions also include the FPTP electoral system, discussed above (Aspinwall 2004).

Another important variable is the existence of informal institutions that shaped the push-pull dynamic over British euro policy in both parties, resulting in overall ambivalence. According to Helmke and Levitsky, informal institutions are “socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels,” such as laws, constitutions, legislatures, bureaucracies, and so on. They continue, “to be considered an informal institution, a behavioral regularity must respond to an established rule or guideline, the violation of which generates some kind of external sanction”. Finally, informal institutions are “rooted in widely shared expectations…about others’ behavior” (Helmke and Levitsky, 2004, 727). In particular this project will look at two informal institutions: first, the expectations of relationships between the prime minister and his or her Cabinet members, especially the Chancellor; and second, the dynamic between back bench parliamentary factions and the prime minister and cabinet.

Various models have detailed the power relationships, both formal and informal, in British government over time. The “core executive” literature published in recent years has depicted greater subtlety in prime ministerial and ministerial power than previous models allowed. The core executive model looks beyond the prime minister versus cabinet debate and argues that power is divided among a number of players, networks and processes, from prime minister to ministers to senior civil servants to the
mechanisms of branches of the British government (Smith 2000; Dorey 2005). While power networks exist across Whitehall and Westminster, this project focuses more narrowly on the informal institution governing interactions between prime minister and chancellor, and to a lesser extent, other cabinet members affecting the euro debate.

The core executive model argues that no one actor or institution can singlehandedly shape a “political outcome”, but that an interaction of actors and institutions in British government determine the direction of policy (Heffernan 2005, 607). In this respect, collegiality, or the degree to which other actors impact prime ministerial decision making, remains as much a part of the core executive model as it did of the preceding prime ministerial and cabinet models. However, “[t]he notion that power was present in both the prime minister and the cabinet—and shifted between them—was glossed over in the prime ministerial-cabinet government debate” (Heffernan 2005, 607). The core executive model rests on this premise.

The core executive model thus considers the informal institutions inherent in the relationships and expectations of behavior between ministers. Bevir and Rhodes (2006, 676), for instance, argue that networks—by which they mean “the informal authority which supplements and supplants the formal authority of government”—play an important role in British politics. They describe horizontal networks of power as those between Westminster and Whitehall (the political and bureaucratic arms of government), which supplement the more traditional vertical power networks. Thus, power centers can overlie as well as compete with each other, as was the case during the Blair premiership where, as “the rival courts of Brown and Blair demonstrate, the core executive can be
seen, not as a single decision centre focused on Blair, but as a set of overlapping networks” (Bevir and Rhodes 2006, 676).

However, the prime minister’s power still predominates. Similarly, Heffernan (2005, 606) points out that the formal powers given to a prime minister derive from his role as head of government—the “crown prerogatives”: the power to appoint cabinet ministers and “lead the government”. These formal powers are somewhat limited and vague. Instead, much of a prime minister’s powers while in office are based on the informal powers inherent in his position as head of the majority party in Parliament. Despite the validity of the shared network of power viewpoint, such as that of Bevir and Rhodes, then, the prime minister’s position as majority party leader alone make him or her the core of the core executive (Smith 2000).

Sometimes the core executive proponents overstate their case: other models, for instance, have not suggested an autocratic monopoly on power either by prime ministers or by cabinet ministers; they merely place the emphasis on the power of one or the other. The main contribution of the core executive model is to add subtlety to previous models, teasing out the roles of various actors and institutions that hold power, or “resources”, with more detail. The core executive model has attempted to model the complexities of power, the fact that a number of power centers exist in the core executive, not just one (Heffernan 2003). Because of this, however, the model loses clarity, as each contributor to the core executive model fuzzes the notion of where exactly the boundaries are drawn determining who and what, exactly, belong in the core executive.

Nonetheless, use of this model allows this project to uncover the informal powers of the prime minister in two specific areas. First, it offers a window into the informal
institutions that both limit and enhance the prime minister’s formal power to appoint
cabinet ministers. Second (and related), it acknowledges space in the prime ministerial
power structure for the prime minister’s informal powers deriving from his position as
leader of the majority party in the House of Commons. Thus, the core executive model in
particular has considered some of the informal power dynamics governing EMU policy.

Part IV. Shaping prime ministerial power

This study examines how informal institutions differ from formal institutions in
constructing prime ministerial power in Britain. For instance, the power to appoint
ministers to the Cabinet is a formal institutional rule; the prime minister has the formal
power to fire ministers as well. But informally, there is an expectation that one cannot
simply hire whomever one chooses, and that firing a minister will have consequences for
the prime minister’s power. Indeed, “A few very senior colleagues may have sufficient
clout to influence appointments and dismissals”, like Willie Whitelaw in Thatcher’s time

Thus, while the prime minister has formal power to dictate policy, the existence
of informal institutions suggests that the prime minister must negotiate for that power
with various governmental players. This project examines how this appointment ability
is the intersection of formal and informal powers of prime minister and cabinet, and how
these competing powers affect euro policy in each of the three time periods.

Therefore, while it is important for a prime minister to appoint the “right”
minister for the job, doing so is a complex process that incorporates a number of
considerations, such as the minister’s relative power within the party, favors owed, the
need to keep a rival within the cabinet to neutralize his or her impact in the party; and so on. Appointing the right minister to the right post can involve not only finding the right person but also “shift[ing] the pattern of vetoes” in the cabinet” so that a prime minister’s favored policy is passed by having the right combination of ministers (Allen and Ward 2009, 251).

The second informal institution considered in this project is the relationship between back benchers and the prime ministers; specifically, to what degree backbenchers can affect European policy either by toppling the prime minister due to concerns over electoral success as in the Thatcher period; by controlling a key minority and thus holding the prime minister hostage over the euro issue as in the Major period; or by “venue shopping” (Baumgartner and Jones 1991)—going outside the party to campaigns or think tanks to advance a different agenda from that of the prime minister as a result of cross-cutting cleavages in the Blair period. Allen and Ward (2009, 245) write, “If a back-bench revolt of sufficient magnitude is likely to occur, then what the median member of the House of Commons prefers to the status quo becomes a relevant consideration,” as in Major’s time. Rose (2001) points out the rarity of a backbench revolt against the prime minister, which makes the rebellions, however muted, that took place in this time period over the government’s euro policy all the more striking.

Part V. Historically contingent variables

While explanatory factors such as cross-cutting cleavages and formal and informal institutions play key roles across the entire period, from 1983 to 2003, some historically contingent factors also played a central role in influencing euro policy at
different times but apply uniquely to one particular temporal case within the overall historical overview. Historically contingent variables illustrate Haydu’s (1998) claim that some factors are crucial in shaping the nature of the problem and the range of problem solving options in a given temporal case, but do not pertain to other time periods. However, their appearance and effect on problem solving efforts within that time period do impact the nature of the recurring problem and therefore the range of possible solutions in subsequent time periods.

Examples include the timing of the Maastricht Treaty negotiations, which forced Major into a decision on the euro that he had rather not taken. Another example is the timing of the Danish public referendum on euro membership: the Danes’ rejection of euro membership galvanized the British euroskeptics in the Conservative party to fight their own government on the Maastricht Treaty. Finally, the occurrence of the September 11, 2001 attacks led Blair to switch much of his focus from convincing the British electorate of the virtues of euro membership to conducting the war on terror.

Part VI. Explanatory concepts

Kingdon (2003) explores factors involved in determining how a policy gets made, from idea generation to implementation, explaining why some ideas and not others come to fruition in the policy process. He identifies three key factors in this process, which he calls policy entrepreneurs, policy windows, and the “softening up” process.

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6 Though in a classic example of cross-cutting cleavages Major split the difference, signing the treaty but negotiating an opt-out on the euro.
First, policy entrepreneurs are “advocates who are willing to invest their resources—time, energy, reputation, money—to promote a position in return for anticipated future gain in the form of material, purposive, or solidary benefits” (Kingdon 2003, 179). Policy entrepreneurs are not limited to operating within the formal structures of power, such as in government, but may function in other parts of the policy world, such as in the euro referendum advocacy groups of the Major and Blair eras. Kingdon observes that in case studies policy entrepreneurs stand out at those people, no more than a handful in any one case, “who were central in moving a subject up on the agenda and into position for enactment” (Kingdon 2003, 180). In terms of turning euroskepticism into an active and influential movement, for instance, Thatcher was a key policy entrepreneur, as was Brown in defining the euro debate in the Blair era.

Policy entrepreneurs become involved in an issue for various reasons, one of which is “the promotion of personal interests. This might mean the protection of bureaucratic turf” (Kingdon 2003, 123). This motivation shaped Blair’s desire to find an issue that could serve as his legacy, though in the end that impulse was not strong enough in regards to the euro issue to lead him to call for a referendum on the matter. A more obvious example was Brown’s euroskepticism expressed through the Treasury’s five tests framework, which gave the Chancellor a great deal more power within the British political system as he took over the EMU issue, and moreover protected him from the inevitable loss of this power that would ensue once Britain discarded the pound and joined the eurozone.

In addition, policy entrepreneurs join the fray out of a purposive incentive, in order “to promote their values, or affect the shape of public policy” (Kingdon 2003, 123).
Members of the pro-euro and euroskeptic campaigns, both politicians and policy actors, became involved in order to affect the outcome of the euro debate in Britain. Thatcher’s opposition to any form of European monetary union shaped policy in years to come, in keeping with Haydu’s (1998) causal chains of reiterated problem solving, as did Brown’s decision to stall whatever limited attempts Blair was making to promote EMU.

Kingdon’s second concept, policy windows, offers insight into the Blair era in particular, explaining why it is so hard for even the pro-euro prime minister of a pro-euro party to take Britain into the eurozone. Policy windows are those moments in time when it is possible for a particular policy to be made because a set of circumstances and actors have come together to make it possible. Once that window is closed, enacting that policy becomes unfeasible. Any government has a number of agenda items it wants to accomplish: the opening of a policy window helps to prioritize which agenda item moves to the top at that time (Kingdon 2003).

Why do windows open? Essentially, “because of change in the political stream (e.g., a change of administration, a shift in the partisan or ideological distribution of seats in Congress, or a shift in national mood)…. A change in administration is probably the most obvious window in the policy system. … the new administration gives some groups, legislators, and agencies their opportunity—an open policy window—to push positions and proposals they did not have the opportunity to push with the previous administration, and it disadvantages other players” (Kingdon 2003, 168). Europhiles in Britain and on the continent believed that the entry of Blair as prime minister opened a window that would make holding and winning a referendum on Britain’s euro membership possible. But other factors were at play, as discussed in light of the core executive and informal
institutions literatures, limiting the prime minister’s ability to take advantage of the window.

The opening of a policy window also allows those vested in the policy topic to present their version, or frame, of the issue (de Vreese 2004). Pro- and skeptic-euro campaigns received a lot of attention during the Blair era and were able to pressure the government on the topic because the window on the euro policy was open. Kingdon cautions, however, that policy windows only remain open for a short period of time: “An idea’s time comes, but it also passes. There is no irresistible momentum that builds for a given initiative” (Kingdon 2003, 169). One of the reasons why a window may close is because no action takes place on the issue. This can be a result of the end of the honeymoon period for a new government, when as the prime minister begins to make decisions and prioritize agenda items, other issues necessarily are pushed back, as happened to the single currency issue in the Blair years.

Because the window is generally open for such a short time, Kingdon argues, it is important for participants to act quickly to enact their agenda. A number of europhile politicians such as Liberal Democrat Leader Paddy Ashdown, Foreign Secretary Robin Cook and former Labour chancellor Roy Jenkins, urged Blair to hold a referendum on euro membership soon after his massive electoral triumph in 1997 in order to capitalize on the positive poll ratings and political momentum he carried from that victory (Coldstream 2007). But Blair demurred, and he never had a better opportunity to take Britain into the eurozone for the rest of his ten-year term. Indeed, as will be argued, the policy window for euro entry effectively closed by the fall of that year, mere months later, when Chancellor Gordon Brown seized control of the euro agenda and introduced
his five tests framework for euro membership. It formally closed in June 2003, when Brown officially declared that the five tests had not all been met.

Meanwhile, Kingdon points out that opponents of a proposed policy, knowing that a policy window stays open for only a short time, can attempt to dig in for the duration by hampering progress on the policy. “If one can delay, by studying the issue or by another expedient, the pressure for the change subsides. The longer people live with a problem, the less pressing it seems. … It becomes less a problem and more a condition than it seemed at the beginning” (Kingdon 2003, 170). Coming out of the passage of the Maastricht Treaty, where Britain and Denmark were the only holdouts among EU members committing to a single currency, the pressure from the EU for Britain to conform was high, as was the pressure (and the sense of inevitability) from much of the British media and governmental elite. Prime Minister Major’s government suffered from a constant hammering of questions about what its policy would be on euro membership: Major attempted to alleviate the pressure by refusing to commit to a policy, but this only redoubled the speculation.

When Blair came into office, as mentioned, it was thought that this pro-euro prime minister would take the country into EMU. But Brown’s five tests were effectively a skeptic’s delaying tactic, which he undertook (and which Blair allowed) in part because the government did not want to use this policy window immediately after coming into office in 1997 for the euro, but instead wished to carry out other policies such as public service reform and reform of the House of Lords. But that meant that the euroskeptic campaigns and politicians had only to pressure the government for a formal assessment of the five tests, and then wait for that assessment to be negative (which it
was when Brown delivered it in June 2003), in order to have won. While theirs was not an easy victory, euroskeptics had the advantage of defending the status quo: once the euro policy window closed, they knew they had won.7

Finally, Kingdon introduces a concept he refers to as “softening up”, in which policy entrepreneurs “attempt to ‘soften up’ both policy communities, which tend to be inertia-bound and resistant to major changes, and larger publics, getting them used to new ideas and building acceptance for their proposals. Then when a short run opportunity [policy window] to push their proposals comes, the way has been paved, the important people softened up. Without this preliminary work, a proposal sprung even at a propitious time is likely to fall on deaf ears” (Kingdon, 128). This was most clear in this study during the Blair years, again, when upon first entering office Blair looked at the public opinion ratings to consider whether it was a good time to hold a euro referendum. He concluded that it was not, for reasons that will be discussed, but his Foreign Secretary, Robin Cook, was chief among those who pressured the prime minister to conduct just this sort of softening up process. Cook argued that the public could be persuaded by a positive campaign presenting the benefits of euro membership led by the prime minister, but if the prime minister waited for public opinion regarding the euro to improve on its own, it never would (Cook 2003). Cook proved to be correct, as Blair never made a concerted attempt to persuade the public, and public opinion ratings regarding euro membership failed to become more favorable.

7 Based on author’s off the record conversations with ‘no’ campaign staffers.
A softening up process is also evident in the 1990s with the first proposals to hold a referendum on the euro. This idea first emerged during the Maastricht Treaty negotiations with Thatcher, now in the House of Lords, and other former Conservative leaders arguing that a referendum was necessary in order to allow the public to exercise a true choice, since the two major parties both agreed that the Treaty should be ratified. At first Labour was agnostic and the Conservative leadership was opposed, in part on grounds of violating parliamentary sovereignty. The country had only held a nationwide referendum once in its history, albeit also on European integration, so there was virtually no precedent. But groups such as the Bruges Group (highly influenced by Lady Thatcher) continued to press for a referendum first on the Maastricht Treaty and then on membership in the single currency area, and as then-Prime Minister Major was forced to deal with the severe cross-cutting cleavages in his party over the issue he eventually gave in to the demand in an effort to appease the party’s euroskeptics, despite the still-strong objection of his chancellor to the referendum.

The Labour Party then followed suit, in part because it could hardly claim to be the party more representative of the common man if it opposed giving that man a vote on the matter, and by the end of 1996, both parties were committed to the concept. This required several years of softening up key politicians and giving the proposal a public airing, but once the parties committed, it swiftly became expected that Parliament would not make a decision on the matter without a public referendum taking place first. This was a big change in British politics, only brought about by several years of softening up.

Kingdon’s concepts fit into the reiterated problem solving methodology because, first, while they provide insight into all the temporal cases discussed in this work they are
most applicable to the Blair time period, but are an important component of that period. As Haydu (1998) stresses, the problem solving methodology incorporates both explanations that stretch across all temporal cases and explanations that, while rooted in one time period, when sequenced have consequences for actors addressing the recurring problem in subsequent time periods. Blair’s decision not to use the policy window on the euro issue, for instance, meant that the question of Britain’s joining the eurozone still has not arisen seriously in British politics, eight years after Brown delivered his negative five tests assessment.

Kingdon’s concepts also tie into the reiterated problem solving methodology because the policy entrepreneur concept allows us to identify actor-based problem solving. These entrepreneurs have solutions ready for when the window of opportunity to address the problem arises. Their efforts to address the recurring problem, in this case the pressure to integrate in European monetary union, have lasting repercussions down the causal sequence, affecting the options open to subsequent policy entrepreneurs and indeed affecting when or if a policy window for European monetary integration will open again. To continue the abovementioned example, for instance, Brown’s assessment ensured that the euro policy window would not open again any time soon, a solution to the problem in his time that has shaped both parties to the present. Brown’s solution (and Blair’s acquiescence) has allowed Labour to be a pro-euro party without having to take the trouble of running a referendum campaign, and it has allowed the Conservative Party finally to move beyond the euro issue: it can be an officially euroskeptic party without that issue being the only matter that defines it. The public can believe that the party can govern on a range of other issues because the party no longer has to talk about the euro, a
transformation that was rewarded in the Conservative victory (however narrow) in the 2010 general election.

Finally, Kingdon makes a similar argument to Haydu’s mix of narrative time-specific particularity and broader cross-period linkages. He argues that the role of the policy entrepreneur in linking problems with policies and politics “makes sense of the dispute over personality versus structure. …The window opens because of some factor beyond the realm of the individual entrepreneur, but the individual takes advantage of the opportunity. Besides telling us that personalities are important, this formulation tells us why and when they are” (Kingdon 2003, 182). Kingdon’s insights, too, allow one to take the actor’s view of the problem into consideration while still considering how larger structural forces shape the actor’s options in his or her given time period.

Part VII. Conclusion

All of these concepts combine to explain British ambivalence on joining the euro, with those factors that apply across all three prime ministers, both parties, and the entire time period in which euro membership was an issue being particularly important. They explain why in the end British politicians abandoned attempts to join the euro: since 2003, the salience of the issue in British politics has been effectively nonexistent, and indeed, recent events in Europe may have made the salience negative.

This project explores how the policy agendas of British political elites—specifically parliamentary party members, both ministers and backbenchers—have shaped Britain’s policy on euro membership. It does not delve into public opinion, except to note the effects of upcoming elections on political actors. Nor does it consider,
except again indirectly, the role of the media in shaping euro policy, though each of these are important factors in Britain’s policy on the euro. The British media has both pro- and anti-euro factions, and they do impact public opinion, but ultimately the public’s “ambivalence” on the euro issue stems from its lack of salience for the public.

Consistently, public opinion polls have shown that the euro issue ranks far down the public’s priority list, after domestic policy issues such as education and crime. This project notes parliamentarians’ awareness of public opinion, and assumes for the most part that this, and media pressure, are folded into MPs’ overall consideration of the euro issue.

Dissertation Overview

This work examines the cross-cutting cleavages at play in party and government institutions over several time periods and in both parties. First, the work explores how the cross-cutting cleavages over European economic integration first flared up and then became a major divisive force during the latter years of the Thatcher premiership. The next chapter discusses how in the same time period Neil Kinnock, the Labour Party leader, forced the party’s cross-cutting cleavage on the issue to play out as he determined to transform the party from euroskeptic to europhile. Next, the work returns to the Conservatives under John Major as prime minister, analyze how the cross-cutting cleavages set in motion under the Thatcher years shaped both the problem Major faced in the European monetary integration issue and the range of solutions he was able to attempt, and his degree of success in managing these cleavages. The work continues chronologically to Major’s successor, Labour Prime Minister Tony Blair, and how
Kinnock’s management of the euro cross-cutting cleavage in the party seemingly gave Blair more room to achieve the party’s officially pro-euro aims, but how in the end he was prevented from doing so as Blair’s euroskeptic chancellor Gordon Brown blocked euro membership. Finally, the concluding chapter examines these broader causal problem-solving sequences for insights across these temporal cases, and considers wider applications of the insights gained from this consideration of how each actor in each time period struggled to manage and overcome the euro cross-cutting cleavage.
Chapter Two: Conservatives 1985 – 1990: Single Market and ERM, the Rise of the Skeptics

During the 1980s the attitudes of British politicians in all the parties regarding the European Community (EC, precursor to the European Union or EU) underwent significant shifts, resulting in, respectively, an effective and real reversal of policy in each of the two major parties, Conservative and Labour, by the end of the decade. These shifts in attitude toward European integration were in response to an impetus for further integration at the European level led by Jacques Delors, who became president of the European Commission in 1984 (Lawson 1993), but it also reflected the priorities of some of Britain’s fellow member states. While the overall stance of Britain towards the EC may have remained the same, one of pragmatic, if skeptical, engagement for much of the decade, the attitudes of other member states of desire for deeper political and economic integration acquired an impetus under Delors’ leadership, and thus the beginnings of an acceleration towards additional political (and as a means to this end, monetary) integration strained Britain's attitude towards the European project. The passage of the Single European Act (SEA) in Britain in 1986, the first formal amendment to the 1957 Treaty of Rome that founded the original EC incarnation, likewise proved significant for Britain’s overall position on the EC.

The strains were most evident in the prime minister herself, Margaret Thatcher, who governed Britain from 1979 to November 1990, and reverberated throughout her
party as her willingness to engage in the European integration project reached a high point with the SEA and abruptly declined thereafter.

**Part I. Conservatives’ stance on Europe prior to the SEA**

The Conservatives also underwent a change in stance towards European integration over the course of Thatcher’s premiership, although their struggles over Europe would not become as pronounced as the Labour party’s in the 1980s were until John Major’s premiership beginning in late 1990.

As was true of the Labour party, the Conservatives were not as monolithic in their attitude about European integration as generally portrayed. While the Conservatives were portrayed as “the Party of Europe”, bringing Britain into the EC in 1972 under then-Prime Minister Edward Heath, there was a consistent presence of euroskeptics in the party, and most of this pro-European majority were more pragmatic engagers than instinctively or ideologically pro-European integration (cost benefit analysis). Among the pragmatic engagers was Thatcher, who became leader of the Conservative party in 1975 and led it to victory in the 1979 general election.

Thus when the Conservatives took power in 1979, the party position toward Europe was one of engagement, but Thatcher took a pragmatic rather than an ideological or idealized tone about it. While her party solidly supported her policy of pragmatic engagement, there remained a number of skeptics in the party. Young has identified these skeptics as consisting predominantly of two main groups—the fundamentalist skeptics and the pragmatic skeptics—with a number of subgroups within each of these. Some members overlapped various subgroups. The fundamentalists were those who
were ideologically opposed to Britain’s deeper integration with Europe, and included John Biffen, Teddy Taylor, and former Conservative party member Enoch Powell. These were not taken seriously in major Europe debates of the 1970s or the 1980s. The pragmatic ones are as mentioned, those who supported Europe as long as they anticipated gain from it but were not ideologically wed to the idea of European integration and Britain’s place in it.

The pragmatic skeptics ignored fundamentalists’ warnings, backed the SEA, supported integration within the EC at first, but began to oppose it when “their hopes were frustrated. It was only with the deteriorating benefits of membership that their position began to alter” (Forster 2002, 70). This group included such MPs as Bill Cash, later to play a significant role as a Euroskeptic during the single currency debates of the 1990s, Norman Tebbit, Chairman of the Conservative Party from 1985 to 1987, and, in the end, the prime minister herself.

One of the problems for the skeptics through more than the first half of Thatcher’s premiership was that they were divided, with the different types of skeptics not sharing common goals and not working together, nor did they have many opportunities to work together. Only on the SEA could they have cooperated, and there they did not, as will be discussed below. The pragmatic skeptics, for the most part, were willing to give the government position favoring the SEA the benefit of the doubt, to see if it could deliver as promised, while the fundamentalists remained implacably opposed. Thus, during this period in the 1980s, not only was there no cross party cooperation among skeptics (the skeptics from the Labour party were hard left, and Conservative fundamentalist skeptics tended to be hard right, so it is claimed they were too far apart to be willing to
cooperate)\(^8\), but there was no intra-party skeptic cooperation either.

According to Forster, the two Conservative camps of fundamentalist and pragmatic skeptics could be broken down into “five broad clusters”, although many individuals overlapped into different groups. First among the Conservative Euroskeptics in the Thatcher period were those who had been “Irreconcilable anti-Marketeers from the start,” such as Richard Body (Forster 2002, p. 70). These included some MPs who had been “No” campaigners in the 1975 Referendum, thus opposing the policy its own government had promoted when it brought Britain into the EEC only three years earlier. Indeed others, like Teddy Taylor, even voted against his own Conservative government in the 1972 bill proposing that Britain should join the EEC to begin with.

The second subgroup of skeptics, the Constitutionallists, included Bill Cash, James Cran, Christopher Gill, and Richard Shepherd. These MPs were concerned about “threats to sovereignty” from EC membership (Forster 2002, 70). Enoch Powell, who left the Conservative party in 1974 over the Heath government’s decision to take Britain into the EEC, “provided the intellection reference points for this group” – according to these MPs, focusing on the financial and economic benefits of the EC overlooked more fundamental matters such as national sovereignty. As Powell put it, the question of EC membership was not a “financial calculation of advantage; it was a matter of principle” (Forster 2002, p. 70).

Third were the Free-Marketeers or Thatcherites such as MPs Michael Spicer and Nicholas Budgen. These espoused a commitment to the free market, trade liberalization,

\(^8\) This changed somewhat by the late 1990s in the debate over the single currency.
and other Thatcherite aims. As long as membership in the EC delivered the prime minister’s goals these people were pro-EC but once it threatened these aims they were anti-EC.

A subgroup of this type of skeptic were the personally committed Thatcherites, taking a “whither thou goest” approach to Britain’s degree of integration with Europe. Among these whose loyalty was primarily to the woman even more than to the principles for which she stood, Forster claims, were Michael Spicer and Teresa Gorman; these MPs became even more anti-EC after Thatcher was removed from office out of a desire to enact revenge on those who had brought their leader down.

A fourth type of Conservative skeptic during this time was the English Populist Nationalist, those who sought to promote British interests above all else, who saw British patriotism as their prevailing characteristic in matters European. These, Forster writes, included such MPs as Shepherd, Nicholas Winterton, John Carlisle, and others (Forster 2002 p. 71).

Finally, there was also a group of skeptics from the left wing of the Conservative Party, including Peter Walker and Peter Tapsell. These saw the EC not as a free market but as a trade cartel that shut out the rest of the world. The EC was too homogenous, too white, denying access to the market to anyone who was not European. Instead, these skeptics said that Britain’s focus should be on fostering trading ties through the Commonwealth, which was more multicultural and global in range (Forster 2002).

All of these various types of skeptics remained disunited through the passage of the SEA in 1986, in part because they were willing to give the Thatcher government the benefit of the doubt on the promised benefits of the Single Market, in part because
Thatcher’s government enacted strong party discipline and left little opportunity for opposition in the ranks. After all, Rose notes, in a parliamentary political system like Britain’s it is easy to marginalize opponents of the official government line: “The bark of individual backbenchers is not a threat to a Prime Minister as long as he or she can dismiss criticism as the views of a handful or group of MPs lacking widespread support in the governing party.” (Rose 2001, 141).

Part II. The Single European Act (SEA)

In his memoirs, Thatcher’s Chancellor of the Exchequer Nigel Lawson wrote, referring to the SEA, “In retrospect, 1985 was in many respects a watershed year: it was then that all the elements that were to bring about the downfall of Margaret Thatcher five years later originally emerged. This was certainly the case with Europe” (Lawson 1993: 888). Few realized the significance of the SEA in this regard at the time, but the next five years of Thatcher’s premiership, and especially its end, was to hinge to a great degree on the consequences of this EC treaty.

The SEA aimed to reinvigorate the stalled effort to create a common European market that moved beyond the customs union that had existed since the 1960s. The act was one of the key elements in achieving eventual European integration, along with the European Monetary System (EMS), both of which were to provide impetus to the project of creating a single European currency during the latter part of the 1980s (Scott 2004). By establishing new powers for and reforming aspects of the EC institutions the SEA enabled the shift from a customs union to the single market that was brought into being by the Maastricht Treaty and took effect on January 1, 1993 (Europa 1986).
The first important aspect of the SEA was setting a date for completing the EC internal market: this was not a new idea but rather a renewal of member states’ commitment to achieving it. The act sought to eliminate internal barriers to the free movement of labor and capital in their various guises (services, goods, etc.) such as passport controls, different rules and standards in each country, and so on.

Second, the act also allowed for more single market issues to be decided by qualified majority voting (QMV) in the Council of Ministers rather than by unanimous consent, expanded powers of the EC and its subordinate organizations, and expressly stated the intent of establishing both economic and monetary union among the member states (Scott 2004). Thatcher had opposed extending majority voting during the European level negotiations but was persuaded that it was necessary to get the single market, and also consoled herself with the idea that it could be mitigated with use of the Luxembourg Compromise, (a de Gaulle-inspired informal last-ditch national veto for EC member states, whose validity in practice, especially for the British, was in some doubt), proved to be a delusory hope. However, she reassured the House of Commons in December 1985 that “As my hon. Friend is very much aware, the Luxembourg compromise will still be applied even when there is majority voting, provided that a very important national interest is involved. (House of Commons Debates, December 5, 1985).

Her deputy in the House of Commons during the SEA debates, Lynda Chalker, pursued this characterization of the situation, assuring MPs that “This extension of majority voting should make it harder for a few member states to block the adoption of measures liberalising air and sea transport, or the common standards for industrial products which help British firms export to Europe. I should assure the House, however,
that our special interests are fully safeguarded” (House of Commons Debates, March 5, 1986).

According to Lawson, “The third key provision of the Single European Act was what was clearly understood by both our major partners and the Commission to be a commitment to the objective of ‘the progressive realization of Economic and Monetary Union’” (Lawson 1993: 890). He notes that since this was an EEC goal from 1972 that had fallen by the wayside, for the European Community member states to resurrect this aim of monetary union five years after it originally was supposed to have been achieved was “particularly significant. Moreover, the Act itself contained a chapter providing for closer economic and monetary co-operation in Europe – which would have been perfectly acceptable had it not been headed ‘Co-operation in Economic and Monetary Policy (Economic and Monetary Union)’” (Lawson 1993: 890). While Thatcher scoffed that such language had no legal power to bind, others, like Lawson, who did not favor creating a single currency were concerned.

The leaders of the ten (soon to be twelve, with the accession of Spain and Portugal on January 1, 1986) EC member states completed negotiations on the Single European Act at the Luxembourg Council December 2-3, 1985. The treaty was signed by the UK on February 17, 1986, and had its third reading in the House of Commons on July 10, 1986. It came into effect in all twelve member nations on July 1, 1987.

Arguably Thatcher did not even need to sell the SEA to a disinterested public because she had support from her party and a clear majority to push it through Parliament. While she faced some pressure from Europe and from the media to further integrate with Europe, in her autobiography she says nothing about any other domestic
pressures, and the small size of the Conservative rebellion against the SEA bears this out. Even most of those MPs who rebelled during the hearings process ended up voting with the government because, as Euroskeptic MP Bill Cash later explained, they trusted her. This was an advantage that Major did not enjoy when he too faced a rebellion from within his own party over the Maastricht Treaty several years later.

So little was the perceived need to rally the party around the SEA, or to head off opposition from the Labour Opposition that Thatcher spoke in the House of Commons only one time about the SEA, when she announced that it negotiations on it had been completed at the Luxembourg Council meeting in December 1985. Even the prime minister’s questions sessions in the ensuing months when the bill was being debated in Parliament failed to address the SEA. Furthermore, Foreign Secretary Geoffrey Howe, the prime minister’s principal deputy on European affairs, spoke in Parliament only one time about the SEA, when he moved the Second Reading of the bill (the key debate on any piece of legislation) in the House of Commons in April 1986.

Who was given the task of making the Government’s case for the SEA in parliament, then? Lynda Chalker, the Minister of State for Foreign Affairs, who had been a junior minister in the Transport Department until January 1986, was given the task of advocating the Government position on the SEA for the duration of the SEA’s progress through parliament. Even Chalker granted, “I might be a little more tentative when speaking about European matters than when speaking about road lighting” (House of Commons Debates January 30, 1986). She spoke about the SEA in the House of Commons at least five times in the six months between the introduction of the bill and its
passage. But Chalker’s performance was sufficient to the cause: the SEA sailed through Parliament with negligible opposition from either side of the House.

While Thatcher did not speak more than once in Parliament on the SEA, and hardly addressed it unless asked in an interview outside Parliament, how she discussed its key points is significant. While she downplayed the significance of the language on monetary union, for instance, she nonetheless felt the need to mention it as one of the top five points addressed at the Luxembourg European Council meeting where the text of the SEA was agreed. This might indicate that she recognized the importance of monetary union to other leaders even as she dismissed its likelihood herself. Thus, she told the House of Commons on December 5, 1985, “on monetary co-operation between member states, an amendment to the treaty was agreed which describes what has already been achieved in the Community framework, without entering into new commitments.” … “Many amendments, such as that on monetary matters, merely describe the state that we have reached in the Community” (House of Commons Debates December 5, 1985).

Moreover, in response to a question from Labour skeptic MP Tony Benn she confirmed that they shared the conviction that she did not support a federal Europe and added, as has been oft-quoted since,

I do not believe in the concept of a united states of Europe, nor do I believe that it would ever be attainable. The whole history is completely different, so I agree with the right hon. Gentleman about that matter. I am constantly saying that I wish that they would talk less about European and political union. The terms are not understood in this country. In so far as they are understood over there, they mean a good deal less than some people over here think they mean. (House of Commons Debates, December 5, 1985).
This was, of course, a key problem in Britain’s relations with its European partners: the terms did seem to mean two different things in Britain and on the mainland, but in this difference of opinion Thatcher was to find herself by the end of her term in office on the losing side.

Looked at from a two level game perspective, while during the EC level negotiations Thatcher spent a great deal of political capital arguing for the economic benefits of the single market to her European colleagues, some of whom were resistant to the idea, and compromising on QMV in order to get the market, but at the domestic political level the prime minister did not spend much time arguing for the SEA at all. In the case of the SEA, the domestic political level provided little impediment to the achievement of her aims: all of the battle took place at the European level.

Why was the domestic political level, often in times past and certainly in the years to come a powder keg over issues of European integration, so uneventful for this SEA debate? First was the timing: at the same time as the SEA bill was being debated, the United States had just bombed Libya and the question of whether to impose economic sanctions on South Africa for its apartheid regime were questions considered more salient than a dry bill on the European Community.

Second, the Opposition, which normally would have fought the treaty if only to oppose the Government, was in a state of upheaval. After having been flattened in the 1983 general election for a second straight time after running on a platform of withdrawal from the EC, Labour was in the midst of reinventing itself, and could not afford to highlight the divisions on Europe in its own party by opposing the government on the SEA. Labour party leader Kinnock spoke only three times in Parliament during the SEA
debates, and each time he did so only to chide the Government for mishandling the process of the bill’s passage through Parliament and thus delaying its completion. Those members of the Labour party who would have objected to the extension of the Single Market either kept a low profile, abstained from the vote, or both.

A third reason was that, quite simply, the SEA failed to resonate with either the public or members of the ruling party. The Conservative party was also, though less precipitously, going through an evolution of its position on Europe and as discussed earlier its members did not want to oppose their leader. Also, the European issue that had captured public, media and party attention had been the contentious matter of Britain’s EC budget rebate, which Thatcher had won two years earlier: the SEA, at the time at least, did not generate the same interest.

Thus, Thatcher made no attempts to persuade the minority of her party that opposed the SEA on grounds that it amounted to a loss of parliamentary and judicial sovereignty, with the suppression of the national veto, the extension of qualified majority voting, and the extension of European Parliament oversight, that such fears were unwarranted. The Government spokesman Lynda Chalker simply dismissed these fears as overblown—after all, it did not “detract from the powers of the British Parliament or create new powers,” arguing instead that the SEA that it was a practical response to the aims of EC member states in the 1980s (Gunn 1986).

The next part of this chapter delineates the continuing changes in party attitudes towards Europe for both Labour and the Conservatives. It also considers the European integration issues that contributed to the growing euroskepticism of and thus division in the Conservative party as well as the events that helped the Labour leadership transform
the party’s European policy from extreme euroskepticism to cautious Europhilia by the end of the 1980s. Of the major events pertaining to the issue of European monetary integration during the latter half of the Thatcher premiership, the central issue was the debate over whether Britain should join the Exchange Rate Mechanism (ERM) and how the ERM came to be tied to the efforts to create a single European currency through European Monetary Union (EMU).

**Part III. Fixed or floating exchange rate?**

When the Conservatives came into office in 1979, Britain had recently come out of an unsuccessful attempt to peg the pound to a European exchange rate system known as the Snake. When the successor to this system, the European Monetary System (EMS), began a few months before the Conservatives took office, the then-Labour government, mindful of the Snake’s lack of success, entered the EMS but declined to join the part of the EMS agreement, known as the ERM, that entailed the value of the pound fixed within a pre-determined band around the values of other European currencies. The Labour government preferred instead to let the pound float on the open exchange rate markets, although as a means of placating the Germans, whose currency provided the basis for the ERM band, it did take some steps to try to manage the value of the pound within a range similar to that of the ERM. However the then-Prime Minister, James Callaghan, wished to remain out of the ERM since Britain had more trading ties outside of Europe than its fellow EC members, which would influence the free market value of the pound (Holden 2002).
When Thatcher became Prime Minister in 1979, she decided to continue Labour’s policy of remaining outside the ERM and letting the pound float. One of the government’s top priorities was to get inflation, which had been a persistent problem in Britain in the 1970s and was to reach 18 percent in 1980 before beginning to fall, under control (House of Commons Library, 1999). As Britain’s economy deteriorated during the 1970s, first under Conservative and then Labour government, Thatcher had come to espouse the economic philosophy of monetarism, which asserts that inflation is exclusively a monetary phenomenon, i.e., a response to the oversupply of money in the economy, and that the way to combat excessive inflation is to contract the money supply. In theory, fiscal discipline should accompany this contraction of the money supply, reducing government borrowing so as to not crowd out private investment in the market, thus enabling the government to eventually lower interest rates as inflation gets under control and prices stabilize (Thatcher 1993). Thatcher’s government sought to accomplish this.

While Thatcher wanted to fight inflation through the money supply, some members of her cabinet believed that controlling the value of the pound through membership in the ERM would provide a more precise means of curbing inflation. Thatcher, however, attributed the Conservative government’s eventual success in bringing down the rate of inflation to contracting the money supply by manipulating interest rates, not by trying to hold the pound’s value at a certain exchange rate. She justified this method of fighting inflation on the grounds that the exchange rate was not as fundamental to the health of the British economy as interest rates were, since a large portion of the economy—services—was not traded abroad (Thatcher 1993).
In addition, some in Thatcher’s first term cabinet were concerned about pursuing an exchange rate target instead of a monetary policy target since, due to Britain's North Sea oil holdings the pound was a ‘petro-currency’, and “this had the apparently perverse result that whereas higher oil prices increased the value of the pound, they would generally reduce the value of other western European currencies”. Finally, Thatcher argued that, in 1979, the “appalling condition of the British economy in 1979” was a “destabilising factor”: she had to tame inflation and bring the public finances back under control before ERM could be contemplated (Thatcher 1993, 692), not the other way around. If it had been in ERM at the time, the British government would have had to intervene in the exchange market significantly, selling a lot of pounds, in order to keep the value of the pound down and remain within the ERM bands, since the price of the pound had been driven up by high oil prices in the shocks of the 1970s. Meanwhile, the currencies of Britain’s would be partners in the ERM would face the opposite pressure due to the oil shocks. Thus, Thatcher concluded that ERM membership was unsuitable for Britain as her government took over in 1979, and her opposition to membership would persist for the next ten years.

Thatcher’s personal economic advisor, Alan Walters, who advised her through her first term as Prime Minister before leaving to teach at Johns Hopkins University, supported her advocacy of a floating exchange rate. Walters did not believe that the UK should join the ERM. On ERM, Thatcher writes, “My caution was reinforced by powerful advice from Alan Walters. His view was that it was wrong to think of the ERM as a force for stability. It did not even have the – arguable – merits of a system of fixed exchange rates. The parities moved within a band.” Worse, realignments within the
ERM band “were the subject of political horse-trading rather than the workings of the market – and the market does a better job” (Thatcher 1993, 693).

Walters, however, was not an MP, and while many of Thatcher’s Cabinet members also sympathized with monetarist theories, these politicians had different ideas about how to best fight inflation and the importance of fixing the value of the pound or letting it float. Moreover, Nigel Lawson, Thatcher’s chancellor from 1983 to 1989, observes that the Prime Minister also supported a strong currency and was not as indifferent to the weakening of the pound on the open market as some might suppose from her support of floating regimes. Lawson himself distrusted floating regimes and advocated what he called in a 1987 IMF speech a “managed float”, in which the pound would fluctuate within a narrow range around another currency’s value. He believed that of all the options for a fixed exchange rate regime (such as linking to the value of the U.S. dollar) the ERM was the most viable option for the UK to control inflation, among other reasons because much of the UK’s trade took place with European countries. Also, he believed that the UK should join the ERM to achieve economic stability and meet targets for lowering inflation (Lawson 1992).

Thatcher disagreed strongly, as was her wont, and this disagreement between prime minister and chancellor became a matter of central importance in her government as the years of her premiership went on. In her opinion,

You can either target the money supply or the exchange rate, but not both. It is an entirely practical issue. 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 at a particular exchange rate you are steering by a different and potentially more wayward star. As we have now seen twice – once when, during my time, Nigel shadowed the deutschmark outside the ERM and interest rates stayed too low; once
when, under John Major, we tried to hold to an unrealistic parity inside the ERM and interest rates stayed too high – the result of plotting a course by this particular star is that you steer straight on to the reefs (Thatcher 1993, 690).

Lawson’s argument, meanwhile, was that with a floating exchange rate he kept missing his inflation targets just as his predecessor as chancellor, Geoffrey Howe (chancellor in Thatcher’s first term, 1979-1983), had done, and that fixing the exchange rate to a stronger currency like the deutschmark gave Britain inflation-fighting credibility. In any case, the argument over maintaining a fixed, as was effectively the case with the ERM, versus floating exchange rate ultimately became a key part of Britain’s changing attitudes about European integration, and a key informal constraint that impeded Thatcher’s ability to govern as she thought right and eventually contributed to her political demise.

The dispute over Britain’s membership in the ERM was not limited to the Treasury and Number 10. In the Thatcher government’s first term, Geoffrey Howe, then Chancellor, opposed joining the ERM along with his Prime Minister. Once Howe moved to the Foreign Office in the second term, however, his view on ERM changed. The Foreign Office supported entry into the ERM for political reasons, believing that Britain’s membership would signal to its European partners its willingness to cooperate on Community matters. According to Thatcher, the foreign office regarded ERM as a foreign policy issue, while the Treasury considered it, “rightly”, as an economic policy matter (Thatcher 1993, 692). As a compromise, the government developed a policy pledging that Britain would join the ERM when the “time was right”, a vague promise that was unsatisfactory to all but served as a placeholder for a debate that the Thatcher
government did not yet wish to have among its own members and as a way of placating
EC partner countries while committing to nothing.

Lawson became chancellor following the Conservatives’ second consecutive
victory in the 1983 General Election. He had long been in favor of a fixed or managed
exchanged rate regime to combat inflation. After the Plaza Accords in September 1985,
when the governments of the US, UK, Japan, West Germany and France agreed to
intervene in the currency markets in order to devalue the dollar, Howe, now foreign
secretary, and Lawson, now chancellor, both supported entry into ERM, believing that
the Plaza Accords had shown how currency values could be manipulated to successfully
achieve policy aims (Lawson 1992). In doing so each opposed their Prime Minister,
Thatcher, who still saw no reason, as she saw it, to effectively relinquish control over
monetary policy to the Bundesbank, since the value of each of the ERM currencies was
essentially determined by the value of the powerful deutschmark. However, political
tides had begun to turn: the Prime Minister was now facing a split cabinet over the ERM
issue and could no longer count on her willpower and the government’s electoral success
alone to sway those who disagreed with her, and pressure was mounting on her to change
Britain’s policy on ERM.

Having taken time to summon other potential supporters of ERM, including
Howe, to the meeting, on November 13, 1985 Lawson made his first formal pitch to
Thatcher that Britain should join the ERM. Thatcher reiterated her monetarist preference
for a floating regime as well as the party’s stock position that sterling should join the
ERM when ‘the time is right’. This formula, however, had become “unsatisfactory” to
Thatcher:
Most of the arguments which persuaded me that we should not now enter the ERM applied to the principle – not just the circumstances – of entry. I knew that I was in a very small minority within the Cabinet on this matter, though most of my colleagues were probably not over-interested in it anyway. Geoffrey and Nigel, by contrast, were fervent. For Geoffrey membership of the ERM would be a demonstration of our European credentials. For Nigel it would provide stability in the turbulent and confusing world in which decisions about interest rates and monetary policy had to be made. And there is no doubt that those decisions could on occasion be extremely difficult” (Thatcher 1993, 697-8).

Thatcher was beginning to consider ERM primarily in terms of a loss of Britain’s sovereign ability to set monetary policy rather than simply as a technical means of fighting inflation, and thus her opposition was becoming more entrenched. Meanwhile Lawson had come to view ERM membership as the only viable means of meeting inflation targets, and thus was digging in his heels as well for a battle that would continue between prime minister and chancellor until the latter’s resignation in late 1989, and then persist until the Prime Minister finally gave in to Lawson’s successor as chancellor in late 1990.

Meanwhile, the dollar’s value had risen dramatically in 1985 then, following the Plaza Accord, had fallen in 1986, taking sterling’s value down along with it. (Incidentally this indicated the strong financial and trade ties between the US and the UK, one argument Callaghan and others had made for keeping the pound out of the ERM. Lawson, however, was undeterred.) Members of the G7 countries met in February 1987 and, in the Louvre Accord, agreed to collectively intervene to control the value of the dollar, which had the side effect of stabilizing the value of the pound as well.

The pound’s improved performance after the Louvre Accord went into effect confirmed Lawson’s conviction that the currency would perform better under an
exchange rate mechanism, and by March 1987 Lawson quietly had adopted a policy of shadowing the deutschmark at a rate of roughly three deutschmarks to one pound. Lawson admitted in his memoirs that he did this not only to improve performance on inflation targets and other economic goals, but also to show that the pound could function well in an exchange rate regime, as the Louvre Accord effectively had established a credible one (Lawson 1992). From Thatcher’s perspective, however, in March 1987 Lawson began to pursue an economic policy that diverged from the one the Cabinet and Prime Minister had agreed to and publicly promoted, the monetarist approach that had, seemingly, served Britain and the Conservative Government in good stead for several years (Thatcher 1993).

On June 11, 1987 the Conservatives won their third straight general election. Lawson claims that a widespread consensus gave him credit for the victory, and that Thatcher held this against him. This, and his claim that she went back on a promise to him to re-examine ERM entry after the election led him to be secretive with her over his policy of shadowing the deutschmark and other matters (Lawson 1992). In any case, according to Thatcher she did not find out that her Treasury was pursuing an explicit policy of shadowing the deutschmark until a Financial Times interviewer questioned her about the policy in late November 1987 (Thatcher 1993).

Thatcher discovered Lawson’s new policy of shadowing the deutschmark following the October 19, 1987 stock market crash, because he had to intervene massively in the market to maintain the exchange rate at his chosen level of three deutschmarks per pound. Thatcher writes that the scale of the intervention needed made Bank of England officials nervous about the state of the country’s monetary reserves.
Lawson had tied his reputation as chancellor to the policy of shadowing the deutschmark, and to abandon the policy would damage his authority so he had an incentive to continue despite the cost (Thatcher 1993). Lawson, on the other hand, contends that market confidence improved when he adopted his shadowing policy, which vindicated his abandonment of the classic monetarist policy the Thatcher government had adhered to (Lawson 1992).

Around this time, Lawson and Howe began to air their difference of opinion with the Prime Minister over ERM more publicly. Howe told reporters that the “time is right” qualification was increasingly inappropriate given Britain’s underlying commitment to ERM membership (Young 1999). Thatcher and Lawson also had become dissatisfied with the “time is right” policy (Lawson 1992, Thatcher 1993), and its role as a compromise tagline that patched over the growing gulf in the Cabinet over both ERM policy and, increasingly, engagement with the European Community (EC) more broadly was becoming less convincing.

The disagreement over ERM between the Prime Minister and her two highest-ranking ministers is an excellent example of the role informal constraints can play in shaping policy. The chancellor is the second most powerful minister in Britain after the prime minister, with the power to shape economic policy. Until the Blair government privatized the Bank of England in 1997, the chancellor had power not only over fiscal policy but over monetary policy as well. However, different governments have different power sharing arrangements: the arrangement between Tony Blair and his Chancellor, Gordon Brown, is unusual in that the Prime Minister ceded virtually all authority over economic policy to the Chancellor (and what Blair did not cede, Brown took) (The Blair
Decade, 2007). Thatcher, by contrast, was insistent on retaining the nominal power over all of her government’s policy, particularly economic policy and especially economic policy as it pertained to Europe. However, this breadth of power meant that the attention Thatcher could give to any particular issue area was limited, and explains in part how she could have missed the fact that her Chancellor was shadowing the deutschmark at the same rate maintained in the ERM for more than half a year. (For the record, Lawson says that he had not made a secret of his policy change to shadowing the deutschmark, though neither did he tell Thatcher explicitly about it (Lawson 1992).)

Because the Prime Minister did not explicitly tell the Chancellor not to shadow the deutschmark, he took the opportunity to follow his own policy principles. However, once she did find out, it caused the tension between the prime minister and the ministers who supported ERM membership to flare even higher, leading to a standoff between Thatcher on the one hand and Howe and Lawson on the other several months later, which will be discussed below.

There is also risk in a prime minister standing against a number of her own ministers, particularly if they are high ranking. At Lawson’s November 1985 meeting, not only did he and Howe support ERM membership, but so did the Governor of the Bank of England, Robin Leigh-Pemberton and Conservative Party Chairman Norman Tebbit. The Leader of the House of Commons, John Biffin, sided with Thatcher. But when William Whitelaw, Leader of the House of Lords, said that if the chancellor, the foreign secretary, and the governor of the Bank of England all recommended that Britain join the ERM “that was good enough for him. Thatcher retorted that it was not good enough for her”, and said that the government would have to proceed without her if it
wished to enter ERM (Gowland and Turner 1999). Effectively, that is what Lawson did when he began to quietly shadow the deutschmark. Moreover, the meeting began to solidify, at least for Howe and Lawson, the notion that they would not be able to persuade the prime minister to their beliefs but would have to find ways either to get around her or to coerce her to agree to the policies they thought best.

Thatcher was also constrained in her response to defections such as Lawson’s decision to shadow the deutschmark. Even though the government had just won a third consecutive general election by a wide margin, Thatcher’s credibility would be undermined by firing a chancellor who had been considered an integral part of her re-election team. It also could have turned the Cabinet against her and led to less cooperation in achieving her other policy goals, and to have created a powerful enemy and placed him on the back benches where he could stir up dissatisfaction with her policies and practices among the rank and file Conservative MPs would have been dangerous to her ability to achieve her aims as well. Lawson was too powerful to fire: he could stir up opposition to her and undermined the government’s overall authority in Parliament. Even firing a low-ranking minister could cause problems for prime ministers: later, for example, Prime Minister Blair chose not to fire Clare Short, a relatively unimportant minister, for fear that she might prove more troublesome on the backbenches where she could rally her fellow old Labourites against Blair, than if he kept her in the cabinet.

In addition, by 1987 Thatcher had been prime minister for eight years, and Cabinet colleagues and public alike had begun to tire of her personality and way of conducting politics. Rose observes,
Everyone who came in contact with Thatcher during her eleven years in Downing Street felt the full effect of a very forceful personality. Thatcher was a non-conformist and propagated a novel political programme of her own. When under attack at the 1980 Conservative Party conference, she declared, ‘You turn if you want to; the lady’s not for turning.’ Instead of being pragmatic, she was ideological; instead of being emollient, she was combative; and instead of being willing to compromise, she was insistent” (Rose 2001, 59).

Even those these traits were still getting results in the 1987 general election, cabinet colleagues were beginning to feel frayed around the edges and began to wonder if other means of achieving electoral success and accomplishing the Conservative agenda might be both more palatable and just as successful.

Indeed, Thatcher never held very high public approval ratings, although in the parliamentary system it was more important that for most of the 1980s the Conservative party as a whole continued to gain higher popularity numbers than its political opponents (Rose 2001). But over time, her Cabinet colleagues and even her party as a whole began to see Thatcher’s style as increasingly more of a liability than an asset in electoral politics. This meant that while she might face down her foreign secretary, chancellor, and Governor of the Bank of England in 1985, the effectiveness of her doing so declined in subsequent years, and by 1988 she was forced to bow to an ultimatum issued by her foreign secretary and chancellor, of which more below.

Cross-cutting cleavages also caused much of the strife in the Conservative party over Europe and the ERM in particular. While Thatcher was strongly monetarist, at least in so far as her determination to use monetary policy rather than exchange rate regimes to address inflation, not all of her party was as deeply convinced. When Thatcher announced to the 1980 Conservative Party Conference that “the lady’s not for turning”,

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she had been coming under fire from her own party members for pursuing monetarist policies to fight inflation, showing that the party was by no means monolithically monetarist even so early on in her premiership. Part of this divide was due to the fact that the Conservative Party’s ideology had been undergoing significant changes in the 1970s, just as Labour’s would in the 1980s. Thatcher came to power by defeating her old boss, former Conservative Prime Minister Edward Heath, in a leadership election after the Conservatives had lost power to Labour in 1974. In the face of a weakening economy in the 1970s (the British inflation rate reached 24.2 percent in 1975) both parties looked for new policy solutions, and Thatcher’s monetarism seemed at least a different approach to Heath’s discredited policies. But it was change, more than monetarism itself, that the Conservative party embraced, and while the party won the 1983 general election by a dizzying margin, the party still supported only what seemed to work. The continuing recession of the early 1980s, which many blamed on Thatcher’s persistence in using the monetarist approach to fight inflation, meant that even within Thatcher’s own party people were not persuaded that monetarism was the only solution.

This certainly was the case with Lawson, as discussed above, even though he was otherwise one of Thatcher’s closest allies in the Cabinet, and had come to power as part of the new “Thatcherite” wing of the party in the mid- to late-1970s. Even though he would be considered a free market politician, he was willing to limit the freedom of the market in areas such as the free setting of prices in the foreign exchange market in favor of policies he thought more successful. It is likely that he considered ERM more of a technical argument – what is the best way to control inflation – than an ideological argument – minimize government involvement in all markets, including the currency.
market. Thatcher’s motivations were more of a mix, with ideological aims predominating, while Howe’s motivation regarding ERM tended to be more political, seeing it as a matter of Britain’s need to improve relations with its EC partners, even though as chancellor he had supported the ideological monetarist approach. These divisions in how the senior government members looked at ERM policy indicate just one of many ways in which differences shaped the overall government’s policy and the constraints operating on the interaction among cabinet members.

Part IV. Delors and the EC

While the Conservative leadership battled over ERM, changes at the EC level took place that would have a considerable impact on the British domestic debate over European integration. One such change was the appointment of Frenchman Jacques Delors as president of the EC in 1984. Delors advocated European federalism and increasing integration among member states via legislation—covering among other things social standards—and through a single currency. The British Labour party saw him as a means of reinventing itself on European policy with his advocacy of harmonizing social standards among member states, while the same measures caused the euroskepticism in both the Conservative party and its leader to flourish in the latter half of Thatcher’s premiership.

Delors was France’s Finance Minister in the Socialist government of Mitterrand, which had to abandon the practice socialism in Mitterrand's great policy U-turn of 1982. Offered the position of prime minister of France, he preferred instead to become the president of the EC Commission in January 1984 because, asserts Lawson, it offered
more scope for power and gave a new direction to his strong centralizing philosophy after the retrenchment of socialism at the French national level. Delors embraced European federalism: Thatcher describes Delors as a man with a strong belief in the need for centralization of power in the EC (Thatcher 1993). According to Lawson, the EC Commission presidency was a good post for Delors because “it did not take a great deal of ingenuity to promote the notion that anyone who questioned the transfer of power to the Commission in Brussels was ipso facto a bad European. Regrettably, as he came to identify the sacred cause of Europe with himself, he became increasingly thin-skinned and intolerant of criticism” (Lawson 1992, 891-2).

Delors was the primary driver behind the inclusion of language in the 1986 Single European Act that aspired to EMU, language that at the time Thatcher thought unimportant (though Lawson did not) but later served as the basis for the launch of economic and monetary union. Clearly Delors got under the skin of both Lawson and Thatcher, and his federalist aims brought out the worst in the prime minister. The threat the Conservative leadership perceived in his plans for the EC prompted Thatcher to alter her formerly more pragmatic expressions of euroskepticism to vociferously ideological proclamations, a move that was to cause the cross cutting cleavages in her party over European integration to become much more pronounced. Meanwhile the Labour party was delighted with Delors, as will be discussed below.
On January 1, 1988 Germany assumed the rotating Community presidency\(^9\) and announced that its goal for its six-month term in office was to establish an exploratory group to determine how best the EC might go about creating a European Central Bank. This was a key precursor to EMU, since a single currency would require a single central bank to manage it. Now that Germany was explicitly pushing for it, the idea of monetary union was becoming closer to reality: that the Germans, holding the EC presidency, had proposed this committee made it harder for the British, who opposed any such step, to put an end to the initiative. Rather than futilely trying to prevent the establishment of such a group it would be better, the British decided, to try to control who was on the committee and thus what its conclusions might be, a plan that met with limited results.

The group’s mandate was to ‘‘study and propose concrete stages towards the progressive realization of Economic and Monetary Union (EMU)’’ (Lawson 1993, 903). The committee consisted of all member state central bank governors, with EC President Delors as chair, and because of his presence the group was already predisposed to be pro-EMU. The fact that the chair was the EC president also gave the commission more clout than otherwise it would have. Delors recently had been awarded a second term in office, against what was then conventional practice of serving only one term, which also increased his influence on the EMU matter.

In June 1988 the European Council, meeting in Hanover, commissioned the Delors report on European monetary union, and in September 1988 the Delors Committee began work. Instead of consisting of Finance Ministers from the member

\(^9\) Delors was the president of the European Commission, while the presidency of the European Community overall rotated among member countries every six months.
countries, some of whom opposed the EMU plan, at Delors’ suggestion the commission consisted of the heads of the member states’ central bank, most of whom were politically independent of their governments. The President of the Bundesbank agreed to this committee makeup on condition that the resultant European Central Bank would be independent (European Navigator (ENA), 2009).

In February 1989 the Delors Committee distributed drafts of its report to member nations. As expected, the UK found that the Committee’s aims differed greatly from Britain's. In the Delors Report, the British had wished to include clauses “which would make it clear that EMU was in no way necessary to the completion of the Single Market and which would enlarge upon the full implications of EMU for the transfer of power and authority from national institutions to a central bureaucracy” (Thatcher 1993, 708). They also wanted to prevent the movement for creating EMU from gaining “momentum”. None of this appeared in the final report.

Thatcher was most unhappy with the Governor of the Bank of England, Robin Leigh-Pemberton, for not, as she saw it, making a stronger representation of his country’s interests as the sole British member of the Commission. Leigh- Pemberton said that he was uncomfortable being the sole voice in opposition to the report while the commission was meeting, and decided to settle for trying to soften the language in the report and instead write his own opinion to be appended to the communal draft. He was unsuccessful in refining the text’s language, and because of what Thatcher viewed as his squeamishness, Lawson reports that Thatcher never spoke to Leigh-Pemberton about European matters again (Lawson 1992).
On April 12, 1989 the Delors Commission delivered its report to member states. The report primarily addressed European monetary union (EMU), although it also covered regional and social policy as well. The report recommended a three-stage process to achieve EMU; according to Thatcher, there had been an understanding that at the first or second stage a country could stop and decide to proceed no further. Delors however, insisted that joining the first stage meant that a country had set itself irrevocably on the path to monetary union. The report also decreed that work on a new treaty regarding EMU should start immediately (Thatcher 1993).

The Delors report envisioned establishing EMU over three stages. In the first stage of EMU, all member states would join the ERM within a narrow band, and member states would complete the financial facets of the Single Market agreed to in the SEA. Stage Two Lawson calls “Rather vague, but essentially a transitional phase during which the new institutions required for Stage Three would be developed. In addition, ERM realignments would become few and far between, and it was implied that the various national central banks would become independent, as a prelude to their fusion into an independent European Central Bank in Stage Three” (Lawson 1992, 912).

Finally, in Stage Three exchange rates between all member state currencies would be fixed and the member state central banks would cede control over monetary policy to the European Central Bank, which would establish a single currency. As a means of smoothing any instability that might arise from this transition, the EC would, according to the Delors Plan, also set restrictions on national fiscal expenditure levels and provide further subsidies to those countries seen to be needing them (Lawson 1992).
Delors Report’s Proposed Three Stages to European Monetary Union

<table>
<thead>
<tr>
<th>Stage One</th>
<th>Join ERM within Narrow Band</th>
<th>Complete financial aspects of SEA</th>
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<tbody>
<tr>
<td>Stage Two</td>
<td>Minimize ERM realignments</td>
<td>Make central banks independent (implied)</td>
<td>Develop new institutions required for Stage Three</td>
</tr>
<tr>
<td>Stage Three</td>
<td>Fix exchange rates between all member state currencies</td>
<td>Central banks cede control over monetary policy to new European Central Bank (ECB)</td>
<td>ECB establishes a new central currency</td>
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Lawson thought that stages one and two were unproblematic, the second because of its imprecise language; Thatcher was prepared only to accept the first stage, and in Britain’s own timing. All three of Britain’s top ministers, including the Europhile Foreign Secretary Howe, agreed that Stage Three was unacceptable.

Lawson, long a proponent of membership in the ERM, condemned the regime’s inclusion in Delors’ plan for monetary union. According to Lawson, the Delors Report had a dual impact on ERM: on the one hand, because it was now the required first step for any member country wishing to join the single currency, the report strengthened the regime. On the other hand, Lawson noted, “it also fatally confused the essentially economic question of the ERM with the fundamentally political argument over EMU; and linked the hard-earned credibility of the ERM, which had by then been in existence for a decade, to the speculative and uncertain EMU” (Lawson 1993, 913). It also strengthened Thatcher’s opposition to ERM, confirming her belief that membership in the
ERM would put the country on the road to membership in the EMU (Gowland and Turner 1999).

In any case, despite British objections the Delors Report set the stage for EMU moving forward. In Maastricht in December 1990 formal negotiations over EMU began on the Treaty on European Union (TEU). Meanwhile, the British Foreign Office invited Delors to give a speech to the Trade Unions Conference (TUC) on September 8, 1988, in the hopes that it would alleviate trade union and Labour party suspicion of the EC. While Delors did more than perhaps the Foreign Office hoped in achieving this goal, his speech worsened relations between Thatcher and Delors.

In his speech, Delors stressed the importance of solidarity and cooperation as much as competition in bringing about the single market and securing Europe’s future success. In a direct challenge to Thatcher’s principles he said, “It is impossible to build Europe only by deregulation” (Delors 1988). He pointed out that the SEA had in addition to committing to achieving the single market by 1992, also pledged to bring about a cooperative framework, and that to achieve this vague notion there needed to be “social dialogue at the European level.” (Delors 1988). He also said that the single market would have to ensure worker safety and rights and rights to ongoing education to alleviate any changes the market might force on workers. Finally, he stressed that solidarity and cooperation among Europeans would ensure the survival of European identity and culture in a globalized, competitive world (Delors 1988).

Lawson writes that Delors’ speech to the TUC “did more than anything else to bring about Labour’s Damascene conversion over the European Community. But it was scarcely a triumph of diplomacy to have been instrumental in greatly widening the
already dangerous rift between the British prime minister and the President of the European Commission” (Lawson 1993, 907). Delors assured Labour and union members that the principle of collective bargaining would be upheld at the EC level and that workers would receive protections against the depredations of the single market. He said, “In my opinion, social dialogue and collective bargaining are essential pillars of our democratic society and social progress.”

Delors’ speech at the Trade Unions Conference reframed the issue of Europe for the Labour Party, changing the nature of the domestic political level of the two level game enunciated by Putnam, in which a national leader must build political coalitions at home, then try to make agreements internationally that will support the domestic coalition’s agenda (Putnam 1988). Alternatively the national leader must negotiate agreements at the international level, in this case the EC, and also deal with the repercussions of such agreements at the domestic level with his or her constituents, then promote or defend the agreement in Parliament. Such was the case for Thatcher in negotiating the SEA and other agreements with fellow EC members.

In the case of Labour, Delors’ new interpretation of the single market away from the more purely capitalist bent Thatcher was promoting allowed a new “agreement” or middle ground between Labour’s constituency, such as the labor unions, which was now willing to move toward the center from the left, and the EC. This allowed Labour leaders like Neil Kinnock to re-frame the party’s position on and attitude about Europe. It gave the party political cover: to skeptics, especially those within the party, it could point out that Delors had given them guarantees that would protect workers against any increased
competition they would experience being part of the EC and as a result of the Single Market, which they had opposed in 1986.

In addition, as Young points out, Delors’ speech at the TUC gave Labour a new weapon to use against Thatcher in the domestic electoral battles. He writes of Delors’ TUC appearance, “The occasion marked an important moment in the conversion of the British left to ‘Europe’, not yet for its internationalist, still less its federalist, potential, but as the only available hammer that dislodge Margaret Thatcher from her unsettling ascendancy” (Young 1999, 346). More about Labour’s transition from euroskeptic to europhilic party will be discussed in Chapter Three.

Part V. Conservative euroskepticism grows

The Bruges Speech, 1988

In September 1988, shortly after Delors presented a statist vision of Europe to Britain at the TUC conference, Thatcher delivered her free market interpretation of Europe’s future to an audience in Bruges, Belgium. Delors’ speech in her own backyard had infuriated Thatcher, particularly his claims of increasing legislative and governing authority at the EC level. Young notes, “Delors, a subtle as well as a strategic man, saw this speech as a warning. It was not a mission statement so much as a provocation to national parliaments, inviting them to consider the political realities likely to flow from the momentum unleashed by the Single Act. That wasn't how Mrs Thatcher read it. To her it seems to have come as a straightforward power-grab by a megalomaniac” (Young 1999, 345-6). The prime minister was determined to counter this perceived threat.
In her memoirs, Thatcher describes what led her to make the Bruges speech, which was to redefine the British euroskeptic movement away from the Labour left (now nearly won over by Delors’ guarantees of worker protection against capitalism in the EC) to the Conservative right. She speaks of the creeping federalism that she saw taking place over the years through bureaucratic EC measures that seemed benign or even helpful to member state populaces but that established precedents for EC jurisdiction over national governments in a broadening number of policy areas. She noted that government lawyers had warned the Cabinet that while the government could appeal such policies to the European Court of Justice, the ECJ was likely to interpret EC rules in favor of a more expansionary view of EC jurisdiction. In other words, Thatcher concluded, in terms of resisting federalism at the EC level, “The dice were loaded against us.” She continues,

The more I considered all this, the greater my frustration and the deeper my anger became. 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 foreseen (Thatcher 1993, 743).

This long-developing indignation led to Thatcher’s decision to make her case for a non-federalist, free market European Community of sovereign nations at Bruges.

Her Foreign Office, led by Geoffrey Howe, was horrified by the prime minister’s intent to deliver an address that Delors and the EC would see as a direct challenge to the EC’s aims and an affront to other members’ national pride, suggesting as it did that
Britain was the champion of freedom in Europe. While the Foreign Office was able to suggest some edits to the speech before the prime minister delivered it, the overall message was one that it, including Foreign Secretary Howe, did not support (Young 1999). At Bruges the prime minister did begin the speech with an accommodation to her pro-European Foreign Office by discussing Britain’s “European credentials”—though this did not alleviate the Foreign Office’s dismay over the overall product—before proceeding to deliver her own message. But the speech highlighted and exacerbated the divide over Europe that was deepening in Thatcher’s government between the skeptics, represented now by the prime minister herself, and those who supported further cooperation with Europe. The divisions between the two sides were becoming stark.

The prime minister’s speech explicitly rejected the notion of EC federalism that Delors expounded, instead celebrating the individuality of member states and their strengths as sovereign nations working together, rather than as future members of a federal Europe. Thatcher also chided fellow EC members who were reluctant to support the efforts of their neighbors to the east to gain freedom from communism, declaring that Warsaw, Budapest and Prague were historically and culturally great European cities despite their presence behind the Iron Curtain. She asserted that the notion of “Europe” predated the Treaty of Rome, and could be equally claimed by Britons as well as any other European nation, whether a member of the EC or not (Thatcher 1993).

Thatcher’s speech caused a stir. According to Lawson, while the content of the speech was not outrageous, it was the combative tone of the briefing to the media by Thatcher’s press secretary Bernard Ingham, which reflected Thatcher’s own feelings on the subject and which was reported by reporters who did not bother to read the text, that
caused the tumult in Britain and in European circles (Lawson 1992). One important point that got lost in the resulting fuss over her rejection of Delors federalism and assertion of sovereign state powers was Thatcher’s attack on the concerted opposition of most of the EC member states to Britain’s efforts to aid central and eastern European countries which were trying to win their freedom from communism. Thatcher called for less protection, more free movement of goods, services and capital, and for the EC to look outside its own borders at least as much as it looked inward. The rest of the EC largely ignored this challenge (Thatcher 1993).

The divide between Britain’s goals and those of other EC members continued to grow, and the reaction of other member states as well as Thatcher’s response to them in turn did not help. Thatcher wrote, some (such as Young 1998) suggested with glee, “Not even I would have predicted the furore the Bruges speech unleashed. In Britain, to the horror of the Euro-enthusiasts who believed that principled opposition to federalism had been ridiculed or browbeaten into silence, there was a great wave of popular support for what I had said. … But the reaction in polite European circles – or at least the official reaction – was one of stunned outrage.” (Thatcher 1993, 746). The Bruges speech brought to the fore not only differences among EC members but also conflicts within the British government as some ministers such as Howe, who wished to take a more accommodating approach to the EC, and Lawson, who wished to join the ERM, began to increasingly deplore Thatcher’s happily combative approach to the EC. The speech further isolated Thatcher further from much of her cabinet, including Howe and Lawson especially, who began to believe that their goals on Europe could only be achieved by working against rather than with Thatcher.
On the other hand, Thatcher’s speech also helped conservative skeptics within the party unite in a single euroskeptic movement, with Thatcher as its standard bearer. After the Bruges speech, Conservative euroskeptics became an increasingly powerful force within the party, in large part because Thatcher’s public declaration of skepticism and continued support thereafter allowed them to put aside their different reasons for skepticism in pursuit of a common resistance to further integration with Europe (Forster 2002). At the same time, the Bruges speech, like Delors’ address to the trade unions, changed the nature of the domestic political game in Britain and with similar results: as Thatcher became more publicly skeptical about Europe, her rhetoric allowed Labour to define itself against Thatcher’s increasing euroskepticism and made it acceptable for Labour to become pro-Europe (George and Haythorne 1996).

The end result was a galvanization of the British conservative euroskeptic movement, an opportunity for Labour to switch to support for the EC since Thatcher had now begun to encourage euroskepticism in her government, and a new, more ideological turn for Thatcher in her attitude about the EC. She had moved from pragmatic engagement to ideological opposition to the threat she saw represented by Delors’ support for European federal state. This enthusiasm on her part was to lead to more concern from many (though by no means all) of her followers over time that her strident opposition would make the Conservative party unelectable, a threat that some saw as being borne out by the Conservatives’ loss in the European Parliamentary elections several months later.
1989 European Parliamentary Elections and Leadership Challenge

Thatcher’s Bruges speech marked a turnaround in the prime minister’s and therefore the Conservative government’s stance towards its membership in the EC. This became evident not only in what the prime minister said in public about Europe both at home and abroad but also how the party presented its position in domestic politics. Following Thatcher’s speech at Bruges in the autumn of 1988, the first opportunity to gauge the popularity of the Conservative party’s new euroskeptic stance was in the European Parliamentary (EP) elections, held in June 1989.

The prime minister was further motivated to pursue a skeptical approach due to the release of the Delors Report in February 1989, which asserted an agenda of European economic and monetary integration far beyond what she was prepared to accept. This, combined with Delors’ assertion of a social program to counter the capitalist effects of the Single Market at the TUC conference a few months earlier, presented such a challenge to Thatcher’s notion of what the EC ought to be that she enthusiastically embraced the opportunity to combat it through the government’s EP campaign.

In previous EP elections, both parties had campaigned on domestic policy issues, ignoring the European element for an opportunity to promote their respective domestic agendas. British EP elections generally were not considered as significant in themselves in terms of power at the European level, but the election results were interpreted at the domestic level as a sign of relative domestic party strength as well as a barometer of public opinion, at least of those few who actually bothered to vote (Thatcher 1993; Lawson 1992).
In 1989, however, for the first time the Conservative government made Europe the issue of the EP election instead of a *de facto* referendum on domestic political issues. Lawson observes, “with Europe having once again elbowed its way to the forefront of the political debate, there was rather more interest than usual in the 1989 elections” (Lawson 1992, 921). Moreover, the case on Europe that the Conservative government put before the voters was ideological, not pragmatic, and the party abandoned its reputation as the “party of Europe” for an outright skeptical stance (Forster 2002). Lawson among other Conservatives deplored the party’s approach to campaigning for the euro elections, which “was characterized by a crude and embarrassing anti-European ism which had never before played any part in the Party’s stance on this constellation of issues. The new tone and nature was well encapsulated by the ubiquitous poster which simply asked, ‘Do you want to live on a diet of Brussels?’” (Lawson 1992, 922).

Lawson argued that the Conservatives’ new message confused the voters, who previously had heard only a pro-Europe message from the government. In addition, the Conservative party seemed to be campaigning against the EC itself rather than the Labour party (Lawson 1992). The result was the Conservatives’ first electoral loss since the party had come into government in 1979. Voter turnout, as was typical for EP elections, was low, despite Lawson’s observation that the campaign had attracted more interest than usual, and Conservative candidates won fewer than 28 percent of the votes cast, “the lowest share of the vote ever recorded by the party in a nationwide election” (Young 1999, 369).

Those involved presented various explanations for the defeat. According to Lawson, by giving full voice to the Euroskeptic movement within the party for the first
time, the Conservative campaign not only bewildered the voters, who had not heard this message from “the party of Europe” in the past, but also aired the party’s dirty laundry in public. For the first time, the long-running divide in the party over Europe became public knowledge, Lawson claims, and the result of both of these factors was a sizeable defeat for the Conservative Government. While granting that the continuing and unpopular rise in interest rates, for which he was largely responsible, was likely the decisive factor in the Government’s loss, he asserts that the campaign’s negative tone on Europe further alienated the public (Lawson 1992).

However, Forster says that the Conservative skeptics did not come to the same conclusion. “First, it was argued that they had been disadvantaged by the timing of the European elections in the mid-term cycle of the third consecutive Conservative term in office. Second, and for some more importantly, it was argued that the failure stemmed from a reluctance to fully embrace a wholehearted Eurosceptic agenda for fear of upsetting sitting Conservative MEPs,” who tended to be more pro-European integration than their MP colleagues (Forster 2002).

The Prime Minister herself likewise attributed some of the election failure to the euro-phia of the party’s MEP candidates relative both to the rest of the party and to the Conservatives’ chosen campaign message, though she did grant that a few Conservative MPs “were uneasy about the line I was taking on Europe” (Thatcher 1993, 754).

Moreover, she rejected the claim that she says the Labour Party “and other foes” put about, that the election result served as a referendum on not only her leadership but more particularly the vision about Europe she had articulated in her speech at Bruges. She granted that the vote was in part a protest against a long-standing incumbent government,
but denied that this was a rejection of her new euroskeptic tack, much less a popular expression of support for the EC. She asserts, “I might have accepted that the European elections were a sort of judgment on Bruges if we had had European candidates who were Brugesist rather than federalist. With a few notable exceptions that was not the case” (Thatcher 1993, 749).

Far from considering the election results as a negative referendum result on her Brugesist ideology, the Prime Minister seemed to view the Party’s EP campaign message as the way to win back the British electorate. Upon apprehending that the Prime Minister interpreted the results of the campaign entirely differently than he, Lawson writes,

I suddenly realized, 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. It was a strategy that would undoubtedly have evoked a considerable response: xenophobia always does. But it would have been a disaster for the Party, splitting it from top to bottom and making no sense to the voters, who would not have understood what we stood for and indeed, why we wished to remain within the Community at all if that was how we saw it (Lawson 1992, 922).

The Conservative Party did eventually split over Europe, but not before depriving Thatcher of the chance to lead it to another election. Meanwhile Thatcher, while planning to use the Bruges message strategically for electoral victories to come, had also come to believe in it deeply, which made retreating from it, in her case, unthinkable. As Forster writes, “Hers was the combative and virulent Euroscepticism of a conviction politician; it was moreover the product of a convert’s zeal” (Forster 2002, 81). Lawson remained a pragmatist on this issue, a divide that began to widen in the following months.
Thatcher also believed that the election results “had revealed a groundswell of discontent which could not be ignored” but that the most significant discontent lay not in the voters but in the parliamentary ranks of the Conservative party (Thatcher 1993, 754). She mainly attributed this discontent to stagnation among the leading positions in Government and therefore a lack of opportunity for advancement fostering dissatisfaction in the party ranks. In thus attributing the election loss to the discontent of the parliamentary party in her memoir, Thatcher establishes an alternative justification for the cabinet reshuffle that she initiated later that year, in which she moved Geoffrey Howe from his longstanding position as Foreign Secretary, to what others saw as retaliation for the stand he took against her over the ERM issue, discussed below (Thatcher 1993; Lawson 1992; Young 1999).

Meanwhile, the unprecedented election loss caused some in the Conservative party to begin to doubt Thatcher’s ability to continue to lead them to electoral victory in the next General Election, to occur by 1992, and her hold over the party began to slip even as the skeptic wing of the party united under her banner. The Labour Party was leading the Conservatives in the polls, and Thatcher’s personal approval rating, which had never been high (her mean public approval rating for her entire premiership was 39 percent (Rose 2001)), had slipped as well (Heppell 2008). While Rose cautions against the significance of public approval ratings of prime ministers, by this time Thatcher’s popularity within her own party was diminishing after ten years in power (Rose 2001).

Policies such as the poll tax and rising interest rates accounted for part of the loss in confidence in the party leader, but after the EP electoral loss some began to point to the Prime Minister’s euroskeptic Brugesist message as well (Young 1999; Lawson 1992).
Those in the party who objected to Thatcher’s new, ideological skeptical tack on Europe fell broadly into two categories: those Europe enthusiasts like Howe who supported deeper integration with Europe, and pragmatists like Lawson, who may not have liked European integration but thought that Thatcher’s fervently ideological approach to the issue would lose elections for the party (Lawson 1992). Thatcher had moved from a pragmatic approach to Europe to an ideological one, and by tying her own political identity so closely to her euroskepticism, Turner argues, “Thatcher was exposing her leadership to those in the party who did not see Europe as such a threat. Ultimately, it would mean a choice between Thatcherism and Europe itself” (Turner 2000, 123).

One Conservative MP had already made his choice. In December 1989, backbencher Sir Anthony Meyer challenged Thatcher for the party leadership position, challenging also the premise that a successful, sitting prime minister could be automatically re-elected, unopposed, to the position of party leader each year (Heppell 2008). While he was easily defeated, the fact that sixty Conservative MPs did not vote for Thatcher (33 voted for Meyer; 27 abstained) indicated that her leadership of the party was beginning to be at risk, though she dismissed it as a negligible matter (Thatcher 1993, Heppell 2008). Worse, Tristan Garel-Jones, the Deputy Chief Whip, told Major that he had had to persuade another 100 MPs to vote for the Prime Minister, and even after the victory he warned her that the pro-Europeans in the party were unhappy with the tack she was taking on Europe and would either have to be appeased or would wind up supporting europhile Michael Heseltine against her in any future leadership contests (Major 1999). Meyer wrote later that Thatcher’s vociferous dislike of Europe had been the trigger for his leadership challenge. “It was a harbinger,” writes Young: “Although
she paid little attention, it rendered thinkable what had previously been viewed with incredulity” (Young 1999). Meyer had opened the door for future, more serious challenges to Thatcher’s predominance.

**Lawson and ERM: The standoff worsens**

Meanwhile, as the Delors Commission was working out a plan to bring about European monetary union, Lawson was still endeavoring to bring Britain into the ERM. However, he did not support the move towards a single currency. Indeed, in a speech at Chatham House in January 1989, he accused moves towards the EMU by EC members as being made as a smokescreen to cover the lack of progress the EC had made in achieving the Single Market promised by the SEA in 1986.

At Chatham House Lawson also articulated what he viewed as “fundamental” differences between ERM and EMU. He was an enthusiastic supporter of exchange rate regimes that sovereign nations voluntarily entered into, but not a single currency, in which nations would lose control over both monetary and fiscal policies.

The ERM is an agreement between independent sovereign states… Economic and Monetary Union by contrast, is incompatible with independent sovereign states with control over their own fiscal and monetary policies. … With a single European monetary policy there would need to be central control over the size of budget deficits and, particularly over their financing… What organization would really be the Government? It is clear that the Economic and Monetary Union implies nothing less than a European Government – albeit a federal one – and political union: the United States of Europe. That is simply not on the agenda now, nor will it be for the future (Lawson 1993, 910).
This was an assertion of defiance rather than truth, for it was most certainly on Delors’ agenda, at least in terms of federalism and increased political union (though Delors rejected a direct analogy with the United States of America). In a speech in Bruges in 1989, for example, Delors asserted his belief in the importance of federalism to ensure the future well being of Europe, saying “Indeed, Economic and Monetary Union, because of its very goals, is at the crossroads between economic and political integration. What is it, if not the political completion of the convergence of economies? … And mostly, at a time when certain political leaders seem to hesitate between the internal strengthening of the Community and its dilution into a vaster structure, Economic and Monetary Union turns out to be the only way to reinforce European construction and to ensure its political dynamism” (Delors 1989). In Britain at the time, this vision was broadly unacceptable to both major parties.

Lawson also argued that, unlike with the gold standard, a nation could not come on and off EMU as needed, though he was so persuaded of his own position in the argument he ignored the fact that in order maintain credibility in the markets, Britain effectively would be unable to enter and exit the ERM as it suited the national interest either.

*June 1989 Madrid Council*

Lawson and Howe, increasingly concerned about the impact that Thatcher’s growing euroskepticism was having on, respectively, the British economy and Britain’s relations and influence within the EC, finally decided to force the prime minister to alter her policy on the ERM. Just prior to the EC Madrid Council in 1989, they jointly insisted
on a meeting with the prime minister in which they told Thatcher that she was harming British interests through her continued refusal to consider ERM membership, and that she must take both a more conciliatory tone at the council and commit to the ERM, or at least to joining by a specific date. Both threatened to resign if she did not consent.

As the highest-ranking ministers in the cabinet after the prime minister, and as longstanding heavyweights in the Government, the two were able to force a meeting the prime minister did not want, and were able to compel her to listen to their concerns in a way that they had not previously in individual meetings with her. Moreover, their threat to jointly resign if she refused to comply with their demands placed the prime minister in a further position of weakness, since such an action would cause a loss of confidence in her leadership within the Government that could undermine or even topple it. Both Howe and Lawson had allies of their own in the parliamentary party, and the prime minister could not be certain of retaining the loyalty of Cabinet and backbenchers if she allowed the resignations to take place. But in acceding to their demands, she weakened her own position as party leader, as Conservative MPs saw that her power was no longer absolute. For a prime minister who had always led from the front and taken great pleasure in the “Iron Lady” moniker bestowed on her, this was a blow. It was also a ramification of this very leadership style, as senior ministers like the Chancellor and Foreign Secretary felt shut out of the decision-making process in this key policy area.

Howe and Lawson’s successful undermining of the prime minister’s authority does not suggest that the two ministers had not also taken risks by challenging the prime minister. As Rose observes, “The threat of resignation by a senior minister is a double-edged sword, for it can end an ambitious minister’s career or destabilize the Prime
Minister – and it is often not clear in advance what the outcome will be” (Rose 2001, 165). It was for this reason unusual for ministers to connive so directly against their own prime minister: according to Lawson, this was the first time he and Howe had collaborated in such a fashion to shape policy. They argued that it was necessary in order for the UK to be able to influence the debate over EMU at the Council and be seen to be playing along with the other member states; in other words, they argued that extreme circumstances dictated their rebellion (Lawson 1992).

In any case, dissatisfaction with the Government’s official “when the time is right” policy had led the Cabinet’s two most enthusiastic proponents of ERM to demand a policy of “any time in the next three years”. Thatcher eventually acceded to this demand, though she refused to commit to naming a particular date at the Madrid meeting. Ironically, after Britain’s membership in the ERM, which finally took place in October 1990, went spectacularly wrong in September 1992, Lawson quickly accused Thatcher of having joined up at the “wrong time”, even though it was well within the timeline his Madrid ultimatum had pressed upon her (Lawson 1992).

At the Madrid Council Thatcher made it clear that Britain would insist on a policy approach to monetary union that stipulated that achieving one stage does not automatically oblige a country to go to the next stage. But she was alone in this position at the meeting. Upon delivering their ultimatum to the Prime Minister, Lawson and Howe had argued that committing to join the ERM would give Britain more clout in negotiating at the Madrid summit, but Thatcher’s concession did not affect the negotiations there. Only later, during the Maastricht Treaty negotiations did Thatcher’s successor, John Major, attain an opt-out from being obliged to proceed on to stages 2 and
3 of the Delors plan. Meanwhile Thatcher herself, commenting on the fallout from what she termed the “nasty little meeting” with Lawson and Howe asserted (Thatcher 1993, 712):

I do not believe that spelling out the Madrid conditions significantly modified the pace, let alone the direction, of discussions on the Delors report on EMU. Only someone with a peculiarly naïve view of the world – the sort cultivated by British Euro-enthusiasts but without any equivalent among hard-headed continental Euro-opportunists – would have imagined that it would. In fact, though, the Madrid conditions did allow me to rally the Conservative Party around our negotiating position and got us away from the tired and faintly ridiculous formula of ‘when the time was right’. The outcome of Madrid was widely praised back at home (Thatcher 1993, 713).

In discussing this popular acclaim of the Madrid outcome, Lawson suggests that this simply displayed the ignorance of the British backbenchers, public and media, and Thatcher’s skill in spinning results (Lawson 1992). In reality, Britain’s relations with the rest of the EC continued to be rocky as Britain’s interests continued to diverge from those of its partners. Thatcher’s belated promise that Britain would at some point join the ERM was no longer of interest: the agenda, led by Delors, had moved swiftly on to monetary union, which even Lawson and Howe were unwilling at that point to countenance. As for the acclaim of the backbenchers, then-Home Secretary Hurd noted the fickleness of backbenchers: while they might cheer a leader on one day, they might well turn on her the next (Hurd 2003).

While Thatcher had to accept Howe and Lawson’s conditionality in June 1989, the repercussions of rebellion soon made themselves known as she reshuffled the Cabinet the following month. While she felt she could not risk removing both Howe and Lawson from their positions, she did remove Howe from the Foreign Office, a position he had
held for six years. Though she offered him another of the top posts, that of Home Secretary, Howe declined it, settling instead for Leader of the House of Commons and Deputy Prime Minister, neither of which he much valued (Hurd 2003, Lawson 1992, Young 1999). Among the worst blows to his ego was the loss of the grace-and-favor country estate given to the foreign secretary for official and private use, Chevening.

While Thatcher gave him the deputy prime minister’s country estate to use instead (thus unseating an annoyed Lawson, whose family had been enjoying its use for several years now), Howe was unappeased (Lawson 1992). Thatcher had kept her longtime lieutenant in a top position in the cabinet, but she had created an enemy who was now biding his time.

As mentioned earlier, Thatcher considered these Cabinet changes an opportunity to promote younger MPs in order to alleviate unrest in the party ranks: at this time, for instance, she made John Major the Foreign Secretary, which was a significant promotion for him. While granting that her reshuffling of Howe and others had moved the Cabinet further to the left, she believed that this would not present a problem as long as any “crises which threatened my authority could be avoided” (Thatcher 1993, 758). Crises, however, were soon to come.

**Lawson resigns**

In May 1989 economist Alan Walters, who had served as Thatcher’s personal economic advisor from 1981 to 1983, returned to 10 Downing Street. At neither time was he a member of parliament or even of the traditional civil service, but was brought in
by the prime minister herself.  Walters had long opposed membership in the ERM and more particularly the single currency. As a classic-style monetarist, Walters believed that Britain should pursue a floating exchange rate policy, for reasons delineated above. In addition, however, he particularly deplored the EMS as a way to pursue a fixed or managed exchange rate regime because in it European politics persisted in influencing decisions regarding monetary policy, which Walters believed should be determined on economic grounds alone. “In Britain’s Economic Renaissance, Walters described the EMS as ‘rather messy’ and remarked that the periodic exchange rate realignments, far from being determined in an economically rational way, were ‘grand political events which present many opportunities for horse-trading, threats, counter threats, bluff, etc.’. In his view, it would be best if the UK had nothing to do with it” (Congdon 2007, 166).

Meanwhile, Chancellor Lawson had pursued a policy of shadowing the deutschmark, with the idea of eventually joining ERM, for several years. But in order to maintain this link with the deutschmark he had to continue to raise British interest rates, which increased to 13 percent in November 1988, 14 percent in May 1989, and 15 percent in autumn 1989 (Lawson 1992). Walters warned that this policy could send the British economy into a recession, an opinion that the Chancellor hardly welcomed (Thatcher 1993).

Moreover, Walters’ support of Thatcher’s decision not to join ERM upset Lawson, who felt that the Prime Minister was disregarding the weight his status as

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10 This practice of prime ministers bringing personal advisors into high level positions in 10 Downing Street became more prevalent in subsequent premierships, most notably that of Tony Blair.
chancellor ought to give to his policy recommendations. The final straw for Lawson occurred when on October 18, 1989 the *Financial Times* published excerpts from an article Walters had written in which he described the ERM as “‘half-baked’”, even as Lawson continued to advocate it (Thatcher 1993, 715). Since the *Financial Times* did not mention that Walters had first published the article in 1988, well before he returned to Downing Street as Thatcher’s advisor, it appeared as a public refutation of the Chancellor’s policy. This was more than Lawson could stand. Thus on October 25, once Thatcher had returned from a trip to Malaysia, Lawson gave Thatcher another ultimatum: either she must fire Walters or he himself would resign. She declined to fire Walters; he carried out his threat. Immediately after, upon Thatcher’s informing him of Lawson’s resignation, Walters resigned as well.

Of Walters’ resignation Thatcher said only that upon her telephoning Walters to tell him of Lawson’s resignation, Walters “told me that Nigel’s resignation had put him in an impossible situation and so he insisted, against all my attempts to persuade him, on resigning too” (Thatcher 1993, 718). As for Lawson’s resignation, she thought he was overreacting: as a minister he had the power to “decide” policy, unlike Walters who was merely an advisor. Also, Walters had written the cited observations about ERM well before he returned to 10 Downing Street and could not control when papers chose to publish them (Thatcher 1993). Lawson was well aware, however, of the fact that Walters continued to hold such strong opinions, and that his presence in Thatcher’s so-called
\textquote{\textquotec{\textquotenew “kitchen cabinet”\textsuperscript{11}} strengthened the Prime Minister’s continued opposition to ERM membership (Lawson 1992).}

Ironically, Lawson notes, he himself was Thatcher’s closest political ally: his resignation left her more isolated within the Cabinet and thus more vulnerable to challenges to her leadership. The resignation of Walters, upon whom she depended for intellectual support, especially in this key matter of ERM membership, weakened her position still further. This came just months after Thatcher had reshuffled her Cabinet to remove Howe from the Foreign Office: Thatcher grants that if she had known that Lawson was going to resign in Oct 1989, she probably would not have reshuffled Howe from Foreign Secretary in July 1989, because Lawson’s resignation was another blow to her authority and she would have been better off avoiding Howe’s dissatisfaction to boot (Thatcher 1993). Without Lawson and Howe on her side, Thatcher’s authority over the Cabinet and the Party was less assured than in the preceding years of her premiership. Thatcher responded to this chain of events, Lawson claimed, by shutting herself off further inside her circle of advisors, virtually none of whom were MPs either in the cabinet or on the backbenches (Lawson 1992).

Discussing the ultimatum Lawson gave Thatcher in his memoirs, Thatcher’s successor, John Major, further pinpointed some of the informal constraints on a prime minister’s power that began to impede Thatcher to an increasing extent in the last few years of her tenure. Thatcher had put Lawson in an untenable position, he writes, by

\textsuperscript{11} Term used to describe those advisors of a prime minister who were neither Members of Parliament or of the civil service. The term was used to describe advisors in the service of prime ministers other than Thatcher, notably Blair.
appointing and then clearly supporting an economic advisor who publicly denounced the policies her chancellor advocated, particularly regarding ERM.

But by bluntly stating ‘He goes or I go,’ he [Lawson] placed Margaret in an equally cruel impasse – even if, by appointing Walters, it was of her making. She agreed with Walters and not with her chancellor. She could not back away from that, nor did she wish to. If she sacked Walters it would be clear she had done so with a pistol at her head. She had relied on him far too long for his departure, if it occurred, to be seen as anything other than a climbdown. She remembered the Madrid summit of June 1989, when Nigel and Geoffrey Howe had combined to compel her to agree to join the ERM when certain conditions were met. To capitulate and sack Walters would have destroyed her authority (Major 1999, 131).

Thus in order to preserve her authority Thatcher neither fired Walters nor persuaded Lawson to remain, and through forced inaction lost both. Nonetheless, the consequences of losing both were still less than if it had been shown that, once again, her chancellor had compelled her to do his bidding.

Lawson further discusses the informal constraints at play in the power plays taking place over Europe in the top ranks of Government. He said that some people questioned his decision to resign over the comments of a “part-time adviser to the Prime Minister”, but he said his resignation was due rather to the Prime Minister’s handling of the ERM disagreement overall:

Essentially, the point is that Prime Ministers have an unfettered right to dismiss any Cabinet Minister they like, however, senior – including the Chancellor – for whatever reason they like. That I always accepted. What is unacceptable conduct in a Prime Minister, however, is to recoil from sacking a Minister, and systematically to undermine him instead. Walters was a principal instrument of the undermining process, a process that made my job impossible (Lawson 1992, 971).
Lawson’s decision to make a public gesture over the ERM by resigning rather than continue to try to persuade Thatcher to join from within the Government undermined the Prime Minister’s position on the ERM and made it more difficult for her to resist future efforts by her ministers to persuade her to change her mind. It also reflected the informal constraints on a prime minister’s power. Though prime minister does have the right to fire anyone she wants, the reaction of the minister involved or of one who chooses to resign can erode confidence in the prime minister’s leadership and thus undermine her ability to pursue her chosen policy agenda. As Major observed in this case, “Nigel’s resignation speech attacked the Prime Minister’s whole style of government, reflecting the quiet opinion of a growing number of Tories” (Major 1999, 139). The growing unrest in her own party meant that Thatcher should tread more carefully in how she governed.

With few cabinet allies left, Thatcher could ill afford to lose another one, but on July 1990 she did, and again over Europe. With other cabinet ministers feeling alienated and/or doubting her ability to lead them to victory at the next general election (even one of her supporters, Major, doubted her ability to do so (1999); see also Lawson (1992)), Nicholas Ridley, Secretary of State for Trade and Industry and Thatcher’s closest ally in the cabinet (Thatcher 1993), claimed in an interview with The Spectator magazine that the single currency was just a way for Germany to gain predominance in Europe, and that giving up sovereignty in the European Community would be as bad as giving it to Hitler (Spectator 1990). These comments compelled even Thatcher to, however reluctantly, ask Ridley to resign, which he did on July 14, 1990 (Major 1999). Lawson claimed that Thatcher had no doubt expressed much the same sentiments to Ridley herself in private.
(Lawson, 1992). Certainly, Young (1999) claims, her attitude about the Germans and reluctance to endorse German reunification reflected the suspicions created by her childhood experiences during World War II.

**Britain joins the ERM**

Once Lawson resigned as chancellor in October 1989, it was not long before his successor, John Major, also began to suggest to Thatcher that Britain should join the ERM. Major had worked under Lawson at the Treasury as Financial Secretary, believed in the ERM as an inflation-fighting tool, and was among those who became persuaded that Britain would wield more influence over the EMU negotiations, set to begin in December 1990, if sterling belonged to the ERM (Major 1999). Thatcher resisted again, but by the fall of 1990, with interest rates still unpopularly high, she began to see the merit of being able to join and lower interest rates in time for the Conservatives’ annual conference in October. Also, she had fewer allies in her cabinet than previously and felt to some degree compelled to accept this change in order to hold her ground on other issues. As Thatcher herself observed, “On ERM, much as I continued to dislike the system and distrust its purpose, I had agreed the principle at Madrid subject to the conditions expressed. Eventually, I was to go along with what John wanted. On EMU, which for me went to the very heart not just of the debate about Europe’s future but about Britain's future as a democratic, sovereign state, I was not prepared to compromise” (Thatcher 1993, 719). On the latter point British politicians largely agreed, although some, like Howe, would advocate compromise on the issue of the single currency as well (House of Commons Debates October 15, 1991).
Finally, on October 5, 1990, Major prevailed on Thatcher to join the ERM. His argument remained that ERM membership would give Britain’s economy some borrowed stability, and would lower inflation. At Madrid, Thatcher had listed several conditions that would have to be met before she would bring Britain into the ERM, chief among these being a decline in the inflation rate. While this had not happened yet, she and Major reported trends indicating that it would soon occur or, as Major told the House of Commons, “it is now clear that we are moving away from divergence in inflation to convergence in inflation” (Hansard 15 October 1990). This was enough for the Government to declare that “the time was right” for the country to join, although Thatcher noted later, “Unfortunately, in a sense the time would never be ‘right’ – because the ERM, particularly now that the Delors objective of EMU had come out into the open, would never be ‘right’. But that was something I could do little about” (Thatcher 1993, 713).

Many, including members of the press and the Opposition, suggested the ERM move was a political ploy, since it coincided with a one point reduction in the interest rate that the Chancellor had long felt unable to make for fear that the markets would interpret it to mean that the Government was not serious about fighting inflation (Lawson 1992). Both the ERM membership and the interest rate rise took place shortly before the annual Conservative party conference, which occurred in mid-October, 1990. In any case, by 1990 even the opposition Labour Party advocated Britain’s membership in the ERM, and despite the growing enthusiasm of the euroskeptics in the Conservative Party backbenches Thatcher lacked the support in the Cabinet she would have needed to continue to defy the general will of the establishment. As Thatcher put it, she gave in
because “I had too few allies to continue to resist and win the day” (Thatcher 1993, 722).

For five years she had had to fight the senior members of her own Cabinet over ERM membership, and this battle had cost her both Lawson and Walters. In a couple of weeks, it was to cost her Howe as well.

**Part VI. EMU triggers Thatcher’s downfall**

Although Thatcher had agreed to take sterling into the ERM, she remained skeptical about the system, and determined to fight further steps towards monetary union (Gowland and Turner 1999). Meanwhile, the EC was pushing to extend ERM into a single currency. Major’s “hard ecu” proposal, in which market competition determined the use of a currency rather than eliminating all currencies to make way for one single one, was batted about by the British but not taken seriously by other European members. Hurd reflected “I do not know whether it would have worked if we had introduced it earlier and pushed it harder. What is certain is that by June 1990 it was too late. Our partners regarded it as a device of the ingenious British to evade an uncomfortable decision. As a Spanish minister remarked: ‘Good proposal, wrong country’” (Hurd 2003, 397). Most other countries had shown willingness to pursue Delors’ dream of monetary union. Despite the conviction of many of her ministers, including Howe, Lawson, Major and Hurd, that a change in Britain’s negotiating style at the EC level would make other countries more willing to go along with British ideas, the fundamentally different interests of most of the other members regarding monetary union
would continue to mean that Britain remained at odds with the others well after Thatcher had left office.

Italy held the rotating EC presidency in the second half of 1990 and as, at that time, the EC’s strongest voice for European integration wanted the EC members to commit to a date for achieving Stage Two of EMU (a transitional stage from ERM to EMU) and to move ahead to Stage Three, the single currency. In an effort to achieve this breakthrough during Italy’s presidency, Italian Prime Minister Andreotti convened a special EC summit in October 1990 in Rome to discuss these matters. Unsurprisingly, Britain resisted this attempt at hastening integration, particularly the drive towards a single currency. While Thatcher was vociferous, as usual, in her objections—Foreign Secretary Hurd notes, “The exchanges round the table were bad-tempered, her press conference that afternoon worse”—her policy stance was one that other British politicians also held (Hurd 2003, 398). It was not the stance, but the delivery, that Thatcher’s fellow ministers found objectionable.

Returning to Britain, Thatcher reported to the House of Commons on the results of the summit, a statement that Hurd calls “balanced”, before observing tactfully that she “lost that balance when answering questions from MPs afterwards” (Hurd 2003, 398). In a contentious exchange in the House of Commons, Thatcher objected strongly to European federalism as represented by Delors, declaring to the Parliament “No. No. No” (House of Commons Debates October 30, 1990). While defending the government’s decision to join the ERM, she made her objection to monetary union plain, declaring, “The European monetary system to which we belong is designed for 12 sovereign states, in co-operation with one another, to come to an exchange rate mechanism. What is being
proposed now—economic and monetary union—is the back door to a federal Europe, which we totally and utterly reject. We prefer greater economic and monetary co-operation, which can be achieved by keeping our sovereignty” (House of Commons Debates October 30, 1990). This combative and defiant exchange finally alienated Geoffrey Howe to such a degree that he resigned shortly after, on November 1, 1990 (Gowland and Turner 1999).

Howe was the highest-ranking Europhile in the Conservative cabinet, and Thatcher’s speech underlined the width of the divide that had grown between himself and the Prime Minister on the subject. Not all of Thatcher’s ministers objected as strongly to her strong euroskepticism as Howe did, however. Foreign Secretary Hurd, who had had a career as a diplomat before entering politics and who was by nature and background pro-Europe, nonetheless wrote,

My diary shows that I sympathised with her main position. I have never conjured up any personal enthusiasm for the single currency, and in 1990 accepted entirely the case for delay and avoiding fixed dates. Whereas on German unification the Prime Minister was plain wrong, on this I thought she was broadly right – but that her tactics, in particular her occasional rough and overstated arguments, would produce the wrong results (Hurd 2003, 398).

Major, now Chancellor, was also cautious about the single currency, though he wished to keep an open mind. But, like Hurd, Lawson and Howe, among others, he disapproved of the Prime Minister’s combative approach to the issue of European monetary integration, which each thought needlessly antagonized those with whom Britain would need to negotiate (Major 1999; also Lawson 1992).
It would seem that others in the party were thinking along similar lines. “The paradox in autumn 1990 was that the harsh immediate reaction to her tactics did not come from the continent but from our own backbenchers. Many cheered her loudly on that raucous afternoon in the Commons on 30 October. They agreed with the substance of what she stood for, but on reflection a few days later were no longer ready to back her judgement” (Hurd 2003, 398). The party’s faith in Thatcher as a leader had eroded, and when on November 13 Howe finally delivered his resignation speech in the House of Commons, it was with damming effect.

Chief among his reasons for leaving Government, he said, was not so much a matter of objecting to Thatcher’s style, which both he and others deplored, but rather increasing disagreements on substance, most particularly on EC policy. This reasoning was somewhat the reverse of Lawson’s, who said that he had resigned because of Thatcher’s style of government rather than over policy differences (Lawson 1992). Howe argued that in the European Community Britain was best served not by taking absolute stances but by seeking to be in the middle of any negotiation without ruling out any particular proposal. In language that deliberately echoed, then rejected Thatcher’s language from the October 30 debate, he declared,

We must at all costs avoid presenting ourselves yet again with an over-simplified choice, a false antithesis, a bogus dilemma, between one alternative, starkly labelled "co-operation between independent sovereign states" and a second, equally crudely labelled alternative, "centralised, federal super-state", as if there were no middle way in between. We commit a serious error if we think always in terms of "surrendering" sovereignty and seek to stand pat for all time on a given deal—by proclaiming, as my right hon. Friend the Prime Minister did two weeks ago, that we have "surrendered enough". The European enterprise is not and should not be seen like that—as some kind of zero sum game (House of Commons Debates November 13, 1990).
The House of Commons received Howe’s speech warmly, and his thinly veiled call for a change in leadership badly undermined the Prime Minister’s authority (Heppell 2008).

Many in the Cabinet, including Lawson and Major, deplored Thatcher’s treatment of Howe which had led to this final alienation, although Howe’s behavior before the Madrid EC summit had shown Thatcher that she could no longer trust him. She felt betrayed by a loyal lieutenant; others, not to mention Howe himself, felt that her subsequent treatment of him—coldness, dismissiveness—was unwarranted (Thatcher 1993; Lawson 1992; Major 1999). Moreover, Hurd felt that Thatcher’s mistreatment of an ally was politically foolish: “He had stood by her with courage when Chancellor of the Exchequer and scored some of the most important successes of her Government. The scorn with which she later treated him not only offended him; it was proof of her failing political judgement” (Hurd 2003, 400).

Howe’s denouement reflects again the informal constraints on a prime minister, in which he or she might hire and fire ministers as she chooses and treat them as she wishes. However, doing so risks the negative repercussions that arise from such decisions, particularly when it leads ministers to employ their most powerful weapon, resignation. Traditionally, a resignation speech is heard in silence in the House of Commons, which offers a more attentive audience than any minister, including the prime minister, might enjoy under any other circumstance. Howe used this stage to full effect in his condemnation of Thatcher (Lawson 1992; Major 1999).

After Howe’s speech, Hurd reports that even the indomitable Thatcher was subdued, both by Howe’s denunciation and by what it suggested for her leadership. Hurd
urged Thatcher to “‘Stay and change,’ particularly by uniting the party on Europe,” which the Foreign Secretary considered the most damaging part of the growing divide in the Conservative Party (Hurd 2003, 400). He felt that Thatcher was still a viable leader, but that she would have to alter her leadership style, and be willing to listen to others’ opinions rather than simply ride roughshod over them. Hurd decried the fact that Howe’s job as Deputy Prime Minister was the very one that was meant to press for the changes he laid out, but that Howe and Thatcher’s relationship made that impossible (Hurd 2003).

Moreover, he believed that it was Thatcher’s very record of accomplishments over the years that led to her downfall, because it “was spoiling her judgement. She was less inclined to listen to anything except applause. In her the brake which in all of us imposes a pause between what we think and what we say was wearing dangerously thin” (Hurd 2003, 399). She needed to change, but after eleven years as Prime Minister and sixteen as Conservative Party leader, this would be difficult—and might in any case be too late.

**Leadership challenge**

The morning after Howe delivered his powerful resignation speech, Michael Heseltine, an influential backbencher who had resigned from the Cabinet in 1985, challenged Thatcher for the party leadership on the last day of the window Conservative Party rules allowed for formal leadership challenges (Hepell 2008). In the first round of balloting that followed, the Prime Minister won a majority of the votes cast, but failed by only four votes to gain the 15 percent margin of victory necessary to prevent the voting from going to a second round, “because a majority of backbench MPs had refused to vote
for her” (Rose 2001, 84). Overall, roughly forty five percent of Conservative MPs, ministers and backbenchers alike no longer wanted their own long-standing Prime Minister to remain in that office. This was why the result of the first ballot was so harmful to Thatcher’s leadership and why, even if she prevailed in the second ballot, it would still undermine her authority in the party. Worse, it would give the Labour Party a huge advantage in campaigning for the next general election. Even if Thatcher was not the electoral liability to the party that many thought, Labour would hammer home the fact that she had failed to win the support of forty-five percent of her own party – if that was the case, why should the electorate support her? (Heppell 2008).

While Thatcher initially vowed to fight on after the first ballot results came out, after conferring with campaigners and her Cabinet, both of which collectively advised that she would not have the votes to prevail, she announced on November 22, 1990 that she would not contest the second ballot, and thus resigned (Thatcher 1993). This opened the way for two of her ministers, who would not stand against her in a leadership contest, to enter the race against Heseltine. These were the Chancellor, John Major, and the Foreign Secretary, Douglas Hurd (Major 1999, Hurd 2003).

Heseltine, like Howe, was considered to be pro-European and more open to the notion of Britain joining a single currency than most of the Conservative Party leadership (Aspinwall 2003). Hurd, while pro-Europe, was as yet unpersuaded of the need for a single currency, while Major at this time was seen to be the euroskeptic successor to the Thatcherite legacy (Hurd 2003). The euroskeptic/europhile divide in the party became a factor in the leadership race (Heppell 2008).
Mainly, however, the parliamentary Conservative Party was concerned about how Thatcher’s policies, European or otherwise, were affecting members’ ability to win re-election. In the spring of 1990, a Gallup Poll showed the Labour Party 23 points ahead of the ruling Conservative Party in popularity with voters (Rose 2001). Thatcher was personally unpopular because of rising inflation rates amid economic recession; her unwillingness to revoke the hugely unpopular poll tax; and also her policy on European integration insofar as it highlighted the divide between euroskeptics and europhiles, within the Cabinet especially, but also in the broader Conservative Party. By 1990 Thatcher was the most unpopular prime minister in polling history (Heppell 2008). Understandably, Conservative MPs were worried.

The Government had hoped to bring inflation under control by joining the ERM, and in this decision Thatcher showed some of her old pragmatism that had brought so much success. But Major, among others, argued that in other areas she had “lost her political agility; the Poll Tax and crude anti-Europeanism were the policies that resulted” (Major 1999, 169). Indeed, Major blames these two issues for the Prime Minister’s demise, particularly when both occurred at the same time. The poll tax had stirred up the voters, while her anti-EC ideology fostered splits in the party. Between the two of them, Major writes, “she was trapped” (Major 1999, 167).

Major points out that despite the prevailing impression of Thatcher as a stalwart foe of Europe, for the majority of her term in office she was a pragmatic engager in Europe, and was one of the key progenitors of the Single European Act, which brought about closer union among EC members. Even on the ERM, while she resisted it for years, she ultimately came around to the counsels of her ministers and joined. “Overall,
the Prime Minister was undeniably ‘on board’ the European train, even though she was
uneasy about where it was heading and complained loudly at every stop. The trouble was
that there was another Margaret Thatcher, usually confined to private quarters, whose gut
reaction was much more hostile to Europe” (Major 1999, 174-5). This Thatcher became
more evident in the latter part of her premiership, and is part of what brought about her

The downfall of Thatcher shows some of the informal constraints that shaped the
Prime Minister’s approach to European issues. She took an ideologically skeptical
approach that was acceptable, if barely to some—Major notes that for a long time, the
decisions she came to satisfied even those who deplored her palpable hostility to Europe
(Major 1999). But when her combative tone came to be seen as having eroded her
Cabinet support and thus her ability to lead the party to the next election, when
Conservatives began trailing in the polls, her tone went from privately grating to publicly
unacceptable (Lawson 1992; Rose 2001).

It is not too much to say that ERM in the end was the catalyst for Thatcher’s
demise. The friction that built up between her and her top allies, Lawson and Howe, was
over ERM, and their respective resignations weakened and destabilized her leadership
(Lawson 1992; Major 1999). Major observes that Lawson’s departure over ERM was
particularly damaging to Thatcher because the two agreed on everything except ERM,
and they had accomplished a great deal while working together (Major 1999). A similar
comment could be made of Howe and Thatcher, that while a growing divide over
European policy was the main force that drove them apart, they had achieved many
successes for Thatcherism in the eleven years the party had been in power (Hurd 2003).
But disagreements over Europe, in slightly different guises, did divide them, and Howe’s resignation over Thatcher’s European policies played a large part in toppling her (Rose 2001). Indeed, some consider Europe to be the main reason for Thatcher's demise (Young 1999). Lawson too points to Europe, not because of Thatcher’s euroskepticism in itself, but because while not all MPs or the Party was as enthusiastic about European integration as Howe or Heseltine, “they sensed that she was handling Europe badly, and feared that she would split the Party over it” (Lawson 1993, 1001).

But even though European policy, and Thatcher's approach to it, triggered the leadership challenge, Thatcher’s approach to European policy was merely one, and not even the main, reason why Thatcher lost the support of much of her party. Major concludes that one cannot attribute Thatcher’s downfall to europhiles within the party toppling her because of her euroskepticism. Conservative parliamentarians had other reasons for concern. Besides, even though her attitude about Europe had been combative, most Conservative politicians supported the decisions she ultimately took (Major 1999). Hurd concurs: While there was unhappiness in the party over Europe, he argues, the biggest factor was the poll tax, the mass public protests against it and Thatcher’s stated refusal to get rid of it that constituted the bigger electoral problem. The fact that 70 per cent of eligible voters hated it and “approximately half of those polled regarded it as the most likely determinant of their future voting behavior” (Heppell 2008) worried Conservative MPs into rebellion against their leader of sixteen years (Hurd 2003). Europe triggered the revolt within the party, but the poll tax—and the economic recession—drove it to remove the Prime Minister from power.
Because Heseltine was the one who had challenged Thatcher, the sitting Prime Minister, his gamble to succeed her as the head of the party was chancy. His gamble was an example of the other side of the informal constraints that allowed Lawson and Howe to give an ultimatum to Thatcher over ERM policy and Lawson to shadow the deutschmark without his Prime Minister’s permission and without being fired. The danger in a minister rebelling against the prime minister is that if he fails, his political prospects may be over. As Rose observes,

It is risky to take on a sitting prime minister: if the minister loses, he has acquired a powerful enemy. If he wins, he still may not be the one to gain the premiership, as Heseltine learned. Harold Wilson [former British Prime Minister] took comfort in knowing that while half a dozen Cabinet colleagues were intriguing against him, they were playing ‘the game of musical daggers’ in which the rule was ‘never be left holding the dagger when the music stops’. Wilson then quoted one of Lord Beaverbrook’s laws on conspiracy, ‘The man who wields the dagger never wears the crown’ (Rose 2001, 84).

Both Hurd and Major said they believed that a prime minister should not be ousted by a party revolt, but through a general election or House of Commons vote (Hurd 2003, Major 1999). It was partly for this reason that they refused to stand up against her in a leadership contest. But Major adds a political objection to the philosophical one which gives weight to Rose’s assessment: “I thought it bad politics to attempt to remove a sitting prime minister, and in no circumstances would I have stood against her” (Major 1999, 181).

On the other hand, the prime minister must be seen as capable of leading her party to victory, or she will face rebellion. MPs will tolerate a publicly unpopular prime minister as long as the party’s overall public ratings exceed those of its opponent’s, as
was the case for most of Thatcher’s tenure. But once her personal unpopularity was seen to be a driving force behind the party’s unfavorability ratings, Thatcher lost support from the backbenches. Moreover as Lawson points out, she had already lost virtually all of her allies in the Cabinet, so when the time came when she needed the support of her ministers, they advised her instead to resign (Lawson 1992). Informal constraints thus led to this remarkable event: “Despite her impressive electoral record, a commanding parliamentary majority, no significant parliamentary defeats and an overwhelmingly [sic] desire to continue, Thatcher was forcibly evicted from Downing Street, not at the behest of the electorate but due to her own parliamentary and ministerial colleagues” (Heppell 2008, 72). A similar turn of events would happen to another successful prime minister nearly twenty years later, when his own party forced Tony Blair out of office.

Major won the leadership contest, in part, because he was seen to be a strong Thatcherite. As his premiership wore on, euroskeptics in the party began to be disappointed in his policies and to feel betrayed that their vote for what had seemed to be Thatcher’s heir (a belief Major used to his advantage in his leadership campaign) had been misplaced (Heppell 2008). In hindsight, Major gave another reason why Thatcher should not have been challenged but should have been allowed to contest another general election. Major suggests that if Thatcher had won enough votes (perhaps with him as chief whip, as he almost was) to survive the leadership challenge, they might still have lost the next election, when the electorate rather than just her party was able to pass judgment on her government, “but it would have been a more fitting end for a long-serving prime minister than removal by her own colleagues. Moreover, it would never
have given rise to the bitterness that has scarred the Conservative Party ever since. Nor would Europe have become such a divisive issue” (Major 1999, 98).

Because Thatcher almost reached the 15 percent threshold on the first ballot, her embittered supporters in Parliament were able to say, after she was gone, that she had more support from Conservative MPs than Major did. This was because, after the results of the second ballot showed Major with a sizable lead over Hurd and Heseltine, the latter two withdrew from the leadership competition and threw their support behind Major. The party then decided to skip the formality of a third ballot, which would have come back with a nearly unanimous vote in favor of Major, since it was in practical terms unnecessary. But as time went on some disgruntled euroskeptics encouraged the perception that Thatcher had been ousted as Conservative Party leader despite winning a majority of votes from her peers, while Major was acclaimed leader with a minority of votes (Heppell 2008). It proved another weapon in the increasingly bitter battle over Europe that, begun under Thatcher’s rule, would engulf the Conservative Party in the years to come.

**Part VII. Conclusion**

Europe may not have been the only reason Thatcher lost her leadership position, but it became the lasting legacy of that party rebellion. Informal constraints shaped Britain’s Europe policy by helping to bring down Thatcher. But Thatcher had already inspired euroskeptics on the backbenches to carry on her European agenda once she no longer led the party (Forster 2002). Of the three main issues that brought Thatcher down, Major jettisoned the poll tax and eventually inflation rates were brought under control,
but with the negotiations over European Union about to begin in December 1990, Europe remained an immediate issue of contention in the party. In the end, the party rebellion did bring in a less euroskeptic prime minister, but he was then plagued by the growing skepticism of the party as a whole.

Meanwhile, in terms of negotiations at the European level, Thatcher’s negative approach was part of what Conservative parliamentarians thought made them unelectable. Domestically this may have been true, and the ouster may have ensured them another, albeit weakened, term in office that they could not have won with Thatcher as prime minister. At the European level, though, however much some EC leaders personally welcomed the departure of Thatcher, the net result of Major’s more conciliatory approach was the same because Britain was still unwilling to join the single currency along with the rest of the EC member states, as became clear in the Maastricht Treaty negotiations that began days after Thatcher’s ouster. In negotiating with other EC member states, Britain was utterly unsuccessful in promoting its agenda on the issue of monetary integration with Thatcher in charge, but it was no better with Major or indeed, ultimately, with Blair.

In December 1990 negotiations began on the Treaty on European Union (the Maastricht Treaty), in which European monetary union would be enshrined, to be discussed in the next chapter.

Part I. Introduction

In the 1980s Labour’s Europe policy changed completely from outright rejection of the European Community (EC) to, after 1987, a grudging non-commitment to EC membership to finally, by the end of the decade, enthusiastic acceptance of it. At first, the party embarked on its change of policy on the EC because it saw it to be an obligatory political step that must be taken, but eventually came to see—and use—it as a tool to bring about the party’s own political and economic objectives (Daniels 1998). Part of this evolution involved a transformation of Labour’s policy on European monetary integration, from denunciation in 1983 to an endorsement of membership of the ERM by 1989.

The Labour Party’s change on European policy was both pragmatic and ideological, involving a change in party institutions as well as ideas. The pragmatic change was of two kinds: first, the party leadership, led by Neil Kinnock after the 1983 election, recognized that the party would have to distance itself from its avid opposition to EC membership in order to become electorally credible again. While the British public was not particularly enthusiastic about the EC, it had shown in the 1983 election that it did not approve of Labour’s pledge to leave. This reinforced the public’s decision in the 1975 nationwide referendum to remain in the EC (Featherstone 1999). However,
European policy remained only one of the many areas where Labour recognized a need to change in order to win votes.

Second, the leadership recognized that its Europe policy was an issue of party management: the rank and file of the Parliamentary Labour Party (PLP, the Labour Members of Parliament) and to a lesser degree the broader Labour Party should become convinced of the need to accept an increasingly positive approach to Europe. More importantly, it should accept and abide by the leadership’s decision to do so. In order to achieve this, the new “soft left” leadership after the 1983 general election, led by party leader Neil Kinnock, had to defeat its “hard left” opponents, which had led the Labour Party from 1979 to 1983, and the unions, some of whom remained resistant to changes in Labour policy towards the European Community (Heffernan 2000).

The Labour Party also had to evolve its ideological principles in a way that would allow it to square membership in the EC with its party standards. This happened in two ways: First, Labour had to (and did) abandon its commitment to national economic self-sufficiency and accept the international trade relationships inherent in the EC. Second, changes within the EC itself allowed Labour to cross the rest of the way to a pro-EC stance as under the presidency of Jacques Delors the EC began to advocate a social element to what formerly had been presented as predominantly free market economic alliance. By promising social protections for workers, Delors invited the British left to support the EC, and the party leadership accepted (Tindale 1992).

Part of this ideological change was pragmatic as well, however. In the post-Bretton Woods world, capital was increasingly globalized and free flowing, making it more difficult to maintain a socialist state (outside factor). This was especially true—as
French President Mitterrand discovered in 1982—within the confines of the EC, which was established specifically in order to provide an area for open economic exchange among its members. Seeing this example of the French retraction and having experienced a massive defeat in 1983 on a socialist platform, Kinnock and the Labour leadership realized a need to backtrack from its commitment to achieving a socialist state (Tindale 1992).

Thus, in order to change Labour’s policy on Europe Kinnock had to change the party from within, abandoning strict socialist principles, doing so in part through increased ties with continental counterpart parties and receiving a guarantee from Delors on social measures that would mitigate the effects of the single European market, which would come into effect in 1992. While it required time, electoral losses, and internal party struggle, the Labour party accomplished its transition from a socialist party to a European-style social democratic party invested in the EC by the end of the decade (Tindale 1992).

Daniels attributes Labour’s reversal of its policy on Europe over the course of the 1980s to five major factors: “The pressures of domestic political competition, a change in trade union attitudes on Europe, the dynamics of the European integration process, and important changes in the party’s approach to economic policy and the role of the nation-

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12 French President Mitterrand’s experience showed how international economic conditions limited the ability of a nation-state to pursue an independent economic policy, particularly true for members of an economic club like the EC. Mitterrand’s Socialist party tried to reflate the French economy just when its EC partners were enacting deflationary policies. The French policy failed and Mitterrand was forced to reverse course. Since the British Labour party also advocated a policy of reflation, France’s experience proved particularly instructive for the party (Daniels 1998).
state” (Daniels 1998, 79). According to Tindale (1992) the Labour party’s policy went through two stages in this progression from anti- to pro-European integration, “each one sparked off by electoral defeat” (Tindale 1992, 277). The first period was 1983 to 1987: following Labour’s shattering loss in the 1983 general election, Kinnock, a pragmatist, recognized the need for Labour to end its opposition to the EC, among other policy changes, but no one in the party felt much enthusiasm for doing so (Daniels 1998). The second stage, from 1987-90, was achieved through the party’s comprehensive Policy Review, which overhauled all of the party’s policies, including its stance on Europe, in a bid to persuade the British public of its electability (Tindale 1992).

For the Opposition Labour Party, by contrast, European integration offered an opportunity to become competitive again on the domestic political front, for by the end of Thatcher’s tenure the Labour party had lost three straight elections to the Conservatives, the second loss in 1983 being so comprehensive that it had triggered fundamental changes in Labour’s platform, including the party’s position on Europe. Overall, these forces shaping Britain’s political climate during the Thatcher years set the stage on which Britain’s battles over joining the single currency would play out under future prime ministers, and tracing the reaction of British politicians to the beginnings of the serious push towards the single currency under Delors’ management provides important insight into the ongoing ambivalence of Britain’s stance towards monetary union. This section, which is the first half of the chapter, will first trace the change in attitudes towards the EC in the Labour and Conservative parties respectively, consider the details and implications of the SEA for Britain, and assess the state of Britain’s engagement with the EC at the turning point of the SEA passage in 1986.
Part II. Labour Party realignments up to the SEA

The Labour party was in power from 1974 to 1979, and during this time its policy on the EC (or, as it was known at the time, the European Economic Community or EEC) was one of skeptical engagement. Indeed, the entire party was a mix of those who were prepared to engage with the EC and those who were skeptical about the entire endeavor. Such was the mix that the Labour government held a nationwide referendum, giving the public the choice over whether Britain should remain in the EEC, into which the previous Conservatives government under Edward Heath had taken the country in 1972. Such was the divide in the Labour party over EEC membership that then-Prime Minister Harold Wilson took the unprecedented step of allowing even his Cabinet ministers to campaign publicly against each other in support of their respective positions. Even though the referendum was the government’s initiative, seven of the 23 Cabinet ministers supported leaving the EEC.

The lukewarm support for EEC membership in the Labour party can be seen in the response of then-Foreign Secretary James Callaghan, who would become prime minister in 1976 following Wilson’s resignation, in a 1975 radio interview with the BBC. When interviewer Robin Day asked him about the Labour government’s support for Britain’s EEC membership in the national referendum Callaghan replied:

*Callaghan:* I am not pro, nor am I anti.

*Day:* What are you doing on this programme?

*Callaghan:* I’m here because you asked me.

*Day:* You’re here to advise people to vote Yes, aren’t you?
Callaghan: I am here, and the Prime Minister has taken the same line; it is our job to advise the British people on what we think is the right result. Now there are a lot of other people who’ve always been emotionally committed to the Market. A lot of other people have been, always been, totally opposed to the Market. I don’t think the Prime Minister or myself have ever been in either category and that is not our position today. I’m trying to present the facts as I see them and why we have decided in favour of – now Britain is in, we should stay in. (Rose 2001: 209).

The referendum passed handily and Britain stayed in the EEC, but the Labour party continued to contain a significant number of members, including members of Parliament, who wanted Britain out. However, the Labour government soon faced far more serious problems than Europe as the economic situation in Britain declined in the late 1970s, leading the public to reject Callaghan’s bid for re-election and return the Conservatives, now under Margaret Thatcher’s leadership, to power in 1979.

This general election defeat and the discrediting of the Callaghan government’s handling of the economic situation provided an opening for the socialist left of the party to gain power. When Callaghan stepped down as party leader, three of the four candidates who stood to replace him were ideologically to the far right of the party, and when one of these, Michael Foot, won, this wing of the party exploited the window of opportunity provided by the election to reshape Labour’s policies on a number of issues, including Europe. Since the hard left was where most of the party’s Euroskeptics resided, the party returned to a more unambiguously skeptical policy on the EC.

In this move away from the center, a substantial portion of the party as a whole supported Foot. In October 1980 annual Labour Party conference, the entire party voted by a margin of 5 million to two million votes to leave the EC altogether (Forster 2002). This led some pro-European Labour party members such as Roy Jenkins and Shirley
Williams and some two dozen others to split with Labour altogether to form the Social Democratic Party (which in 1988 would merge with the Liberal Party to become the Liberal Democratic Party). While Young (1999) cautions that Labour’s change in policy on Europe was not the only cause of the split, the departure of these europhiles from the Labour ranks further marginalized those pro-Europe MPs who stayed behind in the Labour party, leaving them with virtually no voice and the Labour party even more stringently anti-Europe than it might have been (Gowland and Turner 1999). However, given the margin of victory of three million votes in the Labour party’s decision to advocate pulling Britain out of the EC, these pro-Europe remnants would not have had much of a voice even had the small number of secessionists (though some, like Williams and Jenkins, were influential) remained.

The Labour Party maintained its strong opposition to European integration throughout Thatcher’s first term; indeed, the party’s manifesto for the 1983 general election, entitled *A New Hope for Britain*, declared among other aims that if Labour won it would begin steps to remove Britain from the EC. The public was unimpressed: the election result was a landslide returning Thatcher’s Conservatives to power. The Labour party had not lost so many seats in Parliament since the election of 1935 and barely preserved its second place standing, winning 27.6 percent of the overall vote to 25.3 percent for the Liberal-SDP Alliance. Among other judgments, “Labour had been severely punished for its chronic disunity. But the electorate's verdict also represented a decisive rejection of the programme offered by the ‘hard left’ or ‘Bennite’ wing of the party” (Gowland and Turner 1999: 237). With this huge electoral loss the credibility of the hard left that had governed the party since 1979 diminished. Gerald Kaufman, a
Labour MP and cabinet minister in the 1970s, famously referred to Labour’s election manifesto as “the longest suicide note in history” (Gowland and Turner 1999: 237). The Labour party platform had rested on three main planks: Britain’s unilateral nuclear disarmament, restoration of trade union rights within the party structure, and withdrawal from the European Community. While Europe may not have been the dominant issue in the election, since the entire party platform was so thoroughly rejected, it along with the other two planks was slated for reform. The “scene was set for yet another reversal of policy over Europe” (Gowland and Turner 1999: 237).

Following the 1983 election defeat Neil Kinnock succeeded Foot as party leader. While the hard left Foot had been Kinnock’s mentor, Kinnock saw the need for a return of the party toward the political center, including a departure from the pledge to remove the country from the EC. Kinnock’s election to the party leader post was made easier due to the fact that Tony Benn, the influential leader of the hard left in the Labour party, lost his seat in the 1983 election so he could not challenge for the party leadership.\(^{13}\)

Kinnock was apparently reluctant to abandon the principle of unilateral nuclear disarmament, which he held dear, but he reported later that he was glad to have abandoned Labour’s promise to bring Britain out of the EC if elected, saying that he had had doubts about the EC policy even prior to the 1983 election. Thus, while official party policy remained exit from Europe through the 1987 general election, Kinnock

\(^{13}\) A similar fate was to befall Conservative MP Michael Portillo in 1997. Portillo had been considered the frontrunner to become the leader of the Conservative Party should John Major step down, but he lost his seat in the landslide Labour victory in the General Election of 1997 and the post went to the young William Hague.
immediately began to move away from that formal stance, most strikingly by not opposing the SEA in 1985-6, to be discussed below.

**Part III. Stage One: 1983-1987**

Because the party had lost by such a wide margin to the Conservatives in the 1983 election, most party members recognized the need for comprehensive change, although there remained a stalwart few hard left members, such as Tony Benn, Dennis Skinner, Austin Mitchell, and Peter Shore, who continued to express animosity towards the European policy shift (George and Haythorne 1996). Following this blowout defeat in the 1983 general election, the Labour leadership had to begin to rebuild the party’s standing in the eyes of skeptical voters. After the last Labour government had been forced to call in the IMF to rescue the country from its dire financial situation in the mid 1970s, Labour needed to prove to the voters that it could be trusted to run the country’s economy. Also, after the Labour party split in 1981 it needed to prove that its internal divisions had ended, and thus restore public confidence in its political viability (Holden 2002).

The size of the Conservative victory over Labour in 1983 meant that Labour was a particularly weak Opposition party between 1983 and 1987. Indeed, the party barely held onto its position as the official Opposition (the Social Democrat/Liberal alliance nearly placed second in the polls, garnering 25.4% of the vote to Labour’s 27.6%). Thus, as the party began to change in several policy areas, on Europe Labour adopted a policy-making strategy of “‘preference accommodation’” rather than “‘preference shaping’” (Dunleavy 1991): rather than try to create its own terms of the debate over
Europe, the party decided to reserve its limited political power to contesting the Conservatives on the latter’s own ground. In other words, Labour allowed the Conservatives to set the terms of the European debate, a strategy the party continued well into the Blair years (Holden 2002). At this time, the Conservative government was the “party of Europe” and pursued a pro-EC policy, focusing on issues such as achieving Britain’s budget rebate from the EC, which Labour supported, and creating a single market, which Labour did not.

Europe was not only one of many policy areas in which the Labour leadership recognized it needed comprehensive change; in a sense, Holden argues, European policy provided the spark for the comprehensive policy changes Labour enacted. This was in part because the Conservative majority was so large that Thatcher’s government blocked any way for the discredited Labour Party to influence domestic policy. Only at the European level did Labour have a chance to gain influence, something the party gradually recognized in the mid 1980s as British unions engaged with continental counterparts in the EC, and after Delors’ invitation in 1988 to embrace a social element to the single market, discussed below (Holden 2002).

From 1983 to 1987 Labour began to move away from complete disavowal of EC membership, recognizing that the party’s 1983 electoral platform of immediate withdrawal had been unpopular with voters. By 1984 Labour had ceased to advocate withdrawal from the EC, and party leadership began instead to promote reform of the EC from within as the party’s European policy, which they did in the 1984 European Parliamentary (EP) elections. According to Tindale, this policy revision on Europe “was
necessary, but probably also sufficient, to remove the issue as an embarrassment to the party” (Tindale 1992, 281).

However, while Labour leadership recognized a pragmatic need to change the party position on Europe, their first efforts after 1983 to revise European policy were unfocused and halfhearted. The party was not enthusiastic about integrating within the EC and still advocated withdrawal if EC did not reform. Moreover, the party demanded that Britain reclaim parliamentary powers for Westminster that it had ceded to the EC, an ironic instance of cross-cutting cleavage, since this was to become a rallying cry for Conservative euroskeptics in the 1990s and beyond. For now, however, it was Labour that articulated fears regarding loss of national parliamentary sovereignty to EC institutions (Daniels 1998). Ideologically, the party was not yet willing to make the transition to a more favorable EC policy.

Not only was the party leadership’s decision to remove withdrawal from the EC as a policy goal after 1983 a bid to appease voters, it was also a party management issue, as Kinnock set about defeating the hard left within the party, led primarily by Tony Benn (Tindale 1992). Indeed, party management was the main issue for Kinnock after 1983, as he had to reunite the party and consolidate his own authority over it. Attitudes about European integration were so divided within the party that EC policy was tangled up in the battles among party factions over which would determine the party’s overall ideological approach (Daniels 1998).

Thus, in the immediate years after 1983 Europe was more of a party management issue than an ideological one. Kinnock said that once his grip strengthened on party management, he could change the European policy fairly readily (Daniels 1998). But the
battle to persuade the rest of the party to go along with this pragmatic change in policy would not be easy. Because the party’s pledge to withdraw from the EC had contributed to such a disastrous political defeat it was on the chopping block along with other Labour policies as Kinnock sought to overhaul the party. This was a particularly delicate area of reform because in 1981 the party had split in part over its policy on Europe, with pro-European party leaders forming the new Social Democratic Party. Kinnock had been an “anti-marketeer” before 1983 and he defeated a pro-European, Roy Hattersley, in the 1983 party leadership contest. But Kinnock had to balance the far left in the party as well. While the “soft” left helped Kinnock win the party over and consolidate his hold on party power, the hard left, which had been controlled by Foot and then Benn, remained opposed to the EC (Daniels 1998). Therefore, Kinnock had to tread carefully on the Europe issue, balancing the various stances while articulating a new one for himself (Featherstone 1999), though some believed he had already begun to change his opinion on Europe both ideologically as well as pragmatically (Gowland and Turner 1999).

In the mid 1980s Labour’s shift on European policy was subtle, often a matter of tone, under- rather than over-statement on the issue, as Kinnock and Hattersley, the deputy party leader, gradually shifted attitudes within the party. This understated approach led to the impression that “the shift on Europe was tactical and opportunistic and the early policy statements seemed to lack a genuine commitment”, in keeping with the reading that at this stage the change was for pragmatic rather than ideological reasons (Featherstone 1999, 4). All in all, Labour’s policy change from anti- to pro-EC was not

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14 Benn lost his seat in parliament in 1983 but returned to Parliament in a by-election in 1984 and reasserted leadership over the hard left of the Labour Party.
a smooth progression: “In 1983-1987, Kinnock guided the party away from withdrawal to acceptance, albeit conditional and unenthusiastic. All talk of withdrawal was quietly dropped after 1984; although official party policy remained that withdrawal was an option, there was no mention of it after the 1987 general election manifesto. But neither was there any sense of enthusiasm” (Tindale 1992, 277).

**Labour’s SEA policy**

When debate on the Single European Act began in Parliament in 1986, Kinnock was still struggling to bring the bulk of the party around to a pro-Europe stance; in any case, Labour was not prepared to support the free market agenda inherent in the Single European Act. The SEA aimed to establish a single internal market of goods, labor, services and capital in the EC by 1992, which necessitated a greater level of political and economic union among member states in the EC (European NAvigator 2010). The party’s hard left still objected not only to the SEA’s free market intent but also to the loss of “Westminster sovereignty” that enacting the single market would entail (Holden 2002), though some suggest that by then Kinnock and others in the party were beginning to see the benefits of pooling sovereignty at the EC level in order to achieve Labour’s greater agenda (Tindale 1992, Gowland and Turner 1999).

At this stage, however, the Labour Party was still caught up in battles among factions and the aftermath of the miners’ union strikes of 1985, and if it was concerned about anything at the EC level, it was about the need for reform of the EC’s Common Agricultural Policy (CAP) and getting Britain’s rebate from the EC budget. Unusually in the combative Westminster parliamentary system, the Labour Party was in agreement
with the Government’s policy on these two issues. Labour also wished to focus on getting more social funding as well as regional aid from the EC, the latter in part because it gave the party, which controlled many of the local councils in Britain, an opportunity to extend its power at least at one level in Britain, since it was shut out at the national level (Tindale 1992, Gowland and Turner 1999).

Labour was not, therefore, focused on the Single European Act, which George Robertson, Labour’s Foreign Affairs spokesman, declared to be “‘wholly irrelevant’”, and “‘a diversion from the real task before us’”—that is, the agenda mentioned above (Featherstone 1999, 4-5). In any case, the party opposed the SEA in 1986 on the grounds, at least as Kinnock explained in 1992, that it did not contain any social protections for workers and others assumed to be adversely affected by the single market (House of Commons Debates May 20, 1992). In fact, the SEA did contain a pledge that member states would work together to achieve democracy as understood under the European Social Charter, among other measures, but this was not binding. Signatories to the SEA pledged to improve working conditions, worker health and safety, and harmonize these standards across the Community. Article 21 Title 5 of the treaty called for a new measure to increase both “economic and social cohesion”, to harmonize among member states.

Compliance with SEA mandates was to be enforced by directives but these had no teeth, as Kinnock suggested: in fact, the text emphasized that the pursuit of such standards should not impose an administrative, legal or financial burden that would hamper small and mid-size business development (SEA Article 21). Even Article 25, on environmental protection, cautioned that any actions taken on environmental issues must
first take into account, among other considerations, “the economic and social development of the Community as a whole and the balanced development of its regions” (SEA 2/17/86).

But while Kinnock in 1992 may have characterized the lack of enforcement of a social charter as the reason for Labour’s opposition to the SEA, he did not voice this objection during the SEA debates in the House of Commons in 1986, when the bill was under consideration. At the time, his sole remark on the bill was that the Government was mismanaging the process of pushing the bill through Parliament and was not providing enough time for debate on such an important measure:

I see that the Government are now in such a complete muddle with their business that progress on the remaining stages of the European Communities (Amendment) Bill is to be taken on Friday as well as on Thursday. That is really not satisfactory for legislation that has such serious constitutional implications for this country's relations with the Community; will the right hon. Gentleman guarantee that Third Reading will be taken separately, so that hon. Members on both sides of the House can fully contest the dangerous provisions of the Bill, which will result in a loss of powers by this Parliament if that legislation is ever enacted? (House of Commons Debates June 19, 1986)

Indeed, this suggests that Kinnock’s concern at this point was the loss of Westminster sovereignty implicit in the SEA; whether this was his main ideological concern at the time or whether it was an expression of the delicate party management he was then in the midst of is unclear. In any case, this was the only time in all the debates over such a momentous bill that the leader of the Opposition spoke out about the measure. Despite Kinnock’s call for time to debate such “serious constitutional implications” he was nowhere to be found for the “serious” debates that did take place, either in April 1986 for the second reading of the bill, or in July for the third reading of the bill, when the
Government did in fact give the time Kinnock demanded above. Nor, despite the bill’s “dangerous provisions”, did either Kinnock or his shadow chancellor, Roy Hattersley, vote either on the second or on the third reading of the bill—although future notables Tony Blair and Gordon Brown did vote against the SEA on the key second reading (Hansard 1986).

These absences suggest that Kinnock chose not to engage in this particular battle. All of this seems to confirm Robertson’s assertion that the SEA, despite its ideological implications for the party (both in terms of diminishment of parliamentary sovereignty and establishing a sweeping free market agenda in the EC, both of which the party opposed), was, oddly enough, simply not that important to Labour. This no doubt had to do with the weakness of being a tiny Opposition, thus according with Dunleavy’s (1991) argument of preference accommodation: Labour had to accept the playing field imposed by the ruling Conservative Government on SEA ratification—since the Government would be able to ratify the treaty even with Labour’s objections, Labour did not even try—while saving strength for other battles. Still, at this time this was a central ideological issue for Labour. In 1986 Kinnock also seemed reluctant to draw public attention to Labour’s opposition to European integration (Forster 2002). Holden (2002) suggests that this was done in order to maintain cohesion among the various groups under the Labour Party umbrella while Kinnock gradually undertook change on the European issue. Overall, it seems that in 1986 it was process (or party management) that shaped Labour’s response to the ideological threat presented by the SEA, not substance.
Ties with ideological partners in Europe

One of the advantages to engagement with Europe that the Labour party discovered as it began to change its outlook about the EC in the 1980s was the possibility of cooperation with its counterparts in socialist parties in other EC member countries. Some, such as the journal Opportunity Britain, suggested that this could be an advantage Labour held over the Conservatives, collaborating with fellow European Socialists and Social Democrats in order “‘to defend Britain’s interests and build a stronger Community’, specifically in the area of tackling unemployment through “European economic growth”. (George and Haythorne 1996, 117) More importantly, meetings with its European counterparts gave the Labour party, long in opposition at home, a forum in which to articulate its policy aims (George and Haythorne 1996).

Labour had been isolated from mainland leftist parties: in 1979, for instance, the Party had been unwilling to sign a common manifesto with other socialist parties in the European Parliament elections. By 1984 Kinnock was willing to do so, although Labour promptly made it clear that it disagreed with the mainland socialist parties on a number of issues, including the EC budget, the EP, and the European Monetary System (EMS). Still, it was a substantial step towards cooperation (Featherstone 1999).

Change came in part as Labour realized that it could cooperate with its continental counterparts, and became convinced that their enthusiasm for EC integration was both laudable and workable in the British context. Labour both wanted to learn from social democratic practices in Europe, but also to improve British practices, aided by growing links between British and continental trade unions. Increased contact with mainland counterparts was to play a substantial role in what Tindale calls “the Europeanisation of
the British Labour movement”, although the Europeanization, at heart, “was primarily a response to prolonged and serious failure” in the party (Tindale 1992, 288).

Part IV. Unions

British trade unions came, with varying degrees of enthusiasm, to support engagement with the EC because of: loss of political power at the national level; increased interaction with mainland counterparts, where they realized an ability to wield some influence while being shut out at the national power level; and because Delors’ promise of a social charter allowed them political cover, a necessary bridge between their position and the otherwise free market European economic integration.

Unions shift on Europe

Unions have played a significant role in the Labour party since its inception, generally providing a majority of the party’s funding and wielding a large block vote at party conferences—though in general unions have been willing to accede to the policy direction established by the party leadership. This had changed in the late 1970s as the unions turned further to the left, but by the mid 1980s the unions had rejoined the more centrist coalition put together by Kinnock, supporting the leader as he sought to reorient the party in a more electable direction (Shaw 1994, Tindale 1992).

Just as with the Labour Party in general, wherein euroskeptics voiced a concern about retaining Westminster sovereignty in order to achieve socialist aims, within the trade union movement those opposed to EC membership argued that parliamentary sovereignty was required to achieve their socialist agenda. Not all unions were opposed
to EC membership in the early 1980s: some promoted membership as an opportunity to access new markets. However, the former, skeptical, position predominated among union members. Prior to the 1983 general election, “the bulk of British trade unions advanced the argument that the reconstruction of the British economy could only be accomplished with the reclamation of full economic sovereignty”. By withdrawing from the EC, the British government could impose import controls and use “extensive government intervention” in order to restore the British economy (Rosamond 1998, 133).

After the 1983 election, the issue of Europe was rarely discussed formally among unions, but nonetheless union attitudes about Europe began to change. First, unions began to realize that working within EC institutions could be beneficial to union interests. Unions expressed concern over the SEA when it was signed in 1986 – it was seen as “an instrument of capitalism” that needed a “human side” (George and Haythorne 1996, 118). Like their European counterparts, trade unionists began to lobby for a social charter to accompany the SEA, which would not, they feared, adequately protect workers’ rights. For them, as for others in the Labour movement who came to support the EC, a single market was insufficient: one must have a single community as well, one in which the market served the people, advocates such as Labour MP George Foulkes claimed (George and Haythorne 1996).

Among the unions, the Trades Union Congress (TUC) first began to say that it might be prepared to accept the move towards a single market if social provisions were put in place (Rosamond 1998). As the decade wore on, “For union leaders, EU-level activism came to be seen as a major, maybe the only, route forward” (Josselin 2001, 69). Unions had been shut out of domestic political decision-making upon the Conservatives’
election, so they gradually began to see the EC as a place to have influence and develop coordinated economic policies (Josselin 2001).

Unions saw Europe as a way to regain some of the political power they had lost when Conservatives won in 1979, so by the late 1980s most unions, led by the TUC, wanted the Labour party to take on a more pro-European policy. The TUC’s determination to display a Europeanist slant was shown by “the enthusiastic reception it gave to the rather anodyne speech given to its congress by Jacques Delors in September 1988”, to be discussed later (Featherstone 1999, 6).

In general, union attitudes towards European integration depended on what sector the union belonged to (for example, export- or import-based) as well as other factors (Josselin 2001). But because the British labor movement is relatively centralized (in comparison to many mainland European labor movements), it had a relatively uniform take on the EC and, later, EMU (Josselin 2001). Rosamond argues that it was “remarkable” just how unified the unions were in eventually accepting the single market with the social dimension, given how disparate unions’ interests and attitudes about European integration were. Rosamond attributes this uniformity to the leadership of the Trades Union Congress’ General Council and the fact that so many of the unions had decided for themselves how well Europe might be used strategically to achieve their aims (Rosamond 1998).

The key element in the British unions change in attitude towards the EC in the 1980s was the TUC secretariat changing tack and adopting a pro-Europe stance. Prior to the 1979 General Election the TUC had opposed ERM membership, fearing that it would harm British growth and employment. In the 1980s the TUC began to thaw towards the
EC, but remained opposed to EC membership until the late 1980s when the Delors Report advocated a social contract mitigating the free market implications of the Single Market. Then the TUC Congress welcomed, with some reservations, the Delors Report and then backed ERM membership in 1989 (Josselin 2001).

According to Rosamond, Delors’ speech to the 1988 TUC Congress “was a very public signal of the ‘new’ trade union approach to European integration” (Rosamond 1998, 134). At the same Congress, the General Council delivered to the Congress a report that developed the means of achieving TUC goals within the coming single market. Among other things, it acknowledged that the TUC would need to consider the European element in everything it did, and that, increasingly, issues that were central to union interests, including collective bargaining, would fall under European authority. It was important that unions continue to cooperate with counterparts to smooth the shift in practices to a more European model, especially since they recognized “that effective exploitation by unions of the new European agenda could have an important part to play in undermining the dominance of Thatcherism in the UK” (Rosamond 1998, 135).

In advocating the “social dimension” to the single market, Delors gave the unions an opening that to some degree legitimated their conversion to support for the EC from a socialist perspective. Delors’ proposal allowed them a justification for the gradual lean towards more EC engagement that many of the unions had been undertaking throughout the mid 1980s, tying in with classical left concerns about social justice incorporated into the impending reality of the single market, to be enacted in 1992. By allowing the unions to oppose the Conservative Government—which rejected the notion of a social dimension as intervention in the market—while still supporting increased engagement in
the EC, it also gave the unions a means of solidifying their position on Europe in the domestic political milieu (Rosamond 1998).

Following the unions’ Delors conversion, the TUC began to advocate that the EC gain more authority in social policy. The unions began both to lobby EC institutions and to extend ties with continental counterparts (Rosamond 1998). In 1989 the TUC supported ERM as long as it included inter-EC cooperation on economic growth strategies. The unions were willing to support membership of the ERM on the basis of its presumed ability to manage inflation and stave off recession (Rosamond 1998). The TUC felt it would have more power within Europe than without (Daniels 1998).

**Comparison of best practices**

Unions began to adopt continental-style social democratic means of achieving “social progress”, turning away from the more uniquely British socialist approaches that the electorate had rejected in 1983. One way in which British trade unions were able to evolve from a position opposed to EC membership in 1983 to support of it by the end of the decade was through a comparison of best practices with continental trade unions. Both the Labour Party and the trade unions wanted to learn from social democratic practices in Europe, but also to improve British practices, an endeavor that was aided by growing links between British and continental trade unions (Tindale 1992). Rather than question, after 1983, whether the UK should be a member of the EC, unions began to ask instead how best to maximize the benefits of membership (Rosamond 1998).

By the end of the 1980s, unions were taking Europe into account in all their decision-making and strategizing. According to Rosamond, “union preoccupations have
become ‘Europeanized’”, something that became particularly clear in the acceptance across a range of unions of the notion of “workplace rights which constitutes a major break with the ‘voluntarist’ traditions of British industrial relations” (Rosamond 1998, 138). In addition, British unions became more reactive to Europe in how it affected sectoral interests, accepting a change, through their debates with German unionists over the differing models of workplace relations “from the promotion of British style ‘collective laissez-faire’ industrial relations towards a more ‘continental’ rights-based conception of the regulation of the labour market” (Rosamond 1998, 144). This shift by the unions allowed the Labour Party the political opportunity to move from advocacy of “collective rights (such as the ‘closed shop’) to guaranteeing individual rights, on the European model” (Tindale 1992, 291). This entailed an acceptance by both the unions and the Labour Party of how more than a decade of Conservative government had altered the political landscape to favor a more individualist outlook, a confirmation of Holden’s (2002) observation about how, particularly in matters pertaining to Europe, Labour preferred to pursue a policy of preference accommodation, or accepting the Conservative playing field, rather than continue to try to shape their own (Tindale 1992).

**Political pragmatism**

The unions recognized that under Thatcher their domestic political power had drastically waned, and saw Europe as a possible avenue for maintaining power by a different means. Moreover, the EC actively sought out British trades unionists as part of the EC’s “consensual framework”, unlike the adversarial nature of British politics. The unions needed the EC to wield influence somewhere, but the EC, particularly under
Delors needed British trade unions to foster the integrationist project. As Tony Benn observed: “‘The TUC never gets invited to tea at No. 10 these days, but it is invited to three-course lunches in Brussels because M. Delors needs the TUC’” (George and Haythorne, 1996, 118). A widespread perception held that a hostile prime minister drove British trade unions into the arms of Europe. TWGU General Secretary, Ron Todd, said in 1988: “‘In the short term we have not a cat in hell’s chance of achieving [worker participation and industrial democracy] in Westminster. The only card game in town is in a town called Brussels’” (Rosamond 1998, 143). But it was not just about the clash with the Thatcher government; the launch of the single market by 1992 was such a transformational matter that trade unions would have had to respond to its advent no matter what the nature of the government and its “rhetoric” (Rosamond 1998).

Thus, unions became pro-EC in large part because they sought a new avenue of power after the domestic national political path had been closed by the continuing re-election of Thatcher and the Conservatives into national office. The TUC Asst General Secretary advocated a position of working from within the EC to make sure that the single market contained a social protection element (Josselin 2001). Still, going down this path altered the unions’ perception of the EC “and their own role in its construction” (Josselin 2001, 68). Overall, unions pursued a type of two-level game in this context, considering whether and how best domestic political influence might be achieved through engagement at the European level (Rosamond 1998).
Labour and the unions

From 1983 to 1987, Kinnock and his allies in the party leadership sought to disentangle Labour’s fortunes from those of the more militant unions, which had become perceived as partly to blame for Britain’s economic malaise. This perception strengthened as Arthur Scargill, head of the National Union of Mineworkers (NUM), led the nation’s coalminers out on a prolonged strike in 1985, in a faceoff with the Thatcher government over mine closures that the Government would eventually win. The “militant” Scargill was part of the party’s radical left, and his “total dedication and unblinking dogmatism” directly contradicted the carefully centrist line that Kinnock was trying to take in reshaping the party (Shaw 1996, 172). While Kinnock could do little during the strike without risking further fissures in the fragile party, a key result of the strike was that many in the party began to believe that a return to more moderate policies was the party’s only viable option. While Kinnock’s personal reputation took a knock for his unwillingness to take on Scargill and the other militants at the time, his agenda for the party began to take hold (Shaw 1996).

In a speech at the 1985 Labour Party Conference, Kinnock solidified this shift by attacking Militant, an extreme left group in the Labour Party, saying that the party needed to relinquish divisionary, unrealistic tactics in order to succeed. The hard left denounced Kinnock, but most of the soft left supported his stance (Shaw 1996). His speech was passionate and stirring and was seen as a “key turning point” in the party’s turnaround, though Featherstone notes that Kinnock was careful not to denounce Militant until he was certain that he had the backing of the bulk of the party structure (Featherstone 1999, 4).
The British trade unions gradually accompanied the overall Party’s shift to the center, including the progressively more pro-European policy, although some remained skeptical (Josselin 2001). Even the skeptical unions, however, accepted the fact that Europe now played a key shaping role in their operating environment (Rosamond 1998). The willingness of the unions and most of the left in the Labour Party to at least go along with the new enthusiasm for EC integration was key for Labour's future prospects: the significant divisions that were developing at this time in the Conservative party over Europe came to cripple that party’s ability to govern, and undermined its standing with the public (Forster 2002).

While the Labour Party increasingly could be considered pro-European as the decade wound down, the trade unions were “less wholeheartedly converted” (Tindale 1992, 299). But with Kinnock’s efforts to diversify the party’s support base, he no longer had to depend so thoroughly on unions as previous Labour leaders had (Tindale 1992). Labour had embraced EC integration, including ERM, in part because it had to broaden its electoral base beyond just the working class, which it could no longer solely depend on to be elected (Shaw 1996). Kinnock had to persuade the broad middle class that their interests would be safe under a Labour government, which no longer would be looking out only for trade union interests, as had been the widespread perception. In other words, Labour “set out, successfully, to convert itself into a mass party rather than a class party” (Tindale 1992, 300). On Europe, the Labour party leadership found that the willingness of many unions to accept Delors’ overture on the social charter made it easier for the party to adopt a pro-European stance, but it was not going to allow the continuing
skepticism of other unions to turn the party away from its new—and increasing—Europhilia (Tindale 1992).

**Part V. Stage Two: 1987-1990**

Labour’s huge defeat in the 1987 election persuaded the party of the need for radical and thorough policy change, including the conviction that it was time to fully support Britain’s membership of the EC (Featherstone 1999). Delors allowed Labour a political opening by promising social modifiers for the single market (George and Haythorne, 1996). The ERM, touted as an anti-inflationary and economic stability measure, promised a way for Labour to build a reputation for sound economic judgment (Shaw 1996). John Smith, a longtime europhile, became shadow Chancellor after 1987 election, which helped influence the direction Kinnock was already preparing to take. Taking a pro-European stance at the 1989 EP elections allowed Labour to take advantage of Thatcher’s growing unpopularity and anti-European platform, and the success Labour enjoyed there encouraged it to proceed along the pro-EC path (Featherstone 1999). But the transition was not simple: the party had to change its ideology along the way, and there were groups that still resisted, though more were willing to go along than had been the case in the earlier part of the decade (Tindale 1992).

**Electoral defeat and Policy Review**

In 1987, Labour lost to the Conservatives for the third consecutive general election, by nearly as wide a margin as it had in 1983 (Cronin 2004). The loss devastated the party, since it indicated that its well-run campaign and, more importantly, the policy
changes it had made so far, had not persuaded voters to shift any support from the Conservative to the Labour Party (Featherstone 1999). Although they had not expected to win, Labour party members were dismayed to find that they had gained only 20 seats in Parliament raising its total to 229, its second lowest number since 1945 (Shaw 1994). While Kinnock and his allies had undertaken some changes in policies following the 1983 general election defeat, Labour's 1987 general election loss confirmed the growing sense among party members, parliamentarians, media, and public that the party had to change comprehensively in order to convince the electorate that it would not pursue socialist economic policies if elected (Daniels 1998).

The party still had not done enough to convince voters of Labour’s credibility, so Kinnock went for comprehensive reform, the most thorough overhaul of policy that the Labour Party had ever undertaken (Tindale 1992). One of the policy areas where change was considered necessary was Europe. The second stage of Labour’s transition to a pro-European party began with the launch in 1988 of a Policy Review process in which the party undertook assessments of its policies in every issue area, including Europe. As a result of the policy review process, Labour began to pursue a yet more positive approach to European integration. Because the reviews undertaken were so comprehensive, the party’s transition on Europe policy gained credence with observers (Daniels 1998).

Labour’s policy of withdrawal from the EC in its 1983 election manifesto had suggested a party that was not in sync with voter interests, not trusted to govern, and that was controlled by the hard left. While after 1983 Labour had abandoned its pledge to take Britain out of the EC if it came into power, its attitude about European integration had remained lukewarm rather than supportive. Its 1987 electoral manifesto had barely
mentioned Europe at all, but when it had, it had been unenthusiastic (George and Haythorne 1996). No longer discussing withdrawal, Labour promised instead to be “constructive” in Europe and that it would represent “British interests”, but warned that it would “reject EEC interference” in any part of its plans to rebuild the British economy (Featherstone 1999, 5). But this pledge, too, had been part of a manifesto roundly rejected by the voters. After losing the 1987 election, again by a wide margin, many commentators considered Labour’s attitude about Europe to be a significant part of why Labour lost in 1987 (George and Haythorne 1996). Labour leadership now tried to infuse its European policy with a little more enthusiasm for the project (Gowland and Turner 1999).

Indeed, the EC became a focal point of Labour party transformation, rather just one of many issue areas in the party’s platform that needed to be changed. In part this was because European policy by the late 1980s had become a salient point of contention between the two political parties in their battle for political power (Daniels 1998). In Labour’s European policy transition, growing Tory divisions over Europe would aid the Labour party leadership. By contrasting its new pro-European policy with the newly ideological rhetoric coming from some Conservatives, most notably the Prime Minister, Labour found a way to tactically exploit a weakness in what had previously been an area of Conservative electoral dominance and to bring itself back towards the electoral center ground (Featherstone 1999).

The Labour Party published its policy review in four parts: the second, released in 1989, offered the most thorough explication of Labour party policies, and among its results was a strongly pro-European stance (Shaw 1996). Entitled *Meet the Challenge*,
*Make the Change*, this part of the policy review “accepted the Single European Market” but also urged increased member state cooperation on social and environmental protections (Featherstone 1999, 5). After the 1987 defeat, Labour also became more willing to let go of some of the ideological concerns that used to constrain the party in return for domestic political gain. The policy review, for instance, indicated that the Labour Party was less concerned about the potential loss of Westminster sovereignty: more important was the fact that its leadership saw ways of defeating the Conservatives through engagement with the EC. Labour Party policy on Europe also became more flexible about the national veto, though the party still urged protection of this prerogative (Featherstone 1999, Daniels 1998). Overall, however, as Tindale observed in 1992, “The EC is now seen explicitly as a forum which can be used to further Labour’s reformist social democratic goals” rather than as an impediment to them (Tindale 1992, 277).

The 1989 Labour Party conference endorsed *Meet the Challenge, Make the Change* by a solid majority (Cronin 2004), but no amendments had been allowed, suggesting that the party leadership had been concerned that some party members would not fully accept the changes recommended in the report (Featherstone 1999). In fact, the policy review process had been slow by necessity because party leaders had had to fight the party’s hard left, which opposed the changes. But the left’s power in the party diminished after the middle of the decade as the once straightforward cleavages in the party began to break apart into more complex, shifting “lines of demarcation”, while “attachment to factional groupings abated” (Shaw 1996, 219). The left was neither as cohesive nor as powerful as it had been at the beginning of the decade, as Kinnock’s
pragmatic reshaping of party structure and policy had taken much of the strength out of traditional ideological stances.

As a party management issue, the positive approach signaled by the policy review indicated a victory of Kinnock’s centrist strategy over the hard left in the party (Cronin 2004). In October 1988 the left made one last attempt to challenge the more moderate direction Kinnock was taking the party as Tony Benn issued a leadership challenge. He was trounced solidly, and that miscalculation and the continuing refusal to budge on ideological stances cause some leftist Labour politicians such as Clare Short, Margaret Beckett and Jo Richardson, who had been on the fence between the hard and soft left, to decamp to the latter (Shaw 1994). The hard left had officially lost sway over the party and therefore over the party’s European policy.

Supporting this notion of an ideological shift in the party as a whole, Tindale suggests that electoral opportunism could account for much of the shift in European policy between 1983 and 1987, but the shift after 1987 “from sullen acceptance to enthusiasm” involved more through changes in the party’s ideology as well as its strategy (Tindale 1992, 278). Among other policies, the policy review officially put an end to Labour’s goal of achieving a socialist economy through national economic self-sufficiency and thus resolved the dichotomy between that Labour goal and the EC’s raison d'être of international economic cooperation. Now, there was no ideological barrier to Labour’s new enthusiasm for EC integration (Tindale 1992).
**Delors at the TUC Conference**

EC president Jacques Delors came to the TUC’s conference in Bournemouth in 1988 and proposed to include social protections to modify the effects of the Single Market. The party’s strong approval of Delors’ proposal smoothed the way for Labour’s acceptance of Britain’s membership in the EC (George and Haythorne, 1996). The Labour Party welcomed Delors’ proposed social charter, which pledged to improve workers’ quality of life and workplace standards. Tony Blair, then the party’s employment spokesman, called the measure “‘just and fair’”, while the TUC described it as “‘a shorthand description of a decent society’” (Tindale 1992, 294). British trade unions’ largely positive response was aided by the fact that much of the agenda of the social charter respected national traditions, thus leaving room in British industrial relations for collective bargaining. Due to Delors’ direction, the European Community changed from being a more purely market oriented endeavor to one with more of a social focus, which made the entire enterprise more acceptable to Labour. Indeed, it allowed Labour to move from acceptance of EC to enthusiasm for it (Tindale 1992).

Not everyone in the party, however, accepted Delors’ overture. The far left of the party rejected Delors’ social charter as “a fig-leaf to cover the competitive free-for-all of 1992”, when the single market was due to come into effect (Tindale 1992, 294). But by 1988, the hard left’s ability to influence the direction of the party had diminished substantially (Daniels 1998). Likewise, some of the response from party members to Delors was a reflection of political opportunism rather than straightforward ideological conversion: for many, it was a pragmatic recognition that “The time was ripe and the atmosphere propitious for Labour and the unions to fete Delors. The Bournemouth
appearance was stage-managed; most of the delegates could not hear or understand Delors’ broken English, but they gave him three standing ovations nevertheless. At other times and in other circumstances, Delors might have been ignored” (Tindale 1992, 294). Anti-Europeanism was no longer a political winner in Britain, and Labour had to move beyond it.

At the same time, however, one cannot dismiss the ideological shift that genuinely had taken place within the bulk of the Labour Party. Delors articulated a vision of European society that Labour could support. Political opportunism alone was insufficient to shape the party’s policy on Europe. While Labour’s embrace of Europe after 1987 partly resulted from Labour’s wish to take advantage of Conservatives’ growing divisions on Europe, it was only able to exploit this opportunity because by this time Labour itself had largely eliminated or silenced its own divisions on Europe. If the party had not been in agreement with Delors’ goals, it could not have taken advantage of the Conservative Party’s European woes, just as it had not set itself against the government on budget rebates and CAP reform earlier in the decade because it agreed in principle with the government position (Tindale 1992).

Thus, Labour could not have taken political advantage of Conservative weaknesses without the ideological shift to a pro-EC position, which in turn could not have been made without Delors’ social charter. But as mentioned above, the hard left of the Labour party still rejected Delos’ proposals as a mere “fig leaf” that attempted to hide the free market agenda inherent in the single market. Had the Labour party been the same socialist party it had been at the 1983 general election, it would, like the left of the party in 1988, have spurned Delors’ advances. But the Labour leadership did accept
Delors’ proposals; it even “welcomed them as paralleling its own political aims. In the space of a decade, Labour had gone from British socialism to European social democracy” (Tindale 1992, 281-282).

Conservative divisions over European policy became more explicit after Prime Minister Thatcher delivered her famous speech at Bruges in 1988, in which she challenged Delors’ vision of the future direction of the EC. Thatcher’s Bruges speech and the changes in Conservative policy that followed also let the Labour Party draw a distinction between itself and the Conservative Party’s splits over Europe. Labour painted itself as the reasonable, moderate party representing Britain’s interests in Europe, a tactic the Conservatives once enjoyed (Lawson 1992).

The speech not only gave Labour an opportunity to exploit Conservative divisions on Europe, it also allowed the party to attack the prime minister herself directly on the issue. Thatcher quickly came to personify a new form of euroskepticism that Labour could define itself against, since it sprang from a source that was the opposite of the foundation of Labour’s euroskepticism. Thatcher objected to the growing interference of the European-level state in the marketplace, while Labour skeptics on the left of the party objected that European-level interference would impede the achievement of an economically self-sufficient socialist Britain. Indeed, “When Thatcher talked of the European Commission introducing ‘socialism through the back door’, there were many in the Labour Party who wanted to believe it, since there appeared to be little chance of getting it through the front” (Tindale 1992, 287). By this time the Labour party as a whole was willing to put aside its concerns about a loss of Westminster sovereignty to the EC because Westminster sovereignty was in the hands of Margaret Thatcher, and had
been for the last decade. Labour was becoming desperate to oust the Conservatives and their leader, and this political contest fueled the growth of the party’s new pro-European policies (Featherstone 1999).

Nonetheless, Tindale argues that ideological change outpaced pragmatic electoral appeal: that while part of the shift in Labour’s policy on Europe and its exploitation of the euroskeptic divide in the Conservative party was based on electoral aims, this was not a sufficient explanation for the party’s motives. Labour did not always oppose Thatcher’s Europe policies between 1983-87; indeed, the party frequently supported the Government, on issues such as CAP reform and the budget rebate, in a “bipartisan defence of British interests” (Tindale 1992, 277). It was only when the parties stopped agreeing that Labour began to take advantage of Tory divisions. Tindale adds, “And although the threat to withdraw was a vote loser in 1983, it is not clear that Labour’s support after 1987 for a Brussels-based Frenchman is guaranteed to improve its standing with the notoriously nationalistic British electorate” (Tindale 1992, 278). From an electoral standpoint, Labour may even have become too pro-Europe by the end of the decade for public taste, as by the beginning of the 1990s polls suggested that Labour’s support for Economic and Monetary Union well exceeded that of the public (Tindale 1992).

1989 European Parliamentary elections

By 1989 Labour had recast itself as the party of Europe, a moniker the Conservative party had long held. This rebranding was made easier due to Prime Minister Thatcher’s concurrent turn against European integration, stated to great effect in
her Bruges speech the previous autumn. Her Chancellor, Nigel Lawson, argued that it had always been the Labour party that had been characterized by its “hesitancy and bitterly divided counsels” over Europe: now, the Conservatives took on that unenviable characterization (Lawson 1992, 922). The reversal of policy both parties were undertaking became more evident in the course of the 1989 European Parliamentary elections.

In 1984 the Labour Party had campaigned in the elections for European Parliament on a platform advocating reform of the EC from within. By 1989, the party was prepared to be significantly more positive about the institution. In 1989, therefore, Labour presented itself as the pro-European party and claimed that the Conservatives’ anti-EC policy would leave Britain out in EC debates and would not serve Britain’s best interests (Daniels 1998). Labour candidates advocated deeper integration in the EC while Conservative EP candidates, who tended to be more Europhile than the predominating trend at party headquarters (Thatcher 1993), were caught in the shifting ideological tide of Conservative European policy.

As discussed above, Labour’s decision to adopt a pro-European position in the 1989 elections was a mix of electoral opportunism and ideological conversion. But Labour became able to maximize the benefits of its own ideological shift, particularly by contrasting it with that of the Conservatives’, for electoral gain. Meanwhile, Labour had also come a long way in its willingness to identify itself with the mainland socialist parties. While in 1984 Labour had reluctantly and with reservations signed on to a joint election manifesto with the Confederation of the Socialist Parties of the EC, it did not use this manifesto as its campaign platform for the British EP elections. In 1989, by contrast,
Labour used the joint manifesto it had signed with the European socialists as its British campaign platform (Tindale 1992). Thus, on issues such as the social charter and ERM “the Labour Party showed itself to be much closer to the evolving EC agenda. In short, Labour was far more in tune with ‘Europe’ and it could exploit Tory divisions to assert its own credibility” (Featherstone 1999, 6).

Once the votes were counted, Labour gained more seats in the EP election than did the Conservatives, winning forty-five seats (40.2 per cent of the vote) to the Conservatives’ thirty-two seats (34.8 per cent) (George and Haythorne 1996). While the electoral turnout was low Labour’s margin of victory allowed it to take the result as a sign that voters were beginning to view them as a credible alternative again, though they could not discount the idea that it was as much if not more a sign of dissatisfaction with Conservative policies and with Thatcher herself as an expression of favorability towards Labour. Nonetheless, it also confirmed to the party leadership that their new European policy was being received well, and encouraged it to continue along the pro-European path (Holden 2002).

Labour’s ERM policy

Following on the success of the party’s pro-Europe policy in the June 1989 EP elections, at the Labour Party conference in the autumn of 1989, shadow chancellor John Smith convinced the party that it was time for Labour to advocate entry into the ERM. This change in policy occurred in October 1989, after the party leadership removed Bryan Gould, a euroskeptic and unrepentant Keynesian, from the position of shadow Industry Secretary from which, aided by his role as the chair of the economic policy
group for *Meet the Challenge, Make the Change*, he had exerted some influence over the party’s ERM policy. Upon his removal, the more market-oriented economic opinions of Smith and Kinnock prevailed, after which “Labour embraced the ERM with the zeal of a convert” (Shaw 1996, 185).

Labour had long objected to ERM because it violated the party’s pledge of achieving national economic self-sufficiency and because of its deflationary bias, which party members believed to adversely affect jobs and growth. Now, the party leadership had become convinced that restricting British monetary policy within the ERM gave the country some protection against currency speculation, and would provide price stability (Shaw 1996). Moreover, ERM membership removed devaluation as an option for improving British industry’s competitiveness in the export markets, which made inflation less of a risk, and offered Britain the prospect of “stable economic growth” (Tindale 1992, 280). While the Thatcher government had achieved economic growth, the economy was not considered stable. John Smith, the shadow chancellor, held out membership of the ERM as a means of achieving both, and by achieving both, Labour would have more leeway to pursue its social democratic goals (Tindale 1992).

Advocacy of the ERM had the added benefit of giving the Labour Party some externally-imposed credibility as managers of the British economy (Featherstone 1999), or at least that was the party leaders’ plan, since the 1987 general election results had made it clear that the voters still did not trust the party in this area (Shaw 1996). Labour also saw sterling’s membership in the ERM as a way to fight the influence of international capital and multinational corporations in the British economy. Tindale writes, “The need to tame these Leviathans was a potent source of support for European
integration, and was seized upon by Neil Kinnock to justify his volte-face on the
Community: ‘In the age of multinational capital, democracy must be multinational too’”,
he said (Tindale 1992, 284).

On October 5, 1990 the Thatcher government took the pound into the ERM. As
this had been one of Labour’s European policy aims since the previous year, both
Kinnock and the shadow chancellor, John Smith, grudgingly applauded the move. Since
Labour’s support of the ERM lay on the basis that it would provide economic stability
and thus allow inflation to decline, which was precisely the Thatcher government’s
argument, Labour leaders had to focus their attacks on the Government in a different
direction. They claimed that Thatcher had gone back on her own “Madrid conditions”
that she had set out at the June 1989 EC Madrid summit, specifically her assertion that
Britain would not join the ERM until the inflation rate had dropped (by October 1990 the
inflation rate was rising, not falling) (House of Commons Debates October 15, 1990).
However, though his party, like the Government, supported ERM membership by
October 1990, Labour was not yet ready to endorse the next step of European economic
union that Delors was already advocating: the creation of a single currency. Kinnock
himself, much less the party’s rank and file, was still ambivalent about the merits of the
single currency, and in the House of Commons stated his opposition to an independent
central bank in Europe, another intermediary step in the establishment of a single
currency, as well (House of Commons Debates October 23, 1990). Labour tolerance of
European economic integration was still evolving.
Kinnock’s central role in the transformation of Labour Party policy

While some, such as Tony Benn, maintained that Kinnock sacrificed ideology for political expediency as he transformed the Labour party during the 1980s, others argued that such a trait was necessary to making Labour a viable political party after the devastating electoral loss in 1983 (Farndale 2009). By the party’s third consecutive general election loss to the Conservatives in 1987, even more people in the Labour party had become at least resigned to the changes on which Kinnock and other Labour party leaders were insisting (Gowland and Turner 1999). This was certainly the case with the party’s position on Europe. “By the time that Kinnock stood down in 1992, the party had started to see EC membership as an opportunity rather than as a constraint, and to discuss the issue in terms of the type of Europe that it wanted to see rather than in terms of whether Britain ought to be a member of any type of EC” (George and Haythorne, 1996, 119).

Interestingly, Kinnock’s willingness to change Labour party policies so comprehensively was recognized to be essential for the party, but did not lead the public at large to vote for Labour under Kinnock’s leadership. This was most damning in Labour’s narrow fourth consecutive loss to the Conservatives in 1992, after which Kinnock resigned as party leader. Some, argued that the very trait that made Kinnock’s leadership key for turning around Labour’s political fortunes, his ideological malleability,

15 Benn said, “Politicians are divided into signposts and weathercocks. Neil Kinnock gave up everything he believed in to get power and ended up with no one believing him about anything. That makes him a weathercock. Margaret Thatcher was a signpost. The trouble was, I thought her sign pointed in the wrong direction.” At http://www.telegraph.co.uk/news/newstopics/politics/6004384/Tony-Benn-making-mistakes-is-part-of-life.html.
was the reason why people would not vote for the party while he led it – they did not trust him (Shaw 1994). Nonetheless, he made the party a viable governing option again, and set the stage for future “new” Labour leaders, most notably Tony Blair, to bring Labour back into political power at last (Cronin 2004).

While critics like Benn asserted that Kinnock’s principles moved with the political tide, others of his peers believe that, on the matter of European integration at least, Kinnock’s conversion was both genuine and lasting. Kinnock had started off as a protégé of his predecessor as Labour leader, Michael Foot, a hard left politician opposed to Britain’s membership in the EC, and Kinnock articulated that position as well. But after the 1983 electoral defeat, it was Kinnock who took the party all the way to support for increased EC integration by the time Kinnock stepped down in 1992.

Kinnock, indeed, claims that he began to change his mind on Europe before 1983, having decided that the “political costs of withdrawal, let alone the economic costs of actually withdrawing, were too high” (Tindale 1992, 277). Regardless of whether his was an election-day epiphany or a reversal of longer standing, however, Kinnock began to try to shift Labour’s policy on Europe shortly after being elected party leader (Tindale 1992). Longtime euroskeptic Labour MP Barbara Castle reflected later that, in one sense, Kinnock had a similar transformation as Prime Minister Thatcher herself from being a pragmatist on European issues to an ideologue; only their attitudes went in reverse. In any event, Kinnock began a pragmatic skeptic and ended a EU Commissioner devoted to European integration (Gowland and Turner 1999).
Part VI. Conclusion

By the end of the 1980s, Labour was a party of Europe. A small skeptic remnant persisted but had little influence over party policy. While some hard left Labour parliamentarians, including Tony Benn, Dennis Skinner, Peter Shore and Austin Mitchell, continued to oppose membership of the EC and to disbelieve the professed benefits of membership, by the late 1980s, the party’s euroskeptics no longer played a role of any weight in the leadership of the Labour party (George and Haythorne 1996). Bryan Gould, the leftist euroskeptic who had opposed membership of the ERM, ran for party leadership in 1992, only to lose to the europhile John Smith. By 1992, “the majority of Labour MPs and party members now appear genuinely convinced of the merits of European integration,” and considered European policy to be a key element of Labour’s overall plan for Britain (Tindale 1992, 300).

Tindale argues, “the Europeanisation of the British Labour movement was primarily a response to prolonged and serious failure” (Tindale 1992, 288). After losing so disastrously to the Conservatives in three consecutive general elections, Labour had to reverse its policy on Europe. This change in European policy may have begun out of electoral necessity, “designed to convey the image of a party which is modern, credible and fit to govern”, but it eventually became an ideological transformation as party leaders found that they could meet their (new) goals within a pro-European stance (Daniels 1998, 79). However in order for Labour to become a, much less the, ”party of Europe” in Britain, not only did the Labour Party need to change, but the EC needed to change as
well. It did so under EC President Jacques Delors, who introduced social goals to the free market agenda of the single market (Tindale 1992).

In addition, in the course of Labour’s successful transformation, the party took advantage of the Conservatives’ own shift on European policy to advance its electoral interests, and managed to rid itself of its own party management issues over Europe only for the Conservatives to take them up (Featherstone 1999). This successful management of its own cleavages and the exploitation of the Conservatives’ growing divide over Europe became a weapon the party was to use to increasing advantage in domestic politics for the next decade-and-a-half, so that Labour’s successful transition in European policy reaped dividends well beyond what anyone might have expected as the painful, incremental adjustments were being made to it over the course of the 1980s.

Both Labour and the Conservatives experienced significant cross-cutting cleavages over Europe, as party members split over each party’s policy on European integration. While this meant that there were both euroskeptics and europhiles in each party, counterparts in opposing parties did not unite to advance their common cause during the 1980s, mainly because those holding each ideological position tended to be disorganized. In addition, their reasons for skepticism or support for the EC were too different: Labour skeptics tended to come from the left of the party, while Conservative skeptics tended to be to the right of theirs, while the reverse was true of europhiles (Forster 2002).

In addition, cross-cutting cleavages within each party tended to result from the fact that European policy did not lie easily within the traditional ideological boundaries that defined each party. Labour might support regional aid to Wales, for instance,
particularly as this supported depressed mining communities, but opposed the Single Market. Other Labour skeptics, especially early in the decade, might object to regional aid (and overall membership in the EC) as well, on the grounds that any interference in British politics undermined British sovereignty and also Labour’s ability to achieve state socialism (Tindale 1992, Forster 2002). These cleavages became more complicated as Labour sought to shift its base in order to become electorally viable again: Labour’s efforts to attract the middle class, for instance, complicated its ability to speak for its traditional working class and union base on both EC and other issues. It became more complicated again as the EC began to shift from a primarily market-focused enterprise to one that widened its net to social policies and to monetary integration.

Both parties experienced these cross-cutting cleavages over Europe: the important issue, from the Thatcher to the Blair eras, was which party managed its divisions better. While the Conservatives would seem to have done so through much of the 1980s, the fact that Labour was forced to make such big changes in order to regain credibility allowed it to address its cleavages and formulate a European strategy that most of its members would promote, especially since these members had learned that the alternative was political oblivion. The Conservatives, however, were in power, which arguably made big shifts in European policy more difficult as it would seem to admit that the Government had been mistaken before. The previous chapter, indeed, showed the fissures that began to multiply and deepen within the Conservative Party as Prime Minister Thatcher sought to change the Government’s EC policy midstream. Thus, while by the beginning of the 1990s Labour had managed to contain its cross-cutting cleavages
and present a largely united front on EC issues, the Conservatives’ cleavages over Europe were about to get much worse.
Chapter Four:
Conservatives 1990 – 1997: Maastricht, the Single Currency and Implosion


In late November 1990 Major won the Conservative party leadership contest, succeeding Thatcher. However, Major’s election as Conservative Party leader was by no means an end to the growing euroskeptic – europhile divide in the Conservative party delineated in Chapter Two. Major was the second choice for Thatcher supporters, who had wished to retain her as prime minister, and when in the second round of ballots he won more votes than Heseltine or Hurd both resigned from the race, so that the party did not hold the third round of balloting. This may have done Major a disservice in terms of leadership, since the lack of a third round prevented him from winning the votes of Heseltine’s and Hurd’s supporters and thus meant, in one sense, that he had not secured a mandate from the bulk of the party (Heppell 2008). Thus Major inherited a party of Thatcher supporters and Heseltine supporters, rather than a loyal following of his own.

One reason why he succeeded in the leadership race, however, was that before and during the leadership election he deliberately encouraged MPs of widely varying political convictions to believe that he supported their respective positions (Young 1998), a tactic he would continue to employ during his premiership.16 He also ran a well-organized

16 Young (1998) writes, “dating from [Major’s] time as Chief Secretary [of the Treasury], a journalist recalled an evening at a party conference when he had ‘bumped into one of the most pro-European Tory MPs’ and later ‘had a drink with a fiercely Euro-sceptic
campaign, particularly in comparison to Hurd and Heseltine, and his agreeable demeanor seemed a welcome change after 11 years of Thatcher’s combative style as prime minister (Hurd 2003, Lamont 1999). Overall, though, it was the support of Thatcherite euroskeptics, believing him to be Thatcher’s ideological heir (an impression Major did nothing to dispel), which propelled him to the party leadership (Heppell 2008).

On the other hand, Major’s ability to appeal to a broad spectrum of Conservative MPs did not translate into the creation of a loyal followership. After the leadership election those Conservative MPs who supported Hurd (who was mildly euro-skeptic in the sense that he opposed the single currency but was otherwise pro-Europe) and Heseltine (a strong europhile) did not support him fully. These MPs did not retain their loyalty to those two leaders in particular but did remain pro-integration after the election, while those who had supported Thatcher during the leadership election remained by and large both euroskeptic and supporters of Thatcher, even as she entered the House of Lords after the 1992 general election. Her elevation to the House of Lords did not prevent her from remaining active in politics and expressing her by now unfettered euroskepticism, and did not stop her supporters in the party in the Commons from turning to her for inspiration, particularly on European matters. In other words, few MPs were committed Major adherents, but rather former supporters of other Conservative leaders.

In December 1990 he began negotiations with the other 11 European Community leaders on the Treaty on European Union (TEU), more commonly known as the Maastricht Treaty. The treaty was to bring about further political integration and the
creation of a single currency, later to become known as the euro. According to Young (1998, 429), EMU was not just one aspect of the treaty to be negotiated, but rather was “at the heart of Maastricht, its central purpose”. Major came in to the negotiations at the head of both a party and a nation that traditionally had opposed deeper political integration, and in these negotiations Britain often stood alone in opposition to the direction of negotiation. Only Denmark also opposed the creation of a single currency. Major continued most of Thatcher’s policies going into the negotiations, such as opposition to: deeper political union; relinquishing the national veto; expanding qualified majority voting (QMV); and in general the creation of any federal structure in the EC. Like Thatcher, he supported the single market. Also like Thatcher, he knew that the negotiations on the treaty were inevitable, however undesirable they might be to the British. Moreover, even had his personal opinions been different, Major could not do anything that would promote rebellion in the Conservative party this close to the next general election (Gowland and Turner 1999).

Negotiations on TEU continued for nearly a year (Forster 2002). The treaty was a compromise for Britain, since it was unable to prevent the establishment of a single currency but was given the option to “opt-out” of the currency. Specifically, the treaty specified not only the goal of creating a single currency but a timetable for doing so. On this there was no compromise that would be acceptable to the British, so Major had to negotiate an opt-out while other member states proceeded. This was a change from a longstanding British policy of insisting that there would be no “two-speed” Europe: every member state should proceed at the same pace or not at all. The same applied to the “Social Chapter”, which Britain also opted-out of while other member states moved
ahead. While Major proclaimed the outcome of the Maastricht Treaty as a victory for Britain, in fact it was a more limited success because Britain had to give up on its long-held one-speed principle (Gowland and Turner 1999).

Overall, while his peers in the EC pressured Major, he was more influenced by domestic considerations at home, especially the Thatcher legacy. His negotiating stances during the Maastricht negotiations were “always subject to pragmatic political judgments based on party management criteria and considerations of electoral advantage. And the ultimate price of these domestic considerations proved to be the expedients of an opt out on social policy and EMU, with Britain leading the way to the very two-speed Europe which she had set out to oppose” (Forster 1999, 172). Clearly, between party division and lack of unison in Europe, Major considered a two-speed Europe the lesser of two evils. Ironically, once the ratification process began, he had both.

By November 1991, Major took the unprecedented step of presenting his negotiating stance to Parliament for its approval before the Treaty had been completed. At that time only six Conservative MPs voted against it. At this time the Government majority in the House of Commons was 95, so the significance of a euroskeptic rebellion against the government was negligible. “In December 1991 seven Conservative Eurosceptics voted against the government in a two-day debate on the treaty in the House of Commons” (Aspinwall 2004, 123). But once the May 1992 election wiped out most of the Conservative majority, the skeptic rebellion began to gain momentum as its ability to influence the outcome of votes rose substantially (Aspinwall 2004).

The House of Commons passed the motion to approve Major’s negotiating stance, but in truth the stance as presented to Parliament was both broad and non-specific,
making it easy to approve, but did not reflect the true scope of the government’s position at Maastricht. However, Major succeeded, for a time, in achieving his mandate from Parliament, since he gained a majority of 101 in the final vote, with only six conservative skeptics opposing it. (Forster 2002, 97).

Major took care to keep the details of negotiations secret from Parliament, even from most of his own government, so that potential opponents even (perhaps especially) on his own side were not in a position to object (Forster 1999).[Why the new line here?] However, the skeptics, at this time quiescent but who were later to object strenuously to the treaty and to complain about having been duped by Major, were partially at fault in this, since this information was readily available had they only looked to the Continent, where other member states were making details of the negotiations available to their own politicians (Forster 2002).

At this time the Conservative skeptics were not in the habit of looking to the Continent for anything, and it apparently did not occur to them to look there for information (Forster 2002). By this time Labour had established a habit of cooperation with allies in other EC countries as discussed in the last chapter, but Conservative skeptics had not. This was in part because those European groups of any significance that opposed the Maastricht Treaty tended to be so far to the right, such as Jean-Marie Le Pen’s Front National in France, that British euroskeptics wished to avoid any affiliation with them. While nationalism could be a strong rallying point in other European countries, in Britain it was viewed with suspicion, a fact that worked against the British euroskeptics later on as they tried to drum up popular support against the single currency in the general population (Williams 1998).
Externally, at the second level, Major faced tremendous pressure from peers in Europe as the successor to Thatcher in particular to show that Britain could cooperate on an agenda favored by most of the other EC members. Jacques Delors, the President of the European Commission, and others were pressing for increased European political union, to be cemented by economic union through a single currency. The TEU encompassed a number of pillars besides EMU, including reform of the European Parliament, judicial affairs, social issues, and a common defense position. But the EMU was a major step towards integration, and it captured popular and political attention in the UK as well as in other member states.

During the treaty negotiations, other country delegations plotted without the British because of their obstreperous reputation (Forster 1999); also the British lacked a strong positive proposal of their own but instead opposed the establishment of any treaty at all, so they were continually on the losing side of EC initiatives. After months of negotiations it became hard for the British, standing alone, to reject the whole treaty after so much work and so much pressure from other member states had taken place, if indeed refusal to endorse the treaty had ever been feasible. The sheer volume of work to be achieved pressured member states to approve parts of the treaty without much negotiation, and this pressure made it still more difficult for any country to object the overall treaty as too flawed. The prevailing sense at the negotiations was that an imperfect treaty was better than no treaty at all (Forster 1999).

Major kept his EC colleagues, other heads of government, apprised of the difficulties he was having with euroskeptics in his own party as well as with the Labour Opposition in an attempts to garner understanding of his predicament and give Britain
some advantage in the Maastricht negotiations. If Britain did not receive an opt out on EMU, these dispatches indicated, the British government would be in an untenable position. While this did promote understanding, however, Major’s revelations also unwittingly depicted him as a weak leader incapable of controlling his own party, much less his country, so the ploy did him little service at the EC level (Forster 1999, 67-8).

Delors offered Britain a way out, introducing the notion of a two-speed Europe, which suggested that the rest of the members could go ahead without Britain rather than allow it to be an impediment to the greater goal of political integration. (Forster 1999) This was a partial defeat for the British, who had wanted a generalized opt-out from the for any member country which chose not to join the single currency, but British negotiators lost this point in the usual 11-1 vote. While overall EC leaders considered Major to be a good negotiator, when one of his aides intemperately declared at the end of negotiations that Britain had won “game, set and match”, this did not endear the British, Major in particular, to other European leaders like French President Mitterrand and Ruud Lubbers, the Dutch prime minister and chairman of the Maastricht summit meeting (Young 1998). The main dissatisfaction at the British level would arise during the ratification process: at the time of negotiations, most euroskeptics accepted the result and applauded the EMU opt-out Major had achieved (Young 1998; Lamont 1999; Wincott et al. 1999).

Later, as Conservative skeptic MPs sought to block the treaty’s ratification, Major attempted to give Parliament a sense of the realities of two level politics and how the EC acted as a formal outside constraint that shaped British politics. On November 4, 1992, in the course of the ratification debate in the House of Commons, he said,
I know that it is the wish of some that the Maastricht treaty might not have been proposed by others in the Community. The fact is that it was. It is equally the case that we got the best out of it that we could in our own national interests. Those who argue that, because we did not propose the treaty, we should take advantage of present circumstances to ditch it do so in the belief that we could have everything we want in Europe and sacrifice nothing. I have to tell them that that argument is not real in regard to the way in which the Community conducts its business (House of Commons Debates November 4, 1992).

Major, like other British prime ministers, was caught between the imperatives of domestic political and EC level pressures.

Finally, Major came to identify himself and his political leadership with the success of the Maastricht treaty (Young 1998, 434; Williams 1998), which explained some of his decisions at the domestic level as he tried to get the treaty ratified. Some of these decisions would permanently alienate parts of his party. Forster writes,

The real problem for Major was that although his close control of information about the negotiations and avoidance of any real parliamentary – or indeed public – debate on most issues during the period 1990 and 1991 certainly paid short-term dividends in terms of controlling a potentially volatile domestic audience, it did so only at the cost of building up even greater suspicion and resentment for the future. The feeling of deception among Eurosceptic backbenchers, built up over 12 months of the IGC negotiations, was an important part of the backlash during the Maastricht ratification debates. And by the time the Maastricht Treaty had been ratified, the opportunity for calm and reasoned public debate about the issue of Europe was gone (Forster 1999, 181-2).

Major involved himself to a great degree in the negotiations over EMU, a task most leaders delegated to their finance ministers. Major had just left the post of British Chancellor to become Prime Minister just prior to the start of treaty negotiations, and

\[17\] Formal outside constraint shaping UK politics.
moreover did not seem to fully trust his chancellor, Norman Lamont, with the details of the EMU negotiations, which in any case Lamont did not appear to relish. It did mean that Major became more personally vested in the EMU negotiations in particular, than other EC leaders, and certainly he was personally vested in the success of the treaty overall (Forster 1999). His dedication was less due to his conviction of the need for a single currency or of his opposition to it: Major claimed that while he wanted to keep the pound and thought that the EC as a whole was not ready for a common currency, he also thought that Britain would have to join it someday anyway (Major 1999).

In summary, first, Major did a good job in the two-level game (Putnam 1988) at the European level at least. In its final form, the treaty was considered to be the best the British could get since the vote among the EC member states over treaty matters was most often 11 to 1, with Britain as the lone opponent. Moreover, at the EC level of the two level game Major did a decent job negotiating with his cohorts but the “game set and match” quote attributed to Major (though uttered by a British civil servant) was offensive to the European partners (Young 1998). Second, the Conservative euroskeptics were quiescent at this point, satisfied for the most part with the opt-out Major had negotiated from the single currency. Finally, Major became vested in the success of the treaty (Young 1998, 434; Williams 1998), which explained some of this behavior at the domestic level in trying to get the treaty ratified, moves that would permanently alienate parts of his party as time went on. But Major could not achieve a permanent resolution to the two-level game problem: solving it at one level put Major in an untenable situation at the other level. The compromise over the single currency that the prime minister struck at Maastricht soon exploded at the domestic level, while subsequent interactions at the
EU level meant that Britain’s estrangement from its European partners grew wider than ever. The prime minister’s attempt to balance this two-level conflict only succeeded for a short time.

Part II: TEU ratification and complications 1992-1993

In December 1991 the intergovernmental council delivered the completed treaty to EC leaders at the Maastricht European Council. Major duly presented the treaty to parliament, and in a parliamentary debate on the treaty on December 18 Conservative objections to the treaty were limited. This was due in part to the proximity of the general election, which would take place four months later, and which led Conservative dissidents to fall into line in the broader interests of the party (Gowland and Turner 1999). But it was also due to the lack of skeptic oversight on the Treaty, discussed above, and to skeptic conviction that given the government’s majority in Parliament, any objections would be, like those over the Single European Act in the 1980s, pointless (Forster 2002).\(^\text{18}\) Meanwhile Labour objected to Major’s negotiation of an opt-out from the Social Chapter, but otherwise supported the treaty as presented. However, Labour leaders had no intention of making the ratification process easy for the Conservative government.

In February 1992 Major signed the Treaty in its final form and introduced the European Communities (Amendment) Bill (or EC(A)B, the Maastricht Bill) Paving

\[\text{\textsuperscript{18}}\text{Forster cites Teresa Gorman, one of the most colorful Conservative euroskeptics, as saying, “with a majority of 100 a rebellion was futile. But with a majority of twenty Conservatives, a group of MPs can change government policy” (Gorman 1993, 36).}\]
Motion, the vehicle meant to pass the treaty through Parliament. It took one year to ratify the Maastricht Treaty, with 70 parliamentary votes and 61 Parliamentary debates taking place before Major at last achieved his goal (Forster 2002, 99). This was in contrast to the speed and relative ease with which the Single European Act had sailed through Parliament under Thatcher in 1986 (Gowland and Turner 1999). This was in part because backbenchers and government alike soon became consumed with the campaign for the next general election, which the Conservatives sought to win for the fourth consecutive time. The Conservatives had been in office for 13 years and the public had grown tired of the party’s rule, but was not necessarily convinced of Labour’s fitness to govern, especially since the Conservatives had a reputation for sound economic management that the Labour party had lost when last in power in the 1970s. However, in the early 1990s the country was in the midst of a deep recession, and it looked as though the voters might jettison the Conservatives in favor of Labour. The Conservatives, banking on Major’s personal appeal as the anti-Thatcher (i.e. congenial rather than combative), focused their campaign almost entirely on the prime minister (Foley 2002).

As mentioned above, Major won Parliament’s approval for the government’s negotiating stance on TEU, but by the time he brought the treaty back to Parliament for ratification, the political landscape had changed. While initially after the completion of treaty negotiations in December 1991 Major met with limited resistance from within his own party, with only seven Conservative euroskeptics voting against the government, not long after introducing the ratification bill into Parliament the prime minister began to face opposition from his own side (Aspinwall 2004). While the treaty did not change between the end of negotiations, when most euro-skeptics accepted it, to ratification, when it
became a point of contention, circumstances did change. Major could have rushed the bill through parliament prior to the 1992 general election but chose not to, believing that it would unnecessarily disrupt passage of other laws like the repeal of the hated poll tax instituted by Thatcher. It was a decision he came to regret (Aspinwall 2004).

Primarily, the power structure had changed in the Conservative Party. In the general election of April 1992, the Conservatives lost the sizable parliamentary majority they had held the previous November when Major put the negotiated treaty up for a vote (and won handily, 351 to 250). Now, the Conservatives held only a tiny majority in the House of Commons. This gave the skeptics on the party’s backbenches unusual power, which they used to oppose the Treaty. Moreover, the composition of Conservatives in the House of Commons had changed, as some Euro-enthusiasts had retired or lost their seats while incoming Conservative MPs tended to be more skeptical (Wincott et al, 1999).

On April 9, 1992, the General Election took place. The Conservatives remained in power, but barely: their majority in Parliament fell from 88 to a mere 21 seats, soon to fall further as defections, retirements, and most of all a series of by-election defeats took place. Indeed, by the time the Conservatives lost the Staffordshire South-East by-election in April 1996, the Government’s majority declined to one. This constrained the government’s ability to pass bills in a way that Thatcher, shepherding the Single European Act through Parliament, did not have to face, and had serious repercussions for Major’s attempt to ratify the Maastricht Treaty. Conservative skeptics who had kept quiet during the negotiation of the treaty and in the run-up to the general election now were emboldened by the government’s small majority to voice their opposition to the
Treaty. Moreover, a number of the new Conservative MPs coming into Parliament, such as future party leader Iain Duncan Smith, were more seriously Euroskeptic, which shifted the nature of the party in Parliament towards a more Euroskeptic position (Gowland and Turner 1999).

Meanwhile, Britain’s economy continued to perform sluggishly throughout the spring and summer of 1992, and increasing numbers of backbench Conservative MPs linked the economy’s performance to Britain’s membership in the ERM, thus tying the party’s Europe policy in with the fate of the British economy. With such a narrow majority constraining his ability to ensure ratification of the Maastricht Treaty, Major’s personal leadership abilities soon began to be called into question by members of his own party and by the public (Gowland and Turner 1999).

On May 21, 1992 the second reading of the Maastricht Bill took place. This time, 22 Conservative skeptics voted against their own government. This was larger than the Conservative majority in Parliament, but the Labour party abstained from the vote, so the outcome was 336-92. Labour abstained because it supported the Maastricht Treaty but wanted to exploit the divisions in the Conservative party as much as possible, especially since they had now lost four consecutive general elections (Forster 2002, 99).

Rose (2001) notes that it is extremely unusual for MPs to vote against their own government. Usually those who do are not taken seriously, but in this case because the Government majority in Parliament was so small the dissident Conservative MPs had more influence over Parliamentary outcomes. One reason why dissidents have had little

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19 In the British Parliament bills go through three readings in the House of Commons; normally, the second reading gives MPs a chance to debate the bill’s general principles.
influence in British political decision making is because postwar British politics had developed a tradition whereby prime ministers usually do not introduce bills that are likely to create divisions, instead presenting bills that achieve a broad consensus not only within the governing party but across parties as well.

But Major was in a difficult position in two level game politics: he knew that there was growing resistance to the Maastricht project at home, but his only alternative at the EC level was to refuse to participate in the negotiations altogether, which would also be detrimental to Britain’s interests as an EC member. He sought a compromise and achieved opt-outs to the two most contentious parts of the treaty, the single currency and the Social Chapter (which imposed uniform labour standards across all EU countries) as most of the rest of the EC went ahead on these. However, circumstances compelled him to present it to Parliament, knowing that there would be divisions.

**Danish ‘no’ vote**

These divisions did not take long to manifest themselves. Having objected to the Maastricht Bill’s second reading, the Conservative skeptics were about to receive a big jolt energizing their efforts. They had sought to take advantage of the Government’s small majority but with Labour abstaining from the vote their actual ability to influence the outcome was limited to making a statement. [But on June 2, 1992, Danish voters narrowly rejected the Maastricht Treaty in a referendum required by the Danish constitution.][20] Technically, under EC rules, the entire Treaty was stalled if a single

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[20] The Danish constitution requires a referendum to be held if one of five factors exist: the referendum on the Maastricht Treaty was held in accordance with Section 20 in the
member country rejected it,\(^{21}\) and British skeptics seized on the Danish outcome and the resultant limbo status of the Maastricht Treaty to try to prevent Britain from ratifying the treaty as written.

In early June 1992 Conservative euroskeptics introduced a “Fresh Start” Early Day Motion in Parliament calling on the Government to renegotiate the British position in Europe: eighty-four Conservative MPs signed the motion (Baker 2003). Though it was defeated, the significant number of MPs supporting the motion meant that the government could not ignore the level of resistance to the treaty within its own party. When Prime Minister Thatcher passed the Single European Act through parliament, skeptics had neither the numbers nor the clout to raise any noticeable resistance. Now, however, the Danish “no” vote emboldened would-be skeptics to act, however briefly, and skeptics, including now-Lady Thatcher, used this outcome to demand that the Government hold a referendum on euro membership. In doing so, Conservative skeptics united with the leader of the Liberal Democrats, Paddy Ashdown, who had already been calling for a referendum on the subject (Gowland and Turner 1999).

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\(^{21}\) The French public narrowly passed the treaty in a September 1992 referendum, giving a scare to the Mitterrand government whose credibility rested on the outcome. Other EC member governments, most notably the Germans on whom the single currency would have potentially the most impact, declined to give their voters a say in the matter.
**Fresh Starters**

Emboldened by the Danish ‘no’ vote, a group of Conservative skeptic MPs immediately introduced a “Fresh Start” motion in Parliament calling for the government to renegotiate the Maastricht Treaty on the grounds that the Treaty, rejected by the Danes, was no longer valid.

A survey of Conservative MP opinions showed that while Fresh Start members diverged significantly from the rest of the party as a whole in their stance on economic issues (being more free market oriented than the average), their economic positions were nonetheless very close to those of the other euro-skeptics in the party. In this sense the Fresh Start rebels were not “atypical extremists” but instead in line with the positions held by most of the party’s growing number of Euroskeptic MPs, a fact that ought to have worried the government’s whips: “For if Fresh Starters/rebels are not distinct from the rest of the party’s sceptics a real potential exists for any future rebelliousness on the anti-EC wing spreading much deeper into the Euro-sceptic opinion group” (Garry 1995, 185).

Major, however, disagreed with the Fresh Start position because he thought that if he demanded renegotiation of the Maastricht treaty all the demands for additional integration from the French and German governments had made during negotiations would be renewed and the British might have even more trouble winning what concessions they had gained on federalism the first time around (Gowland and Turner 1999). He knew better than his party how isolated Britain was in negotiations at the EC level. The party’s euroskeptics, meanwhile, largely refrained from arguing that Britain would be better off out of the EC entirely. The sole exception was Norman Lamont in 1994, but by then he was not taken seriously (Wincott et al., 1999).
The Fresh Starters were not merely an ad hoc aggregation of disaffected skeptics, but were instead a well-organized political group. Instead of one protest, over the ratification process the Fresh Start group introduced more than 500 amendments to the EC(A)B bill, and presented 100 new clauses for consideration. Moreover, the group challenged the nature of party management over the single currency issue:

…the Fresh Start Group broke the party whips’ rule book on loyal dissent. They did not inform the whips of their voting intentions, and they did not simply abstain, but were willing to vote with the opposition. Their strategy was hence both premeditated and coordinated. …[They] occupied Parliamentary time over Maastricht, so that the government’s commitment to the treaty could only come about at the cost to its legislative programme. In all, they voted against the government 985 times and abstained on some 1,515 occasions in order to thwart the bill” (Forster 2002, 87).

Fresh Start members, as mentioned above, were not the only source of euroskeptic activism in the Conservative party. Former prime minister Thatcher continued to inspire euroskeptics, and after having said, however unwillingly, that she was ‘delighted’ with the Maastricht treaty upon completion of negotiations, not six months later she came out in opposition to it and the government’s efforts to ratify it. Her initial lukewarm support may well have been due to the upcoming general election, but she had retired from her seat in the House of Commons in the 1992 elections, which perhaps gave her freer rein to make a speech on May 15, 1992 in The Hague that opposed the treaty and thus the Conservative government’s efforts to ratify it (Wincott, Buller, Hay 1999). Once in the House of Lords, Thatcher continued to rally the Conservative euroskeptics to oppose ratification.
The ERM crisis

In the late 1980s, even as Prime Minister Thatcher began to articulate her objections to monetary union, the Conservative parliamentary party as a whole was largely agnostic regarding the euro. This changed in the 1990s, as the number of euro agnostics decreased, and this happened in large part due to the outcome of the 1992 general election. The newly elected euroskeptics supplemented the numbers of existing parliamentary skeptics, and while ultimately they did not prevent the treaty from being ratified, they had a considerable impact on their party and on the issue of monetary integration by changing the terms of political debate. This was one aspect—a political aspect—of the changing tides of the Conservative party’s attitude towards European monetary integration, the political aspect of the change. The economic aspect that spurred change in the party’s attitude towards the euro took place on September 16, 1992, when Britain was forced to exit from the ERM (Wincott et al. 1999, 99).

Following on the narrow general election victory, which had left the Government with a narrow majority in Parliament, and the Danish no vote, which gave impetus to Conservative skeptics, the Government and its efforts to pass the Maastricht Treaty through Parliament suffered a further setback in September 1992. On September 16, 1992, subsequently known as “Black Wednesday”, the pound was suspended from the European Exchange Rate Mechanism (ERM).

Several factors led to the crisis that all but extinguished the ERM in the early 1990s: the dollar’s decline put pressure on European competitiveness, German reunification raised interest rates, Denmark’s rejection of the Maastricht Treaty triggered doubts as to whether European Monetary Union (EMU) would succeed, and so on. Due
to these factors and attacks on the pound sterling by currency traders, who recognized that the British government had little political capital with which to raise interest rates to the heights required to defend the narrow currency bands of the ERM, Britain’s membership in the ERM was put under serious pressure and eventually collapsed. Within two years of Major’s decision to bring the pound into the ERM, the speculative attacks on the pound on September 16, 1992 (George Soros alone is estimated to have made over a billion dollars from his attacks on the pound on that day) forced Britain out of the ERM, triggering a serious recession in the country. (Gowland and Turner 1999).

On September 16, Major’s euroskeptic chancellor Norman Lamont, who was in charge of the country’s monetary policy, had advised the prime minister that Britain should suspend its membership in the ERM, but Major refused. Instead, he followed the advice of europhile ministers Kenneth Clark, Douglas Hurd and Michael Heseltine and raised interest rates for a second time that day, to 15 percent and poured more money into the defense of the ERM peg (Young 1998). That move failed, and eventually Britain’s membership in the ERM was suspended. While Lamont offered to resign, Major insisted that both should stay on. Major was personally vested in the ERM as he had become personally vested in the success of the Maastricht Treaty, and “would not apologize for the collapse of a policy that just six months before had been described in his party manifesto as ‘central to our counter-inflation discipline’” (Williams 1998, 30).

This to date had been Britain’s biggest commitment to European unity and economic integration, and it ended poorly, taking several years for the country to emerge from the recession that followed. The Conservatives’ long-held reputation of successfully managing the economy was shattered. Kenneth Clarke, a committed
europhile who wanted Britain to join the single currency, became Major’s chancellor and the economy over the next several years began to climb out of recession, with inflation, interest and unemployment rates all beginning to decline. The debate within the Conservative party over Europe, however, was beginning to increase in volume and acrimony and would eventually contribute to the Major government’s massive defeat at the hands of Tony Blair’s New Labour.

Conservative skeptics seized on this event to declare that this was the inevitable outcome of European monetary integration. “Having consistently argued that EMU – the centrepiece of the treaty – was a wholly unrealistic goal, [Conservative skeptics] could now claim that the ERM fiasco offered a salutary warning of what would happen if the EU persisted in its efforts to move towards a single currency” (Gowland and Turner 1999, 282). But Major had not been a Government whip for nothing. Despite the negative fallout from the ERM and Danish events supporting the skeptic cause, he proceeded to consolidate supporters within his party. On October 29, for instance, he won the support of the right wing 1922 Committee, a group within the Conservative parliamentary party, for ratification of the Maastricht Treaty (Shell 1994). He did so, however, by employing the tactics that had served him well in the leadership election in 1990: by portraying himself to this group as a confirmed euroskeptic, while making similar representations to the europhile branch of his party as needed (Williams 1998).

Finally, the September 1992 European Exchange Rate Mechanism (ERM) crisis destroyed the Conservatives’ long held advantage of being perceived as the party the British people trusted to run the economy. Even though the Conservative government’s policies led to an economic recovery within a couple of years, the damage to the party’s
reputation was done. Also, Britain’s forced withdrawal from the ERM gave the skeptics another reason to vindicate Thatcher’s opposition to ERM and to point to monetary integration with Europe as a policy that would have a negative impact on Britain.

Nonetheless, on November 4, 1992, the skeptics rebelled over a vote on the Maastricht Treaty Paving motion, which was an invitation to proceed with the bill. Most of those 84 signees of the Fresh Start motion in June voted with the government, confirming Rose’s (2001) assertion that ultimately MPs vote with the government virtually all of the time. Despite this, this time, however, the number of skeptics would be sufficient to defeat the government as 26 eventually voted against the government and three abstained (Forster 2002). The government only won when Major promised to delay the third reading of the bill until after the Danes had voted again on the Maastricht Treaty – and come back with a positive outcome.22 The Danish re-vote was scheduled for May 1993. Major made the passage of the paving motion a confidence vote, forcing some of the Conservative rebels to vote yes in order to preserve the government; this also allowed the Labour opposition to vote against the bill since Labour parliamentarians could claim that they were voting against the government rather than against the Maastricht Treaty, which it supported. The government won the confidence vote by three, and had to count on votes from Liberal Democrat MPs to do so (Gowland and Turner 1999).23

22 According to Baker et al. (1993), however, after two level game pressure from the EC Major said that the third reading would take place in May 1993 even if the Danish referendum was delayed, as Danish politicians warned it might be because of their own upcoming general election.

23 The Liberal Democratic Party supported European integration.
Meanwhile on the second level of the two level game, Major held the Presidency of the EC from July to December 1992, a position which rotated among member states every six months. This was an uncomfortable position for him as leader of the most recalcitrant member state, unable to promise fellow EC leaders that he could deliver ratification of the Treaty. However, at the December 1992 EC meeting in Edinburgh the members made arrangements to address Danish reservations about the treaty, which resulted in opt-outs from the Common Defense policy and the single currency for Denmark (Shell 1994).

On February 15, 1993 Foreign Secretary Douglas Hurd said that even if the House of Commons passed the amendment excluding the Protocol on Social Policy from the Maastricht Treaty bill (The European Communities (Amendment) Bill, or EC(A)B), it would be not block ratification of the treaty (Shell 1994). On February 17, 1993 the House of Commons debated a motion on the constitutional effects of the Treaty (Shell 1994).

**Government loses a motion**

Meanwhile, proposed amendments to the treaty proliferated. Bill Cash, the most tenacious of the euroskeptic MPs, alone introduced 240 amendments to the bill (Young 1998). On March 8, 1993 the Government lost, 314-292, on a 15th day committee stage of EC(A)B on Amendment 28 saying that appointees to proposed Committee of the Regions (proposed in the Treaty) must be elected members of local authorities. Government ministers had wanted to appoint whomever they wanted to the Committee of the Regions. This was significant because it was the Major government’s first legislative
defeat on the House floor (Shell 1994). Subsequently, on April 18 1993 the Government changed its policy and decided to stop resisting amendments on EC(A)B that it knew it could not win in order to deprive the opposition—both within its own party and the official Opposition—of the momentum victory provided (Shell 1994).

In a further sign of the Conservative government’s declining fortunes, on May 6, 1993 the Conservatives lost, by a considerable margin, in local county elections, the first time since the ERM collapse that voters had an opportunity to express their opinion of the Government (Shell 1994). Trying to stem the government’s unpopularity resulting from the ERM disaster, on May 27, 1993 Norman Lamont resigned as Chancellor at Major’s request, replaced by the Europhile Kenneth Clarke (Major 1999, Shell 1994). Clarke’s promotion to the second-highest governmental position gave europhiles greater influence in the government against the surging euroskeptic tide.

**EC(A)B Third Reading**

On May 18, 1993 the Danish government held its repeat referendum, presenting the Maastricht Treaty to the Danish voters again with opt-outs on the single currency and on a common defense policy it had secured for the country. This time, with these opt-outs, the Danes voted yes. This meant that the treaty could now formally be ratified, and that the Major government could move ahead with the Maastricht Treaty in Parliament, which it promptly did. On May 20, 1993, the House of Commons gave the third reading of the EC(A)B, which won 292-112 (Shell 1994). Forty-one Tories voted against their Government with five abstentions. Sixty-six Labour MPs, who defied their own whips
by voting “no” rather than abstaining as instructed by Labour party leadership, joined them (Forster 1999).

**House of Lords**

On June 8, 1993 the Maastricht ratification process moved to the House of Lords. The House of Lords began its two-day Second Reading debate on the EC(A)B: 120 peers made speeches on the topic of the Maastricht Treaty (Shell 1994). On July 14, 1993 House of Lords debated an amendment requiring a referendum before the government could accede to the TEU. The amendment was moved by Lord Blake and supported by now-Lady Thatcher, but was rejected in the largest- ever division in the House of Lords. It was defeated 445-176, with a record 691 peers recorded in attendance that day (Shell 1994).²⁴

Thatcher had expressed a conviction in parliamentary sovereignty as prime minister, arguing that Britain only used referenda for constitutional matters, but that the issue of the single currency might become a matter for a referendum (Margaret Thatcher Foundation, accessed January 2011). A year after resigning as prime minister, when Major brought his negotiating stance on the Maastricht Treaty to Parliament for its approval, Thatcher said during the House of Commons debate that if the three main parties in Parliament all at some point agreed to support a single currency then the people at the ballot box on election day would have no true representation, no real choice in the matter. Then a referendum would be called for (House of Commons Debates November

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²⁴ The House of Lords has the power to revise bills introduced in the House of Commons; however, the bills return to the lower house before the final vote (Leach et al. 2006).
20, 1991). Once in the House of Lords, she called for a referendum on the Maastricht treaty on the grounds that it relinquished too many parliamentary powers without the opportunity for the people to voice their opinion (House of Lords Debates June 7, 1993).

On June 19, following the defeat of the referendum amendment in the House of Lords, Lord Rees-Mogg petitioned for a judicial review of the bill, which would take the EC(A)B outside the legislative sphere of parliamentary sovereignty, for another opportunity to find the bill invalid. This effort failed, but it showed the degree to which euroskeptics were willing to remove the issue from traditional parliamentary practices in order to circumvent the treaty’s ratification (Forster 2002, 103).

**Government loses another motion**

The EC(A)B returned to the House of Commons after the Lords approved it, but on July 22, 1993, even as the prolonged effort to ratify the Maastricht Treaty seemed to be nearing an end, the government suffered another setback. At this point the EC(A)B had been approved and as such was no longer a bill but an Act and had received the Royal Assent, but had not been formally ratified yet (House of Commons Debates July 22, 1993). The Opposition introduced an amendment in the House of Commons that would require the government to adopt the social protocol or Britain could not ratify the Maastricht Treaty. A vote on approving the amendment tied 317-317; the Speaker of the House’s tiebreaker was used, per tradition, to not create a majority vote on a policy issue where a majority did not exist, so she voted against the amendment and therefore supported the government’s motion in its original form (Shell 1994, House of Commons Debates July 22 1993).
The Government then introduced a motion stating that the House approved the Government’s existing policy on opting out of the social protocol. The House defeated it 324 to 316, even though the same House had already approved the Treaty of which the opt out was a part. Twenty-three Conservative rebels were willing to vote against the government’s motion and with Labour on its amendment in order to thwart the government’s ratification efforts, engineering “a humiliating defeat for the government” (Gowland and Turner 1999, 283), “the largest defeat of a sitting Conservative government in the twentieth century” (Forster 2002, 99). The Tory rebels voted no in order to delay the ratification of the overall treaty and to try to force a referendum on the Maastricht Treaty, according to one of the rebels, Sir Teddy Taylor. However, not all Conservative euroskeptics voted against the Government: MP Michael Lord, for instance, argued that to vote with Labour would not prevent the treaty from being ratified, but would cause damage to the government and to the party. Other euroskeptics argued that they could not, in principle, vote for an amendment that they would oppose if it appeared in other circumstances. (House of Commons Debates July 22 1993).

Having lost the main motion, Major promptly put forward a new resolution that expressed support for the Government’s position on the social chapter, observing that a majority of the House had already voted in favor of ratifying the overall treaty. Major then announced that the next day’s debate would be a confidence vote in the government as well as a vote on Labour’s social protocol amendment, meaning if the government lost either the social protocol motion or the Opposition amendment, the Major would seek to dissolve the government. The following day, the House voted again on Labour’s amendment that would prevent the Treaty from being ratified unless Britain signed on to
the Social Chapter: the House rejected the amendment 339 to 301. The Government then introduced the confidence motion, which stated “that this House has confidence in Her Majesty’s Government on the adoption of the protocol on social policy’. The Government motion won 339-299 (House of Commons Debates July 23 1993).

Indicating Rose’s (2001) point about the rarity of intra-party parliamentary rebellions, of the 23 Tory rebels of the previous day, 22 supported the government while one, Rupert Allason, was absent, so that he had the Conservative whip withdrawn from him for a time (Shell 1994). When confronted with party loyalty and the fact that the fate of the Conservative government was at stake, most skeptic rebels fell in line. But it was a blunt use of power in the interests of party management, and while the Major Government won the battle within its own party on Maastricht Treaty ratification, the prime minister’s use of blunt force on several occasions created lasting resentment within the party that plagued his government for the next several years.

Meanwhile, this was the final hurdle for the government in its efforts to ratify: in voting yes, the House finally managed to ratify the Treaty on August 2 (Gowland and Turner 1999), which came into effect in November 1993 (Forster 2002). Britain was the last of the 12 signatories to ratify the Maastricht Treaty (Forster 1999, 101).

Maastricht ratification: Analysis

What had taken place before during Maastricht Treaty negotiations and ratification so that by the end of it Conservative party was largely euroskepti? First, in the 1992 General Election a number of europhile Conservative MPs, such as Chris Patten lost their seats, while of the few Conservative MPs coming in, a number had been
inspired by Thatcher’s increasing euro-skepticism in the late years of her premiership. The Conservatives’ overall numbers decreased dramatically, and the parliamentary party’s composition skewed more dramatically towards a euro-skeptic position than it had in the 1987-1992 parliament.

Second, the ERM crisis damaged the argument that European economic integration was in Britain’s best interests. The economy had already been on shaky ground, and the ERM crisis worsened a recession that had begun after Britain had joined the ERM in October 1990. Even observations that the recession may have been caused by the government choosing the wrong rate at which to join the ERM were used by euroskeptics to claim that joining at all had been bad for Britain.

Third, Major’s heavy-handed enforcement of party loyalty, such as through votes of confidence, however necessary for passage of the Maastricht Treaty, created lasting ill-will within the party and a distaste even among those more mildly skeptical (Forster 1999). His methods continued even after the treaty’s ratification, for example when he removed the whip from eight euroskeptic rebels in 1994, to be discussed below.

Fourth, Thatcher’s determination to continue as a political force even once removed to the House of Lords allowed skeptics to rally around a figure that while divisive was very popular within the party and among the more strongly euroskeptic Conservative MPs. In her maiden speech in the House of Lords, on July 2, 1992, she supported the rights of sovereign states like Denmark to reject the treaty, thus aiding the momentum of the rebellion against the Maastricht treaty, keeping support for it alive the months between the Danish ‘no’ vote and the ERM collapse (Wincott et al. 1999, House of Lords Debates July 2, 1992).
**Major’s position**

Major has been accused of being without any particular ideology and, as such, of fighting for the Maastricht Treaty only because it happened to come up when he was prime minister and it was his job to manage the process. In other words, he had a lukewarm enthusiasm for European integration, but was more interested in measuring the domestic political barometer than for pushing through a strongly held conviction of his own on the subject (Young 1998). Understandably, Major himself rejects this characterization, claiming that he was pragmatic regarding membership in the EC: he believed that it was good economically for Britain, and was willing to relinquish some domestic powers in order to be a member of the EC (Major 1999). Williams (1998) concurs, arguing that Major viewed EMU as a matter best solved through cost-benefit analysis, as opposed to Thatcher and other ideologues who viewed it as a political decision. But Williams says his “agnosticism” on the single currency was “unconvincing” (Williams 1998, 34).

Major indicated on a number of occasions that he did not believe that the timetable set out at the EC level for the establishment of the single currency was feasible, and dismissed the notion that the EC would create a single currency by the end of the decade (House of Commons Debates July 22, 1993). He was mistaken, but this disbelief allowed him to confront euroskeptics and europhiles alike, who wanted to halt or hasten Britain’s move towards joining the single currency, with the notion that in pragmatic reality their positions mattered little, since the single currency was not going to come about any time soon.
Major writes he did not want a federal Europe and was wary of the idea of political union, and was reluctant to increase the power of the European Commission. However, like Thatcher, he wanted European Community expansion to include the newly free central and eastern European countries, something other EC member states were reluctant to agree to, so he had to make some concessions in order to gain an agreement on enlargement (Major 1999). He made this argument in the House of Commons, arguing: “Without the Maastricht treaty, there would be no enlargement of the Community—and every hon. Member knows that it is right to enlarge the Community, and that it is in our interests to do so. Without the Maastricht treaty, we would have no means of developing co-operation between member states outside Community competence—and we want to develop co-operation outside Community competence” (House of Commons Debates November 4, 1992). This was the area in which the UK hoped to promote its own agenda within the EC rather than always resisting the proposals of other member states.

Cross party coordination: Skeptics

Labour had skeptics on Maastricht as well but they were not well-organized like the Conservative skeptics were, so they had little effect on the issue despite defying their own party whip on key votes on the treaty. Ultimately, “what was striking and as the vote of confidence made clear, was that party allegiances retained their hold, and this worked to impede the development of cross-party co-ordination amongst Eurosceptics. In this way, the potential for an alliance based on the Bruges agenda [which would build
on Thatcher’s Bruges speech of 1988] apparently in the cards at the end of the 1980s remained unfulfilled” (Forster 2002, 102).

**Impact on the Labour Party**

The single market put big strains on the Labour party (and the implication of currency union as part of this capitalist agenda bumping up against labor interests) in the 1980s, which the party had to resolve, and indeed the party did split over it in the late 1970s.

During the Major premiership Labour was unable to keep its divisions over Europe completely to itself despite Labour MP Peter Mandelson’s glib commentary to the contrary (Major 1999)\(^2\), but then the party was not in office and had more leeway to sort its conflicts out privately, even if the pressure to remain a viable party capable of being elected and forming a government was high. Conservative strife was in some way more visible (and of more weight, certainly), because the party was in power.

Labour had just finished its transition from euroskeptic to europhile party when Maastricht negotiations were ongoing and as a result remained quiet and caused Major little trouble. During this period and ratification they objected to the opt-out the government negotiated from the Social Chapter but otherwise had few objections to the Treaty, so they kept quiet. They had no interest in helping the Conservative government with its problems with its own party, but ultimately were interested in ensuring the Treaty was ratified (Forster 1999).

\(^2\) According to Major, “‘Why do the Tories keep banging on about Europe?’ asked Peter Mandelson. ‘We’re divided too, but we keep it under our hats’” (Major 1999, 590).
However, the Parliamentary Labour Party still was not united on the Europe issue, and in terms of overall numbers of MPs at least was “more seriously divided than the Tories. Eighty-five Labour MPs signed a pro-Maastricht Early Day Motion in January 1993, while 66 defied the party whip and voted against the treaty on the third reading. Hurd’s jibe in the third reading vote that Labour MPs had rushed to the house ‘from all over the Kingdom to abstain in person’ was well directed and prompted one Labour rebel to point out that, in effect, there were more Labour rebels than Tory” (Baker et al. 1994, 11).

Even the shadow cabinet contained dissidents from the pro-Europe party line. John Prescott pressed for the Labour leadership to change its position on the referendum, while Bryan Gould, who had also run for the position of party leader, actually resigned from the front benches in protest over the Maastricht treaty following the ERM disaster. Gould charged the Labour leadership of not supporting amendments concerning the Social Chapter in an effort to ensure that the treaty would be ratified. While Labour leaders dismissed his accusation as nonsense, the Conservative leadership less convincingly claimed that Gould’s subsequent meeting with Tory cabinet euroskeptic Michael Portillo was likewise unimportant. Gould objected to EMU because not only did it remove control over Britain’s monetary policy from the British government, but it also, by pursuing an anti-inflationary policy, would “undermine the main planks of the Labour Party’s policy platform.” Ironically, Baker notes, “Labour’s U-turn over Europe in the 1980s, conducted partly in the hopes of outflanking Thatcherism on the back of EC social and industrial policies, may have had the paradoxical effect of delivering them and their
supporters into the arms of a policy regime whose priorities are financial stability and lower public spending, not employment or growth” (Baker et al. 1994, 11).

**Maastricht’s legacy for euroskeptics**

As a result of the Maastricht ratification process the various euroskeptic right wing groups such as the Friends of Bruges and the European Reform Group, who previously had very little to do with each other, became much better organized, cooperated more, and gained more financial backing. Thus the groups were able to present a more effective opposition to the government’s Europe policy. “[W]hile the different groupings never merged, there was sufficient overlap of membership and unity of purpose to have a devastating effect both for the government’s European policy and party unity” (Forster 1999, 182).

**Part III: Conservative Party turmoil 1993-1997**

During the Maastricht parliamentary process, “back-bench resentment was given full reign and ratification finally revealed the depth and bitterness of the fissures in the Conservative Party” (Forster 1999, 182). Like any party, the Conservatives had ideological differences within its ranks, but it was the division over European policy, specifically in this case the decision to integrate more closely with Europe through the Maastricht Treaty, that caused the party’s most serious problems. Indeed, the divide over Europe shaped all the other fissures in the Conservative party in the 1990s; that is, Conservative MPs saw other issues through a primary lens of the European integration issue. Europe, or as the Major years wore on, the issue of whether to join the single
currency, dictated alliances within the party and shaped the prime minister’s considerations of party management, electoral strategy, and policy direction (Garry 1995; Forster 1999; Foley 2002).

In November 1993 the Maastricht Treaty came into force and the work required to establish a single currency continued in earnest at the EC (now EU) level (Forster 2002). In Britain, the country’s putative membership in the single currency became the central European issue at stake in national politics. The opt-out that the government had negotiated at Maastricht inevitably gave rise to questions of whether Britain would join and if so, when.

The Conservative euroskeptics were determined to compel the government to declare that Britain’s opt-out from the European single currency would be permanent. Any hope that the euroskeptics would be silenced by their defeat over the Maastricht Treaty was dashed as their numbers grew and their determination to keep Britain out of the single currency redoubled after the treaty came into effect.

Major adopted an official “wait and see” policy regarding the single currency: Britain should hold back until the economic conditions were seen to be either clearly right or wrong for Britain to join the single currency. Major argued that this was the right policy independent of any political consideration (Major 1999, 603); however, “wait and see” had the happy advantage of allowing Major to hew the middle ground between the pro-and anti-euro factions in his party, particularly since monetary union could be proven to be neither unambiguously bad, or good, for Britain (Aspinwall 2004, 136).

By the time the government began campaigning for re-election in 1996 Major tried a new approach, altering the government’s policy on the single currency from “Wait
and see” to “negotiate and decide” (Major 1999), but it was unclear what, if any, difference the new phrasing indicated. Rather than giving the government some breathing room on the issue, it only intensified debate as “commentators and politicians pored over the precise meaning of certain words and phrases with all the zeal of late mediaeval scholastics in their battle over the interpretation of texts” (Williams 1998, 167). People could not decipher the difference between the two policies or what it may say about the government’s readiness to take the country into the single currency; meanwhile, the obsession of the political class over such minuscule differences reinforced the public impression of government out of touch with the real concerns of the country (Williams 1998).

Nonetheless, Major persisted with “negotiate and decide” or, as Williams (1998, 171) quips, “‘divide and rule’” throughout the election campaign. This policy allowed him to deliver different interpretations of the single currency debate to different audiences. For instance, when speaking to the europhile MacLeod group of Tory MPs he would bemoan the fact that the public debate always emphasized the cost of entry, rather than the cost of staying out. Meanwhile Major could declare to euroskeptic groups that he too was a dedicated euroskeptic persuasively enough that his Foreign Secretary Douglas Hurd, believed that he had become decidedly more euroskeptic over the course of his premiership (Hurd 2003).

The “wait and see”, or “negotiate and decide” policy was a carry-over from Thatcher’s policy on the ERM, which declared that Britain would join when the timing was right, and was also a way of minimizing the heat of a decision that would divide the party (Thatcher 1993). Finally, Major’s policy was also a foreshadowing of Chancellor
Gordon Brown’s “five tests”, during the Blair premiership, which aimed to assess whether joining the single currency would be good for Britain but allowed the government to delay making a divisive decision indefinitely.

However, both Thatcher and Blair managed the “wait and see” delaying tactic far better than Major did. When Major refused to commit on the single currency issue he came across as being indecisive. Changing tactic slightly, Major then argued during the leadership contest against John Redwood that it was essential to not rule out membership even for the duration of the current Parliament in order to retain Britain’s ability to represent its interests effectively at EU-level negotiations. But this was a false representation of the facts, and contributed to euroskeptics and europhiles alike losing respect for the prime minister.

On the single currency, there was nothing left to negotiate, it had all been settled at Maastricht. Other EU member countries already had proceeded along the path of monetary union, “on the assumption that they could meet, or indeed fudge, the convergence criteria” (Holmes 1998, 137). Since they were already on this path, the conditions of monetary union would not be renegotiated, particularly at the instigation of a member who had received an opt-out from the single currency project to begin with (Holmes 1998). The only debate remaining on the single currency concerned what European countries would be allowed to join later, and the UK would not, as a member of the EU, be excluded from this discussion. Holmes (1988, 137) concludes, “Major subordinated public policy—whether in favour of the single currency or against it—to the preservation of a phoney party unity.”
However, Williams argues, Major’s decision to raise the specter of Britain’s being left out—again—at the European level proved effective in scaring some Tory MPs: “repeated often enough, the mantra of losing influence acquired a persuasive, if unexamined, force” (Williams 1998, 116). Britain had a long history of being accused of, and fearing, being left behind as Europe advanced toward deeper integration, so Major’s choice of tactic had some effect.

While Major did not wish to commit either way, unwilling even to giving a rough timeline on when the government might reassess the opt-out (as Brown eventually did with his five tests), his decision proved costly. Notes David Smith of the *Sunday Times*,

‘The puzzle, the great “what if?” of the Major premiership, is why he did not rule out Britain’s participation in a European single currency for as long as he was prime minister. Had he done so, he would have met no opposition from his chancellor: Norman Lamont was an avowed opponent of EMU. The biggest pro-Europeans in his cabinet, Kenneth Clarke and Michael Heseltine, both of whom wanted an early return to the ERM, were in no position to force through their views. Heseltine was weakened by his handling of the autumn 1992 pit closures; Clarke would have been a lone voice (*Sunday Times* April 20, 1997, in Holmes 1998, 137).

At the time, Major had sufficient political capital to do so, and ruling out the single currency for the duration of his premiership, or even of the remainder of the current Parliament, would have allowed him to put the issue aside and use his political capital on other policy matters. In such as way the Blair government was able to set the euro issue aside by promising an assessment of the five tests by a certain date (though this proved difficult to pin down for some time). Instead Major’s apparent indecision and refusal to demarcate the issue with any specificity meant that the issue never went away, instead fuelling the battles within his party. Moreover, the division over the single currency
obscured any other accomplishments the government might have achieved. Major, for instance, complains that despite the improvement of the economy from 1993 on, his government did not get credit for the recovery (Major 1999). But no one, whether in the public, Parliament, or the government itself, could distinguish a policy agenda that was separated from the Europe issue (Holmes 1998, Williams 1998).

**Party management: Prime minister’s relationship with the cabinet and backbenches**

By negotiating the opt-outs in the Maastricht Treaty instead of confronting the party’s euroskeptics or europhiles head on, Major “seriously undermined the authority of the government”, though as discussed, several of the factors that fueled the party divisions were not of the prime minister’s making (Baker et al. 1994, 13). This was to affect the rest of Major’s premiership, for although the treaty was ratified on August 2, 1993, as far as the Conservative euroskeptics were concerned the battle was just beginning. In particular, the skeptics’ focus shifted almost entirely to the single currency.

Post-ratification, the prime minister faced opposition from three separate entities within his own party: the backbenches, the cabinet, and the chancellor. While his relationships with the backbenches remained bad from mid-1993 to 1997, the prime minister’s relationships with his cabinet worsened as his attempt to manage his message regarding the single currency foundered due to his inability to prevent the europhile chancellor as well as euroskeptic ministers from deviating from the official government line.

Overall, Riddell (1992) calculated that following the general election of 1992 backbench euroskeptics numbered roughly to 80 to 85 MPs, of whom 20 had on at least
one occasion either abstained or voted against the government on European matters, whether the Maastricht Treaty ratification or the ERM. Of these, 10 were among the 63 new Conservative MPs who had just been elected to office in April 1992. These numbers were already uniquely high among other Parliamentary Conservative Party subgroups and gave an early indication of the strength of the Europe divide burgeoning in the party. As some MPs openly defied the government and others jumped ship for less troubled parties, it was imperative for the prime minister to manage the division over Europe that was splitting his party.

It is important to note that for all the attention paid to the rebellions within the party, the majority of MPs did vote with the government the majority of the time, so that the euroskeptic backbench rebels, however much attention they received, comprised a small number of the Parliamentary Conservative Party (Cowley 1999). Also, Forster (2002) observes that only one euroskeptic cabinet minister, John Redwood, resigned in the course of these battles over the single currency, and that was to run against Major in the 1995 leadership election. For the most part, even the euroskeptics were willing to put party over policy. Nonetheless, those MPs that did rebel managed to have influence beyond their numbers because of the small majority the Conservatives held in Parliament, and because the prime minister seemed unable to effectively deal with them.

Following the exhausting and lengthy Maastricht Treaty ratification process, and minutes after winning the vote of confidence that ensured ratification and preserved his government, on July 23, 1993 Major appeared in an interview on ITV. After the interview, not knowing that the wire was still live, Major revealed his candid opinion of the euroskeptics in his party to the reporter, a discussion that was later leaked to the
The prime minister offered his assessment of his problems in government, as revealed by the ratification process just past, the foremost difficulty being the small Conservative majority in Parliament. He said that his hands were tied: if he pursued various policies that people had suggested then the party itself could break apart, and then he would be blamed for it. As prime minister, he governed a party that had a small majority of only eighteen, but that was “harking back to a golden age that never was, and is now invented,” referring, apparently, to the Thatcher years (Baker et al. 1994, 37).

As for the party’s euroskeptics, he added hypothetically, “You have three right-wing members of the Cabinet who actually resign. What happens in the parliamentary party?... I could bring in other people. But where do you think most of this poison is coming from? From the dispossessed and the never-possessed. You can think of ex-ministers who are going around causing all sorts of trouble. We don’t want another three more of the bastards out there”’ (Baker et al. 1994, 37).

It was widely assumed that Major was referring to Portillo, Howard and Lilley as the “three more” he felt unable to sack, though he might also have been thinking of Redwood, another euroskeptic cabinet member, rather than Howard, on his list. The first three had recommended that Britain abandon the Maastricht Treaty after the Danes voted to reject it and again after the ERM disaster (Young 1998; Gowland and Turner 1999). Meanwhile, troublesome backbenchers included one of Major’s “dispossessed”: Norman Lamont, the former chancellor who had been fired over the ERM crisis. Aided by bitterness over his ouster, Lamont’s euroskepticism was fully unfurled once he was no longer constrained by being in government. Both his former position and the manner in
which he was removed from it lent his criticisms power, though he was likewise tainted by his role in the ERM debacle (Gowland and Turner 1999, Williams 1998; Young 1998).

Major’s decision to force ratification of the Maastricht treaty through his party by making the survival of the Conservative government contingent on the passage of some bills damaged the relationship between the prime minister and his party. One conservative journalist called Major’s confidence vote on Labour’s Social Chapter amendment “his hijacker’s ultimatum to the Eurosceptics—’take me to Maastricht or I kill us all’”, and this had ramifications for party management as well (Baker et al. 1994, 13). The chief of these was “to transform the question of European integration from a troublesome and divisive issue into a matter of conscience. Indeed, the exceptional means that parties have used has created a type of martyr effect. Sceptics especially in the Conservative Party have routinely had to pay a heavy penalty for persistent adherence to their views” (Forster 2002, 138).

The Conservative Party historically had barred staunch euroskeptics from government positions and during the Major era this remained true. Skeptics like Bill Cash, Jonathan Aitken, James Cran, Teddy Taylor, and Iain Duncan Smith all remained out of government.26 Although skeptics such as Portillo, Howard, Redwood, and Lilley occupied some of the senior ministry positions in the government, they had not been as vocal, public and consistent in their votes against the government during the Maastricht

26 Duncan Smith did gain power after Major stepped down as party leader, and indeed later became party leader himself in 2001. However, by then the party had fully embraced a euroskeptic identity.
process (Forster 2002). By creating martyrs out of dissidents, Major strengthened the hand of the euroskeptic wing of the party.

Party management was an issue not only of euroskeptics versus europhiles, but also the length of time the Conservatives had been in power: by 1992, they had been in government for 13 years. Some ambitious MPs in the party became bitter over the realization that they would never attain positions of influence in the party—Major’s “never possessed”. This created problems for Major as it had for Thatcher on the Europe issue among others, seen in the rebellion over Maastricht as well as the poll tax for Thatcher near the end of her tenure (Baker 2003 (cites Berrington and Hague 1998, 65-6)).

In addition, the relative cohesion of the Labour Party—in public, at least—on the single currency meant that Major could not count on rebellious Labour MPs to boost his majority in Parliamentary votes on European issues, again strengthening the skeptic rebels’ hand against the government (Baker 2003). Moreover, while some Conservative MPs held small majorities in their constituencies following the narrow 1992 Conservative electoral victory, a number of the Tory rebels enjoyed safe seats, some with majorities of over 20 percent. This strong political base gave them confidence to rebel against the government with less fear of facing an unhappy constituency at home (Baker 2003). But overall, Major’s party management problems were mostly a result of the small majority his government held in the House of Commons that gave dissidents within the party more power.

Throughout negotiations of the Maastricht Treaty Major deliberately included many of his cabinet members in the negotiations. This reined in the instincts of
euroskeptic ministers who might otherwise have objected to the treaty, since their involvement in negotiations now tied them to the treaty’s fate (Forster 2002). On the other hand, it also meant that Major had relinquished veto power over key parts of the Maastricht treaty to cabinet members. For instance, Michael Howard, one of the cabinet euroskeptics, had veto power over the Maastricht Treaty’s social policy compromise that Major had painstakingly negotiated with Dutch Prime Minister Ruud Lubbers (Forster 1999).

Major’s relationship with the Conservative back benches had declined during the ratification process but his cabinet had held ranks with him during that period, at least publicly. Even during ratification, however, some members of the cabinet “made no secret of their Eurosceptic sympathies, conducting a form of guerrilla warfare against the official line through a combination of coded messages and open dissent” (Gowland and Turner 1999). Moreover, once ratification took place, Major’s hold over his peers diminished as the battles over the single currency divided the cabinet.

While the supposed “bastards” were the ones who most clearly opposed the government line during ratification after ratification more euroskeptics began to emerge, so that by 1995-6 euroskeptics comprised the majority of the cabinet as ministers who had been previously on the fence gradually allied themselves with the skeptic movement (Riddell 1992, Gowland and Turner 1999). These included Malcolm Rifkind and Gillian Shepherd, and even a former europhile, Stephen Dorrell. All followed the general shift of the backbench Conservative MPs to a solidly euroskeptic position (Forster 2002). Major finesse this, claiming that most cabinet members were like himself, opposing the
single currency but believing Britain’s entry to be inevitable (Major 1999). There is little evidence beyond his own assertion to support this claim (Gowland and Turner 1999).

As the euroskeptic tide rose in the party, euroskeptic “ministers flouted the Prime Minister’s authority and Major seemed, by inclination or because of the circumstances, quite incapable of exercising any authority over them. They routinely broke the agreed Cabinet line on the single currency and many provided support for backbench MPs who were even more free to speak their mind, semi-openly campaigning against government policy in fringe meetings both at the party conference and in constituency association meetings as well as in Eurosceptical groupings” (Forster 2002, 110). But europhile chancellor Clarke also habitually and deliberately strayed from the government message regarding the single currency, and Major did nothing to stop him either (Major 1999). The issue was not so much of a rebellious euroskeptic wing, though this was true, but of a leader undone by the Europe divide.

Since Major had spent his political capital forcing through the Maastricht ratification, and had little room to recover due to his small majority, he did not feel able to sack cabinet members who strayed from the party line, as he himself stated in the ITV interview and in reference to two junior ministers who publicly disavowed the single currency policy during the 1997 election campaign (Major 1999). Major was also concerned that if he were to fire a euroskeptic in particular from the cabinet then he would lose not only that individual’s support but that of the former minister’s faction among the backbenchers. With the small parliamentary majority Major had to remain cognizant of prevailing attitudes on the backbenches – if he fired a skeptic minister with strong backbench support, Major might create a rival with the capacity to challenge the
prime minister “for the political and ideological leadership of the party”. Thus, “Major’s sensitivity to the attitudes of backbenchers and his preoccupation with maintaining a united front in the Cabinet were therefore interlinked, since the influence of ministers was determined by the extent of back-bench support they could attract” (Forster 1999, 169).

In an effort to manage the nuances of the party’s divisions over Europe but also due to personality differences, Major deliberately contrasted his style of cabinet government with the approach Thatcher had taken before him. Major observed that while Thatcher announced her views at the beginning of a cabinet meeting, he preferred to let everyone speak before offering his perspective, if indeed he did so (Major 1999). This apparent openness could be deceptive, however. One way in which he tried to manage the euroskeptics in his cabinet was by limiting their arena for disputing his leadership. Accordingly, cabinet euroskeptic Peter Lilley reported, Major ensured that any agenda items for cabinet meetings were vetted in advance so as to ensure that no unexpected discussion broke out (Williams 1998).

In any case, if his intention was to increase government amity, he failed: The net effect of Major’s style of cabinet government consultation was to highlight and encourage divisions rather than the reverse, and since the worst of these divisions was about European integration and the single currency, Major’s style exacerbated the Conservative Party’s Europe crisis (Foley 2002, Williams 1998). Foley writes,

But probably the greatest difficulty that Major encountered with his conception of cabinet government was that the very reason for its adoption ultimately subverted its operational effectiveness. Major’s striving for a post-Thatcher consensus was in effect predicated upon the existence of internal tensions and divisions. By adopting a more open-textured and conciliatory posture, Major not only acknowledged those strains but also contributed towards their legitimation. For a prime minister so explicitly
dedicated to accommodation and stability, it was important not to reveal his position too early for fear of disrupting the process of collective choice or of sending opposition underground. Nevertheless, the net effect of this discretion was to give greater rein to dissent, and to provide further licence to splits, to leaks and to a lack of finality in decisions (Foley 2002, 55).

Major’s perceived power was weakened by this approach, as it was by his determination to avoid a commitment on the single currency. Accordingly, his ability to manage dissidents and disputes declined as people lost respect for his leadership (Foley 2002).

Major used a number of tactics in his efforts to manage the party and cabinet. One way in which he sought to keep the ramifications of the Europe divide in check was by changing faces in the cabinet as needed to indicate that the government was pursuing a fresh approach without changing the overall composition of euroskeptics and europhiles. For instance, “A 1993 Cabinet reshuffle brought the Euro-sceptic Redwood into the Cabinet and removed the Euro-sceptic Lamont from it. The same reshuffle moved the Euro-sceptic Michael Howard to the Home Office but balanced that by moving the Europhile Kenneth Clarke to Chancellor” (Aspinwall 2004, 138).

After ratification the party and the cabinet tilted further toward the skeptics as fence sitters began to identify themselves with the skeptics, and Major had to accommodate this change. Young (1998) argues that in the fall of 1993, after the “bastards” leak and treaty ratification, Major started to turn himself into at least the appearance of a skeptic, but it was unclear as to how much of this was political calculation versus true conviction. Major launched this alteration by writing a skeptical essay for the Economist, and while British readers might not have been persuaded of his
conversion, it at least indicated to other EU member states that in the five years since Thatcher’s Bruges speech the British position on European integration had not changed.

As another management tactic, Major often presented himself to one side of the Europe divide as being captive to the will of the other side so as to deflect responsibility for his position on the single currency. For instance, when he spoke to euroskeptic ministers such as John Redwood, he deliberately gave the impression of being “checkmated” by cabinet europhiles Heseltine, Clarke and sometimes Hurd, in an attempt to appease the party’s skeptic wing by giving the impression that, but for these europhile ministers, he would have pursued a more strongly euroskeptical course. This was also a way in which he sought to defuse any threat to his authority from within the cabinet. Williams (1998), indeed, asserts that Major wanted and fostered a divided cabinet so as to play one side against the other and to appear as the great unifier.

However, because he felt under threat, Major isolated most of his cabinet, creating an informal inner cabinet, consisting of Hurd, Clarke, Howard and Heseltine, which he consulted when making policy decisions. This created more resentment in those left out, including the lead cabinet euroskeptics Lilley, Portillo and Redwood (Williams 1998). This in turn only deepened the cabinet divisions over the single currency policy. All in all, while the prime minister was adamant that he put formulating a European policy that best served the country’s interests ahead of party management, “as time went on it was increasingly difficult to draw any conclusion other than the reverse one: that party management came first, and more pointedly, that party management was impossible to disentangle from the national interest” (Aspinwall 2004, 138). Baker concurs: “Much of UK party management over Europe has been less about the issue
itself and more about holding divided governing parties together in the face of the necessity to do deals with our European partners, or in the run up to electoral contests which necessitate an appearance, at least, of party unity” (Baker 2003, 13).

**Leadership election**

First and foremost, this leadership election was about Major’s European policy. It was because of the party divisions over Europe policy, especially about further integration through the single currency, that led Major to believe that a leadership election was his only option to restore his authority in the party. Major’s power over his party continued to diminish until by summer 1995 “the Government had lost all authority and Major all credibility” (Williams 1998, 81). Government mismanagement of its European policy had given rise to circumstances wherein backbench euroskeptics like Teresa Gorman and Bill Cash were perceived as having more influence than any given cabinet minister (Williams 1998).

In an effort to regain control over his own party, Major tried two tactics. The first was the leadership election, in which he took the unusual step of resigning as party leader (though not as prime minister, a which led some to question the constitutionality of the move) in June 1995. He thought that by going through a leadership election he could through victory silence those who criticized his leadership, but this strategy proved unsuccessful (Baker 2003).

Major had been plagued by rumors of leadership challenges every autumn—when under Conservative Party rules a leadership election could be called—since the ERM crisis in September 1992. Anticipating that a challenge might be made in the fall of
1995, Major decided to try to catch rivals within his party off guard by calling an election early, in June of that year. These continual rumors of leadership challenges damaged the prime minister’s “authority and therefore his legitimacy” in the party (Heppell 2008, 99): by 1995, the prime minister felt that he had to run or he could not rule. He had tried other ways of neutralizing the salience of European policy in Conservative Party politics, to no avail. This was an extreme but, he hoped, definitive means of defusing the party’s divisions over Europe (Heppell 2008).

Major’s three goals in calling the leadership election were to boost his authority and his legitimacy as party leader and to secure his tenure as prime minister. In the end, he only achieved the third. These were not party goals, but personal ones, though they would impact the party’s well-being (Heppell 2008). Major hoped that no other Conservative MP would run against him, which would solidify his authority. When it was clear that this hope was unrealistic, he modified his hopes to that of achieving a resounding victory, one that would make it clear that the only opposition he received was limited to a far right, euroskeptic fringe of the party. This did not happen either. Finally, he declared that he wanted at least 215 MPs to vote for him to consider the result a sufficient vote of confidence. This he achieved, though barely, as 218 Conservative MPs voted to retain the prime minister as party leader (Williams 1998).

The vote for who would next lead the party, like nearly every other decision in the Conservative Party at that time, was a vote about Europe. Not only had divisions over Major’s chosen European policy (especially monetary integration) led the prime minister to take this step, but also in deciding whether to run or how to vote in the election, Conservative ministers and MPs based their decisions on their relative positions on
Europe. In other words, European policy was the most salient ideological issue at hand (Heppell 2008). Second, however, he did not propose any changes in his policy on Europe or the single currency in his campaign. In addition, he did not offer a change in policy or leadership style if he won so that there was no fresh start for his leadership or for the party when he did win.

John Major resigned the leadership of his party to try to force the euroskeptic opponents out into the open, but the ploy was not as successful as hoped. Even prime minister Tony Blair in his memoirs observed that Major did it only half right because while he boldly called for an election, “Major made the same error as Labour had in the 1980s: he appealed for unity rather than a mandate. So the bold tactic was not accompanied by a bold strategy. Redwood was defeated; but not for a cause” (Blair 2010, 102). Williams (1998) agrees: Major offered no manifesto in his leadership campaign, presented no argument as to why the parliamentary party should re-elect him as party leader other than that he already held the position. Because he offered no manifesto, nor any pledge to change his leadership style or policies, there was no possibility of restoration of authority or legitimacy when he won. It was too late for the prime minister to regain authority because the perception of his weakness had been too long ingrained in his party, and the sense of betrayal over the manner in which Major had forced through the Maastricht Treaty ratification cast a long shadow from which he could not recover. He might have been able to offer a plan for the party’s renewal, a strategy for overcoming the divisions over Europe (or at least setting them aside for the present), but instead he opted for the status quo and thus left himself vulnerable to the same
criticisms from both sides of the party of the government’s policy on European integration that had been destabilizing the government all along (Heppell 2008).

Third, the election was not conducted on a level playing field, so that it didn’t truly test the extent of his authority, or grant him authority when he won. In 1991 the leadership election rules for the Conservative Party had been changed to make it harder to challenge the incumbent Conservative Party leader than it had been when Thatcher was unseated (indeed, it was partly in reaction to the unceremonious exit of that longtime leader that the party had changed the rules). Now any challenger to the party leader had to have at minimum the formal support of ten percent of the party’s MPs in order to launch a challenge. This ensured that most backbench would-be rivals would find it difficult to reach the threshold of support. Meanwhile, those in the cabinet capable of winning at least 10 percent of the MPs to their side, such as Clarke, Howard and Heseltine, were unwilling to risk their cabinet careers against an incumbent prime minister. They might have been willing to enter the race in the second round of voting, but that required finding a middle ground candidate who could win at least 10 percent of the MPs to run in the first round, but who would then be willing to step aside in the second round. None proved willing to play the stalking horse role, as this would risk that MP’s career on an even greater gamble – that the stronger candidate stepping in during the second round could both defeat the sitting prime minister and then prove willing to reward the stalking horse (Heppell 2008, Williams 1998).

Even though the leadership contest was somewhat rigged – few were willing to take on the prime minister of their own party – cabinet minister John Redwood decided to enter the election as a matter of principled objection to Major’s challenge to the party’s
euroskeptics to, in his own words, “put up or shut up”, with its implication that if no minister protested his European policy now, he would not be allowed to object to government policy later (Williams 1998; Young 1998, 458). Redwood considered this to be a violation of traditional prime minister--cabinet courtesies: a further mismanagement of the party on Major’s part. Redwood, a euroskeptic, also entered the contest because he sought to spur change, particularly in the government’s European policy (Heppell 2008).

Major tried to use leadership election as a way to call out the skeptics in the party and then by defeating them, silence their opposition to the government (Young 1998). He beat the euroskeptic candidate, John Redwood, but his victory did not put the dispute to bed as he had hoped. While Major won the leadership contest decisively, it was by no means as wide a margin of victory as it should have been, given that Major was the incumbent prime minister who possessed the power to lean on party members through the party's’ parliamentary whips, whom he did not hesitate to use. Redwood, meanwhile, had to resign his cabinet position in order to take on Major and was left scrambling for resources once he lost his ministerial office.

More than one third of Conservative MPs did not vote for the prime minister, who got 218 votes, either voting for Redwood (89) or spoiled their ballots (22) (Heppell 2008). This indicated that in the years since the 1990 leadership election, where he was the “least unacceptable option”, Major had failed to gain many supporters of his own (Heppell 2008, 112). In 1995 as in 1990, there were no “Majorites”, no cadre of devoted Major supporters for him to draw on. He lacked a consistent power base in the Parliamentary Conservative Party. In the 1995 leadership contest, therefore, the same occurred: Major was the “least unacceptable option”, so he won But this did not lead to
an increase in his authority in the party; rather it indicated the degree to which across the Parliamentary party, from europhile to moderate to euroskeptic, a significant number of backbenchers as well as cabinet ministers lacked faith in their leader. The outcome of the 1995 leadership election could be considered a “default victory in a fundamentally unequal contest rather than a vote of confidence” (Heppell 2008, 109).

Fourth, then, when he did win, the party’s divisions over Europe did not cease. The net result of the election was that challenges to his authority and his policies, primarily on Europe, continued after the election. The only thing Major secured was his own tenure in office: it did nothing to decrease the likelihood of the Party’s losing power in the next general election (Heppell 2008). In the end, while Major had triggered the leadership election in order to silence the divisions in the party over the government’s European policy, the outcome did not dampen party squabbles in the least (Wincott et al. 1999). While Major retained his position as party leader and prime minister, he gained no political capital by undertaking the leadership election and his ability to control his party remained as weak as ever (Rose 2001).

The high number of MPs who did not vote for Major belied the government’s claim that the divide in the party was only due to a few persistent rebels from the party’s backbench fringe – Major’s “never possessed”. When Redwood resigned from the cabinet to run it also undermined Major’s dismissal of the party’s “dispossessed”, for Redwood voluntarily dispossessed himself of power in order to try to change leadership and policy in the party. Although Major had promptly portrayed Redwood as a euroskeptic extremist during the campaign, the fact that the prime minister himself had chosen Redwood to be a member of his cabinet undermined the effectiveness of this
charge: if European extremism was so objectionable, what was Redwood doing in
Major’s cabinet to begin with? Also, since Major had to win over a number of the party’s
euroskeptics in order to retain power and authority, he had to be careful in drawing a line
in his dismissal of Redwood’s objection to the single currency, which many Conservative
MPs shared (Heppell 2008, Williams 1998). Major was not likely to build political
capital among the party’s euroskeptics by taking his characterization of Redwood too far.
Many MPs might be unwilling to take a chance on a relative unknown, but that did not
mean that they disagreed with his views on Europe.

In addition to the unsatisfactory outcome for the prime minister himself, the
leadership election did not on net help the Conservative Party as a whole. For one thing,
holding the election damaged the public’s perception of the party, because it laid bare to
voters the extent of the battle over European integration that had come to divide and
define the party since Major had become prime minister. Prior to the election political
analysts tended to think that there were roughly 20 MPs who were critical of Major’s
leadership based on the votes against the government that had taken place over time.
After the election results emerged, it was made clear to everyone that the number of MPs
critical of Major was far higher – 111 MPs had declined to vote for their prime minister,
roughly a third of the Parliamentary Conservative Party (Heppell 2008). Thus Major
didn’t get a mandate but a stay of execution.

Second, within the party itself “the consequence of this unnecessary contest for
the leadership (and the troublesome Government reshuffle) was to institutionalize their
conflict: as such, we can argue that it constituted a divisive rather than a healing process”
(Heppell 2008, 109). In one sense the leadership election might never have been able to
defuse the Europe debate because Major had such a “small and shrinking” majority in Parliament (Aspinwall 2004, 140). But Major’s tactics ensured that whatever advantage might have been gained—and even Blair as opposition leader briefly worried that he might gain one—did not materialize.

Ultimately, the leadership election failed to right the listing Conservative government, and it limped along to its electoral trouncing in May 1997. Major failed to neutralize, or even to address, the party’s divide over Europe. Heppell (2008, 114) concludes, “Put up or shut up was a strategy for personal victory. It would do nothing to prevent the inevitability of defeat at the next general election”.

**Withdrawing the whip**

The second tactic by which Major attempted to regain control over his party, following the leadership election in summer 1995, was to make the November 1995 vote on the European Community (Finance) Bill—the EU budget—a vote of confidence. At this point the Conservative majority in the House of Commons was down to fourteen, so Major wished to take no chances of a defeat (Young 1998). When eight euroskeptic Conservative MPs still refused to vote with the government Major [withdrew the whip from the rebels, meaning that the eight MPs “were no longer members of the Parliamentary Conservative Party” (Williams 1998, 72), only to reinstate it six months later, a restoration that some consider as bungled as the withdrawal had been.

Many abhorred Major’s heavy-handed approach, especially since withdrawing the whip meant that the Conservatives’ already razor-thin majority in the House of Commons shrank to next to nothing (Williams 1998, 72). Moreover, disgusted at the way the party
had treated the eight rebels, a ninth MP, Richard Body, voluntarily resigned the whip in a show of solidarity. In addition, withdrawing the whip from the rebels not only damaged the party’s parliamentary majority, but also gave the rebels the freedom to speak out much more openly against the government’s position on the single currency, arguing for staying out of the single currency indefinitely, than they could have had they still been bound by party discipline. Furthermore, the outlawed MPs could now claim to be martyrs for the euroskeptic cause, a role they played to the hilt (Major 1999). Finally, “others were encouraged by their example to challenge the leadership” (Forster 2002, 110).

Withdrawing the whip weakened Major’s base of support in Parliament and made party management harder. Major could not tolerate dissent—it upset his carefully constructed appearance of consensus—so came down harder on skeptic dissidents than another leader might have, to the detriment of his own greater party interests. He didn’t see the rebels in terms of the ideas (and objections) they raised, but rather just as “mischievous grandstanders who courted publicity at the expense of their own party’s reputation for governing competence” (Foley 2002, 57). Because of that, he could not, or would not, address the concerns that they raised about the government’s Europe policy.

Forster asserts that the Labour party has historically been much less likely to formalize its party divisions by withdrawing the whip from dissidents, including over Europe even in the divisive governments of the 1960s and 1970s when the party was divided over the European market. “Indeed, even under New Labour, ‘soft’ Eurosceptics like Gordon Brown and Jack Straw have attained the highest-ranking government posts” (Forster 2002, 139). Major did appoint a number of euroskeptics to cabinet positions, but
as with the leadership election, which institutionalized the party’s conflict over Europe, Major’s decision to withdraw the whip from the euroskeptic dissidents brought to the fore and formalized an internal party division. In doing so, he deprived the Parliamentary Conservative Party of even its narrow majority and thus a chance of winning votes on the broad array of other, non-European issues that came before the House. Thus Major’s decision ensured that the party could not escape the Europe issue even if it tried.

**Prime minister’s relationship with the chancellor**

European monetary integration divided the party, and the chancellor’s power made him a big player in whether that division might be alleviated or expanded. In Clarke’s case, he chose to expand the divide. The chancellor plays a key role in setting government policy on—and limiting prime ministerial power over—the single currency, and Clarke was no exception, a successor to Lawson and precursor to Brown who each likewise strongly shaped government euro policy. Because of the power wielded by the chancellor, prime ministers cannot always get what they want (Heffernan 2005), though in this case Williams (1998) at least suggests that Major had what he wanted in his chancellor: someone to blame for why he did not take a stronger line on ruling out the single currency.

Major first appointed Norman Lamont as chancellor when he came to power in late 1990: Lamont held this position throughout negotiations of the Maastricht Treaty, in which he played a key part despite being a euroskeptic. Like other members of the cabinet at that time, however, he abided by government policy on European integration. This is in part because Major did not begin to have serious problems with maintaining
party discipline in his government until after ratification of the treaty. Major had fewer problems in terms of dissension from the party line with Lamont than he did with Clarke, though he thought more highly of Clarke and let him get away with more. This was in part because the overall level of party rebellion was relatively lower during the Lamont years than when Clarke was chancellor, so that defection by the chancellor was potentially less damaging at that time. Also Major had less control over the party in later years, which enabled Clarke to break away from the government line more easily regardless of the depth of his own power base in the party.

Major fired Lamont on May 27, 1993, several months after the ERM collapse. Public opinion remained negative about the fallout from the disaster even as the economy began to recover due to the measures Lamont put in place to address the economic crisis. Lamont had become a liability as he became the focus for public ire over the government’s mishandling of European monetary integration through ERM (Major 1999). Lamont was the only major cabinet member that Major sacked during his time in office, though the ex-Chancellor achieved some measure of revenge in his resignation speech in the House of Commons when he noted persuasively that the government from which he had just been ejected gave “‘the impression of being in office but not in power’” (Young 1998, 443).

After sacking Lamont, Major appointed Kenneth Clarke as the new chancellor. “By that single act, just five days after the Third Reading of the Maastricht Bill [which all

27 Lamont did, however, publicly claim to have been “singing in the bath” when Britain finally exited ERM, despite having strongly defended membership in the currency regime just months earlier in his official capacity (Young 1998, 443).
but sealed the treaty’s ratification], he showed contempt for the chasm that now existed between the Government and the Tories’ Euro-sceptic backbenchers. He advanced the Cabinet’s most Euro-phile member to the office of state where he could most enrage them” (Williams 1998, 41). By appointing a strong europhile to the second highest position in government, Major encouraged rather than alleviated the party’s divisions over the single currency. Major (1999) seemed to look at the succession only in terms of personality fit: he said that admired Clarke and believed that he and the new chancellor would work well together even when they disagreed on an issue. Major makes no mention of Clarke’s position on the single currency, writing only that “his sharp political intellect was shaped around long-held principles”, without addressing what these principles were (Major 1999, 681). This seems either shortsighted or disingenuous, considering the timing of the appointment, just as the government was forcing ratification of a treaty that explicitly deepened European integration through Parliament.

Major may also have been trying to balance the euroskeptics and europhile influences in the party by appointing Clarke to the second highest government position. This move also allowed Clarke to make the government’s argument in favor of the single currency so that the prime minister did not have to, though this strategy ran the risk of making the government look split over monetary integration, as indeed it did. As chancellor, Clarke’s statements on the merits of entry into the single currency carried weight; the euroskeptic ex-minister John Redwood “complained that ‘Clarke only talks about the disadvantages of staying out. He never talks about the advantages’” (Williams 1998, 171). However, he was balanced by a growing number of euroskeptic ministers willing to discuss the merits of retaining the pound.
Meanwhile, choosing Clarke also meant that Major had appointed a powerful lieutenant whom he now either had to appease or keep in line. For instance, the prime minister could neither rule out joining the single currency during the 1997 election campaign for fear of upsetting Clarke, just as he could not decline to participate in the latest round of European integration, the Amsterdam Treaty (Aspinwall 2004). But this allowed Major to deflect blame for this stance. Indeed, Major was happy to use Clarke to justify his failure to make any significant decisions regarding Britain’s possible membership in the single currency. “When [Major] talked, for example, of being the ‘biggest Euro-sceptic of them all’, when he described the project of Monetary Union as having ‘all the quaintness and potency of a rain dance’, he wished to signal a wealth of inner intentions frustrated by his senior colleagues”, Clarke in particular (Williams 1998, 33). But even though through Clarke’s appointment Major hoped to distance himself from the difficult economic policy decisions that had to be made following the government’s ERM mistakes as well as the single currency decision, and while Major often privately told other ministers, particularly the euroskeptics like John Redwood that he would take a more eurosceptical line if it were not for the pressure from Clarke and Heseltine, at the end of the day Major, as First Lord of the Treasury, could not wholly escape responsibility for either (Williams 1998).

While Major chose to portray himself as being held hostage to the combined political weight of Clarke and Heseltine on the single currency as a political strategy for easing the pressure from the party’s euroskeptics, the two europhiles did not often collaborate and their approach to the single currency issue differed (Young 1998, Williams 1999). Clarke was the most prominent europhile in the Conservative Party and
Major’s right hand man, both due to his position as chancellor but also because of the degree to which Major relied on him in government. Heseltine, the Deputy Prime Minister, who had challenged Thatcher out of her premiership, was also a europhile but preferred to wage war behind the scenes when he did so at all, reasoning that to encourage a public spat over Europe only damaged the government overall. Clarke had neither the temperament for nor any compunction against taking the same approach (Wincott et al., 1999; Young 1998).

Clarke was a pragmatic europhile who saw European integration as the future for Britain and had no qualms, economic, constitutional or otherwise, about ushering Britain into the single currency (Williams 1998). He was also a forceful personality (Major 1999): he took on the skeptics in public, speaking in blunt terms and in doing so contributed to the damage done to the government’s reputation. Indeed, he relished taking on the party’s euroskeptics in public and in private, and did so frequently. Just as the party’s euroskeptics regularly disregarded the government’s official line on the single currency, so too did the second most powerful minister in government.

However, Major treated Clarke’s defections differently than those of other government members. For instance, Major roundly condemned two junior ministers, Jim Paice and John Horam, for going off message during the election campaign: when they publicly stated their opposition to the single currency he “went to bed spitting with anger at their foolishness” (Major 1999, 715). But when Clarke, on several occasions, came out publicly against the government’s official policy on the single currency the prime minister’s reaction was rather different. In both cases he felt unable to fire the ministers because it would result in more damage than if he left it alone (the junior ministers
because he feared that it would allow the euroskeptics to claim martyrdom, Clarke because he was too powerful). However, instead of condemning the chancellor’s motives as he had those of the euroskeptic “bastards”, junior and senior, who had defied the government line over the years, his reaction to Clarke’s defiance of government policy was to defend Clarke’s aggressiveness. When “his beliefs were biffed on the nose” by euroskeptics, Major explained, the fact that Clarke then “would biff back” was an understandable reaction to provocation. Major only complained that “The resultant flow of blood was satisfactory to both wings of the European argument, but not to me, who was left trying to mop it up”, thus portraying himself again as a victim of actions by his chancellor and party skeptics, unable to control either side (Major 1999, 604). Indeed, Williams (1998) asserts that Major did not necessarily object to Clarke’s sentiments on the single currency, only to the public flouting of the prime minister’s authority.

According to Rose (2001, 153), “The doctrine of collective responsibility requires ministers to be loyal to all decisions of Cabinet. While disagreements may be voiced in private, public disagreement is deemed tantamount to resignation.” This doctrine is more widespread than is immediately apparent, expanding beyond simply senior ministers to “bind[s] more than one hundred MPs in government posts to the Prime Minister”. But Major failed to enforce this doctrine effectively. Clarke rebelled against Major’s wishes, which goes again the to the question of how much power a chancellor had. When Lawson defied Thatcher over the exchange rate fix he did so secretly but did it all the same. Clarke defied Major in a public manner in part, no doubt, because he thought he could get away with it and he was right: Major was a weaker prime minister than Thatcher was in the 1980s, when Lawson secretly defied her, and Blair for that matter
was in the late 1990s, when Brown tested his authority. But in defying the prime minister so openly Clarke also made him still weaker, which was bad for the party and its chances of re-election.

Even Clarke admitted his power over the prime minister, telling Major’s biographer “I am sure [Major’s] view of me was that I was stubborn and arrogant, and how could he possibly manage the party with me on one side and those bloody Eurosceptics on the other? [But] I had no intention of allowing the party to be captured by the sceptics” (Aspinwall 2004, 147). On the other hand, Lamont (1999) speculated that it must have been frustrating for Clarke to see it as always being asked to give way on the single currency issue, even if by only halting degrees, without seeing reciprocation. While the overall policy changed little, Major did commit to a referendum, which Clarke opposed, and then he at the last minute before the general election ruled out the Britain’s entry in to the single currency in 1999 (when it was too late to do so anyway), which Clarke also opposed (Young 1998).

Overall Major was in too weak a position to demand that Clarke resign, even had he wished to do so (and he clearly seemed to consider the skeptics as the enemy, not the europhile chancellor (Major 1999)). But relative strength is not the only factor governing the degree to which a prime minister can rein in a disputatious chancellor: Blair, after all in a much stronger position as prime minister than Major, never thought it appropriate or worthwhile to sack Brown either.

In December 1996, several years of mistrust between backbench and government manifested itself in the to a meeting of EU finance ministers (ECOFIN). At the ECOFIN meeting member state representatives wished to formalize a new stability pact aimed at
harmonizing the economies of those intending to join the single currency. Clarke intended to go to the meeting without first discussing the government’s negotiating strategy with Parliament. This was not uncommon, particularly since Britain had expressed no intention of joining the single currency yet. But in part because of this uncertainty over Britain’s potential membership, Conservative backbenchers worried that the government—led by the europhile chancellor—planned to commit Britain to deeper monetary integration than the majority of the party had authorized (Williams 1998).

In all, 150 Conservative MPs demanded that the chancellor appear before Parliament and a debate be held on the government’s policy regarding the stability pact before the ECOFIN meeting. Instead of simply allowing the debate to take place, the government, fearing a new rebellion over Europe, overreacted and tried to pressure the parliamentary committee that would determine the nature of the debate to drop it. Despite the government pressure the committee voted to allow the debate on the house floor. In the subsequent debate Clarke duly presented the government’s position that Britain would not be subject to the stability pact unless it decided to join the single currency. The chancellor’s statement to the House satisfied the MPs who had requested the debate, but the damage to the government was done: by panicking about the request for a debate it once again revealed its weakness. The episode also indicated that 150 Conservative MPs did not trust that their chancellor would represent the interests of the party and the nation without getting reassurances from him directly beforehand. Distrust of the government’s motives regarding Europe had thus broken beyond the smaller bounds of the known, committed euroskeptics in the party and had inflamed a number of
the broader, more moderate elements of the Parliamentary Conservative Party (Lamont 1999).

This was a failure in party management in two ways. First, Parliamentary backbenchers should have been more trusting of its government that it would negotiate in accordance with the party’s ideology. But this ideology was divided, and the fact that the backbenchers did not trust the government was a legacy of the ham-handed tactics the prime minister had used against his own parties in an attempt to enforce consensus. Conservative Party ideology did not provide an answer to the question of whether the UK should join the euro, which exacerbated the party’s cross-cutting cleavage over the issue.

Second, the prime minister repeated this mistake in his reaction to the reasonable request of the Parliament to hold a debate on the government’s negotiating stance regarding the stability pact. Once again the government alienated its own backbenchers as well as the electorate—which was given another view of Conservative divisions over Europe mere months before the general election—by coming down unnecessarily hard in terms of party management while making threats that no one believed it would execute. Overall, the worst outcome from the standpoint of the Conservative Party was that the episode further alienated the public: “the Conservative Party and the Government had once again shown themselves constitutionally incapable of running a consistent and competent European policy in any direction” (Williams 1998, 171).

Clarke contributed significantly to the government’s credibility problem with its own party and the broader electorate: even though he believed that his cause, defeating the party’s euroskeptics, was right, by fuelling the divisions over Europe he weakened the party and led even moderate Conservative MPs to distrust the chancellor. While the
distrust was due to the overall weakness of the government, which Clarke did not entirely or even primarily cause, he contributed to it by his habitual, public departures from the government line on the single currency, which led the backbenchers to distrust him on Europe even when he was being straightforward about his intentions, and the public, noting these divisions, to distrust the party.


The debate over European monetary integration proved so divisive in the relationships between prime minister, backbenches and cabinet that the prime minister was driven finally to send the issue outside the traditional Parliamentary environment to resolve it. While at first some in the party objected to the promise of a referendum on the grounds of parliamentary sovereignty, gradually the notion became accepted by the traditional parliamentary environment and folded into accepted practice rather than being seen as unconstitutional. The referendum was a means of party management for the prime minister, though he was responding to pressure from within the party in pledging it (Williams 1998).

Proposals of a referendum first emerged from British euroskeptics during the Maastricht Treaty negotiations; as mentioned earlier Thatcher and others argued that because all major parties supported first the Treaty itself and then not ruling out membership in the eurozone, the part of the public who opposed the Treaty or the single currency lacked representation through the Parliamentary system. Previously, Britain had held only one nationwide referendum, also on the European Union, in 1975, so while
there was little precedent, what precedent existed suggested that European integration was one issue that might require extra-parliamentary measures.

According to Major (1999), he first floated the idea of holding a referendum in 1994, but the majority of cabinet euroskeptics and europhiles alike believed that it violated parliamentary sovereignty. By 1996, however, he found that the situation had reversed itself and that a majority of cabinet ministers now favored holding a referendum on the single currency should the government propose entry. Foley (2002) and Williams (1998) offer another reason for Major’s discovery that Cabinet sentiment had changed, one which Major glosses over in his memoirs: Major’s need to win the leadership election he himself had instigated in 1995. Finding himself vulnerable to gaining insufficient votes to maintain effective authority over the party (as had happened to Thatcher in 1990) during the leadership election, Major began to make deals in an effort to attract the euroskeptic vote. Among other pledges, Major promised privately that he would commit to holding a referendum if the government ever decided that Britain should join the single currency. This only applied to the next Parliament, but he also promised to commit that Britain would give up on even the possibility of being in the first wave of euro entrants in 1999. In making this latter promise Major was giving up little except perhaps in his own mind, since by now that seemed effectively ruled out anyway (Foley 2002).

However, the referendum pledge did mark a significant concession to the euroskeptic side of the party. It also had the advantage, Major belatedly discovered, of taking the pressure of committing to or declaring against the single currency off the government and the prime minister himself, and it was hoped it would resurrect the
Conservative government’s flagging popularity (Williams 1998). Accordingly, in April 1996, a year before the next general election, the cabinet formally pledged that the government would hold a public referendum on the matter of Britain's membership of the single currency if the government, in the course of the next Parliament, ever decided that Britain should join the EMU. Major notes that the cabinet as a whole supported this stance “rather grudgingly” (Major 1999, 688). This may be an understatement: at least some in the government, like europhiles Clarke and Heseltine and euroskeptic Portillo, continued to object to the principle of holding a referendum on constitutional grounds. Indeed Major’s right hand man, the chancellor, threatened to resign over the referendum pledge. Major conceded to Clarke’s demand that the promise apply only through the next Parliament and only if the Conservatives won reelection. Clarke also demanded that Major make no further concessions on the single currency issue. Major allowed Clarke to set these parameters in order to balance the euroskeptics and europhiles in the party: he needed Clarke in the cabinet to balance the skeptics. Meanwhile, the cabinet’s euroskeptics knew that Clarke’s threat was hollow: he would not resign so close to the next election and risk being blamed for setting off the electoral disaster everyone knew was coming (Williams 1998).

Meanwhile, in the years since Maastricht Treaty negotiations, the Conservative Party’s debate over whether to promise a referendum and the Major’s inability to contain the debate within the bounds of the government itself, spilling out into the public realm, shows another way in which the European policy divide damaged the party internally and externally. Arguments in the cabinet over whether to hold a referendum or not were made public and decreased the perceived competence of the government: although pledging to
hold a referendum was meant to raise public opinion of the government, the cabinet spats between Clarke and the euroskeptics, with a hapless Major looking on, did not.

Once Major promised to have a referendum in 1996, Tony Blair and the Labour Party then followed with its own pledge to do the same. Major’s commitment to hold a referendum accordingly framed the debate over whether Britain would join the single currency thereafter—the assumption became that Britain would not join without holding a referendum on the issue (Hurd 2003). Fundamentally, it was because the issue was about Europe that it came to a referendum pledge at all in the end. Because it was about European integration, which cuts across traditional party ideologies, as do all issues that form cross-cutting cleavages, the parties were not able to resolve it through the traditional Parliamentary processes and thus looked outside Parliament for resolution as a more extreme form of party management.

This divisive European integration debate also, in seeking new venues, gave rise to new extra-Parliamentary groups that advocated one side or the other of the issue. These included the euroskeptic Bruges Group, supported by Thatcher, and enabled a lively debate on the issue of monetary integration that the Parliamentary party leaderships were trying to stifle. Indeed private skeptics had a network that extended beyond Parliament into think tanks and other private organizations and were in some ways a bigger problem for Major than the parliamentary euroskeptics whom he could stifle through party management techniques, however imperfectly (Foley 2002). In fostering debate on the single currency these groups eventually helped to shape the government’s policy on joining the euro, as will be discussed in a later chapter.
Part V: Denouement: the 1997 general election

The issue of European monetary integration created divisions in the Parliamentary Conservative Party at all levels. Unable to overcome, set aside or resolve these divisions, the party became electorally unviable. The electorate witnessed these divisions and how the issue of European integration had consumed the party’s attention to the apparent detriment of other issues more salient to the public, and they voted the Conservatives out of office as a result.

Major delayed holding a general election as long as he could, but everyone in Britain knew that by the time the election finally took place on May 2, 1997, the Conservatives would lose, and lose by a wide margin. This was in part because the Conservatives had been in power since 1979 and the electorate wanted a change, but also because the Conservatives had managed to lose the confidence of the electorate while Labour had managed to convince the public that it could be trusted to run the economy again. This latter was due in no small part to the Conservatives’ mishandling of its membership in the ERM.

One of the mistakes the government made during the 1997 campaign was persisting in justifying stances that had long since proved unpopular with the electorate. For instance, “The Government had never apologized for imposing the ERM on British families and companies. Even when pressed in the middle of 1997 general election, Major still justified it on the basis of lowered inflation” (Williams 1998, 165). Major recognized the need to address the ERM disaster and government’s policies in its aftermath during the campaign and did so by plastering across campaign posters nationwide which declared “‘Yes, it hurt. Yes, it worked’”, arguing that the ERM crisis
had been necessary in order to cure Britain of its chronic inflation woes. But “In practice the message conveyed was one of arrogance. An elected Government had chosen to inflict pain on the British people in order to correct the consequence of its own mistakes” (Williams 1998, 165).

After the ERM disaster the public lost faith that the Conservatives could be trusted with the economy, even though the economy had recovered steadily since then, and no one believed that the Conservatives could rule effectively while so divided on the Europe issue. The Tories chose euro policy as their obsession, refusing to learn from its losses in the 1989 European Parliament election, discussed in a previous chapter, that the public primarily wanted the government to focus on domestic policy issues like jobs, health care and education, not on European integration. Williams (1998, 190) judges that the Tory Party refused to adopt or accept the need to adopt a nuanced ideological stance on the issue of European integration compromising between the two wings of the party’s Europe divide. Instead party members chose to isolate themselves in rigid stances on the euro and so brought about their own downfall. Europe served to reveal “how rudderless, fractious and unpleasant the Tories were” (Williams 1998, 80). The electorate accordingly chose Labour, a party that seemed willing to focus on the domestic issues that were of greatest concern to the public.

Overall, even though it was the most volatile issue in British politics, the parties did not formally discuss Europe during the 1997 general election campaign. The Conservatives would not willingly bring attention to their divisions, knowing that the voters would respond negatively. Labour, meanwhile, was not going to bring up Europe because the party did not want to raise any euroskeptic trouble of its own (Young 1998).
Nonetheless, unofficially Conservative party fights over Europe continued right up to the 1997 election, even during the official campaign (Wincott et al. 1999).

While the single currency did not feature prominently in either party’s platform (Dale 2000), Europe cast a strong shadow over the campaign. “Europe was proxy and proof for other things, to do with leadership style and party credibility, with competence and with plausible purpose. On all those counts, it did more than any other issue to wreck the Tory Government and obliterate any possibility of it being re-elected” (Young 1998, 468). But that was the Conservatives’ own doing: the Conservatives were unable to refrain from attacking each other on Europe, which thus “defined the Tories and their introspective domestic conflicts as a family at war.” As a result, “Britain’s new, large middle class felt abandoned” (Williams 1998, 80). During the campaign Conservative MPs seized the opportunity to attack each other and thus to leave any pretense of cabinet unity far behind. In a speech in Zurich on September 18, 1996, for instance, Foreign Minister Malcolm Rifkind observed that if monetary union took place, many existing and future members, due to the convergence requirements, would be ineligible to join irrespective of Britain’s choice, and thus the EU would be divided. He added that Europeans had been unwilling thus far to consider the repercussions of this inevitable division but would have to do so if monetary union took place (Economist September 21, 1996). Rifkind’s remark caused a furor in Britain’s highly charged political environment for its departure from the carefully noncommittal government line, and Clarke in particular was furious at this public expression of euroskepticism (Williams 1998).

Even if the electorate had been willing to accept the Conservative Party’s obsession over European integration, the country’s mood had changed since 1992
election: now the public wanted a strong leader, not a conciliator (Foley 2002, 62). Major was accused of habitually avoiding tough decisions, which some attributed to his former occupation as a whip (Foley 2002), although others (Williams 1998) observed that a number of party leaders had once been whips but were not similarly afflicted with indecision in times of crisis. Overall, the 1997 election loss was a thorough discrediting of the prime minister’s leadership abilities. Young (1998, 467) observes, “For the man whose chief credential, when he became party leader, was supposed to be his mastery of the arts of political management, ironic is hardly the word to describe his fate. Over the seven years, the Conservative Party, under his decent and well-meaning hand, had all but disintegrated.” This was worse still for Major, who not only had proudly disavowed any pretensions to ideological aspiration but who also had declared that for him the preservation of his party was most important of all (Major 1999).

However, Major’s control over his party continued to erode. Sir James Goldsmith created the Referendum Party explicitly aimed at calling for a referendum on the single currency, which “rekindled open rebelliousness, with a third of Conservative candidates issuing personal manifestos ruling out a single currency” (Baker 2003, 10). Even ministers began to pledge to oppose membership of the single currency independent of the official Government line. This amounted to open rebellion as even government members lost faith in the government’s ability to save their seats (Williams 1998, 186).

This rebellion in the ranks put further pressure on the Government to alter single currency policy but Major declined to formally go further than his promise to hold a referendum, perhaps in deference to Clarke’s insistence on the subject. Major (1999) argued that by not taking sides on the single currency debate he prevented the party from
splitting. Accordingly, even while defining the single currency debate as “‘the most important issue that any Government has been asked to make for generations’” (Williams 1998, 185), Major still refused to state his own position on the subject, even during the general election campaign.

Informally, though, whether by mistake or not, Major did indicate a shift further to the euroskeptic side. Major had attempted to toe a fine line between favoring and opposing European monetary integration throughout his premiership, but some accused him of losing his step near the end. In a New Yorker interview in late 1996 Major declared that he would not want to be chancellor once Britain had joined EMU because he would no longer have control over interest rates, but would still be answerable to the public for the effect monetary policy had on the domestic economy. This seemed to the hypersensitive British political community to imply a shift in government policy towards ruling out membership of the single currency, and Clarke and Heseltine, disapproving of Major’s slip, swiftly stepped in to pressure the prime minister to backtrack. Heseltine, the deputy prime minister, publicly denied that the government policy on the single currency had changed, but this allowed Blair to question Major during Prime Minister’s Questions whether his deputy prime minister’s assertion was correct. With the mass of his predominantly euroskeptic Parliamentary party sitting behind him, Major was forced to support Heseltine’s declaration, thus backtracking on his euroskeptic gambit while once again publicly revealing the split over Europe within his party’s ranks. “An ocean of shortly to be unemployed Tory MPs sat forlornly behind Major. ‘That’s it,’ said one of them, Michael Brown. ‘This is the day we lost the general election. From sceptics to tepids, the Tory Parliamentary Party had convinced itself that, in the absence of any other
serious domestic policy, only Europe could win them the next election. Now their leader denied them even that possibility” (Williams 1998, 172).

Major’s grip on the matter of the single currency slipped further. At a press conference on April 17 1997, days before the election, Major seemed to commit to allowing a free vote on EMU if it ever came before the Commons, thus giving up on attempting to maintain even the semblance of party discipline on the single currency issue, but also attempting to absolve himself of responsibility for the outcome (Bevins 1997).

In January 1997, in the run up to the general election, Labour leader Tony Blair had told a senior advisor “that the way to really do in the Tories was to announce during the campaign that we would make the Bank of England independent, and we would not be joining the first wave of the euro” (Campbell 2007, 154). Labour then would be seen to be willing to make a pledge that Major could not or would not bring himself to make. The fact that the openly pro-EMU party was willing to rule out membership of the euro in the first wave while the leader of the predominantly euroskeptic party was unwilling to make even such a limited declaration was a fitting indication of the Conservative Party’s problems with its prime minister and with Europe. To all onlookers, Major had become completely indecisive about the very issue that defined his party, had lost control as a result, and the party as a whole was about to lose power in a decisive manner.

Labour won the general election in a landslide. The Conservative result was so dire that 56 percent of readers of euroskeptic tabloid The Sun voted Labour. The Conservative Party divisions over European policy left even eurosceptical voters with the conviction that as regards Europe they might as well vote Labour as Tory. The latter party’s
handling of what they had chosen to make their signature issue, the issue they thought could win them the election, led to their defeat (Williams 1998).

In an indication of the public disinterest in the Europe issue as well as the distrust the Conservatives’ handling of that issue had engendered, election results were bad for Tory euroskeptics and europhiles alike. The party’s main europhile, Kenneth Clarke, and one of its most vociferous euroskeptics, Teresa Gorman, who had both enjoyed substantial majorities in their respective constituencies, held on to their seats by only a narrow margin (Williams 1998). After so many years of devastating fights between the two sides of the Conservative Party over European integration, the public declined to distinguish between the two wings, ignoring the bitter divide that so defined the party. The issue of the single currency had come to define the Conservative Party, but it had also come near to destroying it.

**Part VI: Major and the cross-cutting cleavages challenge**

As mentioned, cross-cutting cleavages (and their resultant challenges for party management) will be an increasing problem in big tent parties as European integration increases (Aspinwall 2004). The ease or difficulty with which party leaders manage these cleavages depends on institutions, actors and the degree of outside momentum for European integration. The most common British party management technique in the face of these cross-cutting cleavages, as in other FPTP systems, has been to delay making a decision on the issue of European integration as long as possible in an effort to avoid having a known difference within the party come to a head at all (Aspinwall 2004). Thus a cautious euro policy is a deliberate policy byproduct of party management in a FPTP
system: Major and Blair both employed this tactic, as did Thatcher as she put off her cabinet colleagues regarding joining the ERM. Only Thatcher in her last years as prime minister struck a bold approach in her blunt opposition to European monetary integration, and increased divisiveness in the Conservative Party resulted. Correspondingly, Schattschneider (1960, 71) noted, a clear way of lowering the salience of a party division or prevent “the rise of conflict is simply to provide no arena for it”: no conflict, no cleavage. Blair followed this prescription as he shut both Labour backbenchers and cabinet members out of the decision-making process entirely.

Since the cross-cutting cleavages over European integration will remain as long as integration remains on the agenda, one can expect to see more attempts to delay decision making on future European integration matters from future prime ministers dealing with party divisions over the issue. What other lessons can be drawn from the cases in this study on how to manage the euro cross-cutting cleavage? Because Major’s situation was the most difficult of the prime ministers examined, it is worth considering what his options were in the face of the euro cleavage in order to assess what a future prime minister in a similar position might do.

Of the prime ministers considered in this study, Major faced the toughest scenario with a small parliamentary majority and a high level of outside pressure on euro integration, the effects of which he exacerbated through poor party leadership. In such a position party leadership becomes key, but a party leader must “create a coalition of MPs and voters with more or less diverse views – and to manage that coalition once in office. Coalition politics is consensus politics. But consensus politics is not static: the pressure of events from the world beyond Westminster sees to that, and so too does the
intensifying effect of long-term structural changes,” such as the effects of European integration (Rose 2001, 144). These constant changes of cross-cutting cleavages over a given issue, especially one as contentious as the euro, means that no prime minister can rest on the policy of the previous prime minister but must adapt policy to the changing imperatives of European integration.

As the reiterated problem solving method suggests, “The response of each Prime Minister leads to changes in public policy, and to the political values by which government policy is justified. As each Prime Minister accepts much of the legacy of predecessors, the result is a moving consensus” (Rose 2001, 144). Major’s decision to pledge a referendum on the euro issue in response to pressure from the party euroskeptics who had been stirred to activism by Thatcher is an example of this phenomenon. In turn, Major’s pledge compelled Blair to follow suit, but the Labour leader used the referendum promise to better party management effect than his predecessor in relieving some of the euro integration pressure on his party. This was in part because Major finally made the referendum pledge so late in his tenure that it did not affect the outcome of the next election (Aspinwall 2004).

Blair (2010) observes that Major spent all his time trying to conceal the divisions in the Conservative Party rather than trying to fix them. But could they be fixed? Blair defused his divisions by taking the wind out of the single currency sails far more effectively than Major had through use of the referendum pledge, but with his small parliamentary majority, Major had fewer options than his successor. Major found it difficult to achieve a middle ground during the 1990s balancing the institutional weakness of a minuscule parliamentary majority and the intense pressure to join the
eurozone. He resisted siding with either the europhile or euroskeptic branches of the party too closely, but neither did he make a virtue of the party’s division by allowing a free vote on Europe matters (Gowland and Turner 2000).

Aspinwall (2004) says that Major could not pick sides between europhiles and euroskeptics because that would have split the Conservative Party; instead, he argues, Major should have allowed party members a free vote on European integration issues to give—and capitalize on—the impression of an open, democratic party for electoral purposes. In addition to electoral advantage, a political party is “less beset by strife” when leadership gives up trying to hold the party together on an issue in which the tensions are high and the members are clearly not united and allows a free vote, especially if the party has a small Parliamentary majority (Aspinwall 2004, 172). Thus, as a solution to the continuing cross-cutting cleavages challenges for British parties over European integration Aspinwall proposes that prime ministers should acknowledge party management issues openly, rather than pretend that a big tent party is unified. this has an added advantage for the country as a whole: “Broad church parties might be hell for party leaders, but they are wonderfully vibrant democratic groups, where debate thrives among a variety of opinions. By including Euro-sceptics and Euro-philes in the same party, the level of democratic legitimacy is raised: this strength should be flaunted” (Aspinwall 2004, 171).

Aspinwall compares Major’s situation with those of the Conservative Heath and Labour Callaghan governments in the 1970s. Both prime ministers were faced with European integration pressures while possessing only a small parliamentary majority and a divided party. Neither attempted to fight the existence of their small majorities.
Indeed, far from fighting the divisions in his own party Heath counted on cross-cutting cleavages to win Britain’s entry into the European Economic Community (EEC), bypassing opponents in his own party and using Labour’s europhiles to pass the measure in 1973. Later, Callaghan allowed Labour Party parliamentarians a free vote on the kind of electoral system to be used for European Parliamentary elections, but there was less at stake in that vote since Parliament and nation had already agreed to the greater integration issue of membership in the EEC (Aspinwall 2004).

Despite these examples, parties do not often promote the virtues of an open, democratic intra-party coalition. The Conservative Party purged europhiles while in opposition during the Blair years, but Labour likewise rid itself of euroskeptics during that party's years in opposition, a strategy that proved successful by the time the party came into power because of the Blair government’s big parliamentary majority and subsequent success in managing the issue’s salience. This success allowed the Labour party to act as if the party was unified on Europe, though it was not entirely: remaining skeptics were merely marginalized. This approach to party management, however, took place while the parties were in opposition: with Major leading the party in power, would a free vote approach, as Aspinwall argues, have served him better?

Major faced two different situations in his battle over the European integration cross-cutting cleavage in which he could have allowed the party an open vote: the negotiation and ratification of the Maastricht Treaty, and the potential vote over Britain’s membership in the European Monetary Union. Realistically, Major could not allow a free vote during ratification for the sake of his own political reputation and the pressure from the EU level and because, unlike Heath, he could not rely on the opposition party to
supply enough votes to guarantee that the ratification measure would pass. Major only achieved ratification by making the issue a confidence matter for his parliamentary party, staking the fate of his government on the outcome of the vote.

Major’s dilemma reflects the cost of European integration pressure imposed from outside. If on the other hand Major had allowed a free vote on Maastricht, the treaty might not have been ratified, and the prime minister then would have had to return to his cohorts at the EU level to report that because of one country the treaty could not become EU law. Even today in an EU of 27 member states it is difficult for a country to stand out against its fellow members, but during the Maastricht Treaty negotiations Britain was one of only twelve member states, and already had a reputation for being a regular veto against the others’ initiatives. Being the outsider in such an endeavor can have uncomfortable repercussions (Miles 2005; Rawnsley 2001). Even for a leader like Thatcher, who would have relished taking on the other EU leaders, being the one veto in a small group committed at least nominally to a project of increased integration would have led to increased divisiveness over the issue in domestic politics, especially within the ruling party.

Failing other countries’ support, the EU likely would have found a way to pass the Maastricht Treaty without Britain. At this time a fear that a “two-speed Europe” in which Britain was left behind in the slow lane was already strong in British political circles; thus, not only would Major have had to face EU-level opprobrium, but would have faced censure from europhiles at home, including in his own government, at his perceived mishandling of such a major event. Thus, especially given his small
parliamentary majority, Major was unwilling to risk a defeat over the Maastricht Treaty ratification.

After ratification, Major perhaps could have allowed free vote on the euro or on European issues more broadly, but the risks of giving more power to either the europhiles or the euroskeptics in the Conservative Party by doing so were high. In any case, from his party’s perspective it may have been too late: his heavy-handed party management tactics during the ratification process had alienated much of his party and increased party divisions over Europe. The willingness of the two sides to cooperate with each other may have remained limited after the bitterness of the long ratification debate, even with the promise of the free vote. Meanwhile all these disputes took place in the public eye, which harmed Conservatives’ reputation as the governing party.

The Blair government’s five tests framework allowed Blair to delay euro membership while not ruling it out altogether. Major could have followed a similar policy by ruling out Britain’s membership in the eurozone for five years or until the next Parliament, which, since in the mid-1990s there was some question as to whether the single currency would come about by its scheduled launch date of January 1, 1999. Major’s control over the euro cross-cutting cleavage was however so precarious that he was unable to win the cooperation of his europhile chancellor Kenneth Clarke over even such a modest step. Clarke threatened to resign if Major made such a definitive, however limited, step towards the euroskeptic side of the party (Gowland and Turner 2000).

The best that Major could manage, over Clarke’s objections was, by late 1996, a statement that it was “‘very unlikely’” that the euro would even come into being in January 1999 and that without economic convergence among prospective member
economies the UK would not join. At that late date Clarke would have been reluctant to appear to be the reason for derailing the Conservative Party’s election prospects in the spring 1997 general election; but by the same token, Major’s mild effort at party management came too late to manage the Conservatives’ euro divisions in time for the voters to cast their verdict (Williams 1998).

Whether a future prime minister could manage the euro cross-cutting cleavage in such a scenario better than Major is debatable, but while the viability of the party suffered greatly due to Major’s party management techniques, the party survived. According to Major, the preservation of the party from an outright split over the euro was his most important goal, and he achieved it, where another leader who took a more forthright stance might have driven the party apart. In this situation, even the declaration of a free vote as Aspinwall (2004) recommends might have proved unable to ameliorate the party’s divisions, and it was clear to all observers the depths of the party’s divisions over Europe. Major held the Conservative Party together at least enough to allow it limp home to the next general election in 1997 but not beyond. In terms of party management Major held the party together but was not able to present a cohesive party either to outside or to inside observers. The demands of the party’s euroskeptics outstripped what he was willing to do in regards to European integration, but the same was true of the ambitions of the smaller group of europhiles.

In the 1997 Conservative Party leadership contest following Major’s resignation, Clarke himself proposed a free vote on the euro if he became party leader, but the party did not take up his proposal, in part because they were unprepared to accept it coming from a man who was a confirmed and adamant europhile (Gowland and Turner 2000).
What Aspinwall (2004) proposed as a viable solution for Major’s party management woes did come, but too late and from the wrong actor.

**Part VII: Conclusion**

Overall, European monetary integration proved too divisive for the Conservative Party and negatively impacted the prime minister’s relations with backbenchers, cabinet, chancellor, and indeed with the government’s European partners, though the two level game is not the primary subject of this piece. Because the party could not reconcile its euroskeptic and europhile wings, and because the prime minister made poor party management choices in response to these divisions, the euro divisions took over the party, the government, and the effective leadership of the country. It set in place a legacy that would take years to alleviate: only when the Blair government effectively ruled out the euro for the foreseeable future in 2003 was the Conservative Party able to move past its divisions over the single currency and become an electorally viable party again.

This chapter also delineates the nature of relationships within the parliamentary party: of the power of backbenchers when the government has a small minority, and of the chancellor in particular of all the ministers to shape party policy, and of the importance of a strong leader to keep these all in line not just by laying down the law but by cooperative leadership – something Major lost when he used heavy handed tactics to ratify the Maastricht Treaty and withdrew the whip from the eight euroskeptic rebels. This alienated his own party, even those who did not rebel against Government policy on Europe, a fact made clear in the 1995 leadership election where more than a third of his own Parliamentary party failed to vote to retain him as prime minister.
The concept of cross-cutting cleavages explains why the Conservative Party and
even the Labour Party in this time period had trouble with the issue of European
integration and whether to join the single currency. The issue does not fit simply into
either party’s core beliefs. This is demonstrated in part by the divergence even within the
Conservative skeptics of reasons why they opposed the euro, much less the rest of the
Conservative party which ranged from moderate to strongly pro-euro. In other issue
areas, however, the ideological stances of these same individuals aligned. The necessity
of addressing European integration created a dissonance among parliamentarians, and not
only in the Conservative Party. The fact that 66 Labour euroskeptics defied the Labour
Party whip (albeit when the outcome was not in doubt) on the third reading of the
Maastricht Treaty bill indicates that even though the Labour party had seemingly solved
its divisions over European integration by the 1990s, dissonance remained, and it would
re-emerge in a new form once the party gained power in 1997 (Baker et al. 1994).

It may be true, as Major (1999) claimed, that a leader with stronger views on the
single currency, whether for, like Thatcher or against, might have split the party
altogether. Major claimed that his management style was an attempt to revive the
consensus-based Cabinet style of government, but this approach merely made him appear
ineffectual at a time when high integration pressure and small parliamentary majority
meant that the government could ill afford a weak prime minister. Foley (2002) argues
that by the 1990s the time for Cabinet-style consensus government had already passed,
and it was made to seem even more unworkable through Major’s attempts to revive it. In
part, however, as Rose (2001, 20) observes, “The record of John Major is a reminder that
collective leadership requires cooperative Cabinet colleagues as well as a non-assertive
Prime Minister.” Major had neither a cooperative cabinet nor an accommodating parliamentary party, and his management of the euro cross-cutting cleavage reflected these facts.

However, Labour managed its Euro divisions even though, as mentioned above, it may well have had more rebellion than the Conservatives over Maastricht. Being in opposition certainly took the pressure off the party, but as a previous chapter has shown, being in opposition had not prevented Labour from almost imploding over Europe in the 1980s. The Labour Party, however, was able to manage and overcome its divisions over Europe to become perceived as a party able to address the policy issues that most concerned the public, while the Conservatives squandered their previous advantage in this area though mismanagement of the European integration issue.

Blair, succeeding Major as prime minister, would show how a leader could effectively defuse the salience of the issue in order to tackle other agenda items considered more pressing by the electorate. A massive Parliamentary majority certainly aided Blair while a tiny majority hurt Major’s party management, but that was not the only factor in the Conservatives’ inability to handle their divisions over Europe. Major lost the respect of his Parliament party by the end, and could not contain the European integration divisions. While Blair eventually lost the support of much of his party over Britain’s engagement in the Iraq war, despite a public division between himself and his powerful chancellor over the euro, Blair managed to avoid the party divisions that plagued Major on that issue. By lowering the salience of the issue he did not fully alienate his party’s dissidents on the euro, and thus managed to defuse the matter to a large degree.
In conclusion, the enduring problem of the euro cross-cutting cleavage emerged forcefully in the Conservative Party in particular in this time period, as the necessity of taking part in Maastricht Treaty negotiations along with the formal institutional constraint of the party’s small parliamentary majority raised the issue’s salience dramatically. Even recognizing that the prime minister was handicapped by these considerable constraints, Major’s attempts to solve the recurring problem failed time and again. His efforts to give an appearance of consensus while trying to stifle dissent led to damaging public displays of the division within the ruling party. This inability to contain or manage the issue created huge liabilities for the Tories. In this time period, the problem of party management, of attempting to tame the cross-cutting cleavages over the euro was not so much about personal rivalries or the plotting of Conservative parliamentarians seeking to promote their own careers, as will be the case in the Blair years, discussed in Chapter Five. The core problem in the Major era was that the party was confronting an issue in which there is a deep division within the party because the party, led by the prime minister, had not articulated a united ideological stance on the issue of European monetary integration. Thus, in this time period, party management was about managing cross-cutting cleavages.

After more than two decades of party and governmental upheaval in Britain over monetary integration with Europe, the British political system finally integrated the cross-cutting cleavages over the euro into party ideology. This included, for the Conservatives, a period of time in which it needed not only to resolve and minimize the importance of differences over euro policy in its party, but then to defuse the salience of the issue once the party settled into a solidly euroskeptic stance. The Conservative party needed to persuade itself that campaigning on a euroskeptic platform would not win elections, and then persuade the electorate that the party was capable of setting its obsession with Europe aside in order to govern effectively in other issue areas.

While Labour largely had resolved the contention over European monetary integration within the party by the early 1990s, it needed to learn how to defuse an issue that had been so divisive over a long period of time. When Labour returned to power in 1997, the euro was a highly contentious, public issue in British government, parties, press. Following the promise by both parties in 1996 of a referendum on the issue, campaigns emerged on both side of the debate and were pressing the new Labour government for action on EMU. Labour, led by Tony Blair, had other policies it wanted to enact, and needed to defuse the heat, coming off the Major years, of the euro debate in order to focus on these other matters.
Blair and the Labour government were able to resolve the euro cross-cutting cleavages in British policy ties by decreasing the salience of the issue in British politics. It was able to do so in three ways, relating to the three relationships in government discussed in the previous chapter: relationships the prime minister has with the party’s backbench MPs, with cabinet members, and with the chancellor.

First, the Labour government defused the euro issue’s salience by pledging to hold a public referendum on whether the UK should join the EMU rather than making the decision through a Parliamentary vote. Removing the issue from Parliamentary hands meant that Blair could sideline any Labour euroskeptic MPs of the sort that had damaged Major’s authority. In this Blair had the advantage of a massive Parliamentary majority, which would have minimized any power of backbenchers opposed to the official party line.

Second, Blair also took the debate outside of the cabinet. This removed the possibility of dissension within the cabinet of the sort that had also seriously damaged the Major government by, for the most part, not allowing cabinet members to weigh in on EMU membership. Whether this was a deliberate move on Blair’s account or an indication of the chancellor Gordon Brown’s strength, not holding discussions over the government’s euro policy in cabinet meetings decreased the salience of the topic there as well.

Finally, the third relationship is where the government’s decisions on the euro policy took place: between the prime minister and the chancellor. In fact, the decisions were not so much collaborative as combative, as will be discussed, but the interaction between the two resulted in a policy that allowed the government to successfully decrease
the salience of the euro issue and opening political space for taking on other policy matters. This was the “Five Tests” framework that the Chancellor introduced in October 1997 and which created a way for the government to at least ostensibly quantify Britain’s preparedness to enter EMU. Even though the five tests framework meant that the government was subject to questions from the press, the campaigns, and MPs about whether the tests had been met, it allowed the government to delay answering until a “formal” assessment could be made, at the time, largely, of its choosing. The Five Tests allowed the government to define the issue on its own terms and then set it aside.

The success of the Blair government in resolving the euro cross-cutting cleavages is evident in the sometimes-adversarial relationship between prime minister and chancellor. In the Thatcher and Major eras, European monetary integration was the bone of contention between prime minister and chancellor: the difference in policy opinions was what threatened the stability of the government and thus the British political system. In the Blair era, however, the euro debate was only one piece of the conflict between Blair and Brown. Blair might have been more pro-Euro than Brown, but that was almost incidental. The euro had become merely a tool in the hands of Brown to accrue more power at Blair’s expense. By internalizing the euro issue, in a sense, it meant that it had become just one more political issue that politicians in the same party might disagree over, rather than one that had the power to split the party apart, which did happen to Labour in the Thatcher era and nearly happened to the Conservatives in the Major era.

This chapter covers the chronology of the Blair government’s handling of the euro issue while also analyzing the nature of the three relationship mentioned above and the government’s success in resolving the euro cross-cutting cleavage in British politics.
Part I: New Labour comes into power

New Labour came to power in May 1997 in a landslide election victory, the first time in eighteen years that the Labour Party would form a government. A few weeks later, Blair asked the new chancellor, Gordon Brown, to offer suggestions on how the new government should begin to shape its EMU policy over the summer months. In a taste of many such interchanges to come, Blair did not receive a reply until the morning of July 17, the day on which Brown addressed the House of Commons on the topic, thus ensuring that the prime minister could have very little impact on the content of the chancellor’s statement. Despite this early show of power, on this occasion Brown did not shed much light on what policy the government would pursue regarding euro membership. Brown largely reiterated the party’s pre-election stance, which pledged to base Britain’s decision on a “hard-headed” look at the economics of the situation (Hansard, July 17, 1997).

By the end of the August 1997 holidays, British newspapers were speculating enthusiastically about what the government’s policy on joining the single currency would be. Since November 1996 Labour’s position had been to support holding a nationwide referendum asking the public whether it wished to abandon the pound and adopt the euro as its currency. However, Labour had given no indication as to when it might hold the referendum, and now that Labour was in power, the speculation intensified. Brown wanted to issue a statement saying that while Labour’s policy remained the same, the country would not enter EMU in “the first wave”; i.e., when the euro currency first came into existence in 1999.
Blair was dubious about the need to offer such clarification or to make it plain that Britain would not be joining the majority of the EU member states in the first wave. In regards to the euro, Blair preferred strategic ambiguity, keeping the government’s options open by declining to offer a definitive policy (Howarth 2004). This was a way of attempting to defuse the salience of a topic so that it could be addressed under less pressure at a later time. It was not that Blair necessarily intended to hold a referendum during his first term, but he did not want to commit himself either way. Brown, however, preferred to have a policy explicitly stated, and on the euro issue, he won (Campbell 2007).

Finally Blair’s staff and Brown persuaded the prime minister to authorize a statement to go to the Times, but a misunderstanding occurred between Blair and his staff (and possibly Brown). While Blair had not wanted to give an unambiguous pledge that Britain definitely would not join the EMU in his first term, that is what the staff conveyed to the Times editor. At this time, Brown’s press spokesman, Charlie Whelan, gave reporters the impression that Brown, not Blair, was determining the government's policy on EMU and that he had definitively ruled out Britain’s membership during the current parliament. When Blair saw the headlines to this effect, he tried to pull back from such a strong declaration but it was too late. This led to internal uproar among the Blair government members, and fueled more press speculation about the government’s stance (Campbell 2007, Scott 2004).

Sources differ about how much Brown meant his spokesman to convey his power over euro policy, since he told Blair and Campbell that the strong message Whelan had delivered to the Times was not his intent. Scott, Blair’s economic advisor, gives Brown
the benefit of the doubt and suggests that Whelan had misread Brown’s intent (Scott 2004, 217); others ascribe Machiavellian levels of cunning to Brown’s power play (Lee 2007). Regardless, the effective end result soon became clear: Brown, not Blair, controlled the government's policy on EMU.

The internal confusion between the Brown and Blair camps over the euro policy press interview led both sides to decide that the government needed to recapture the initiative on the EMU issue from the media, as it was beginning to seem to be shaping the government message rather than the other way around. Finally, the tumult led Brown to address the issue in the House of Commons on October 27, 1997, clarifying the government’s policy on the single European currency. This statement, which offered a more substantive take on EMU policy than had the press interview, laid out the five tests framework that came to govern the euro debate in the UK.

Scott (2004) writes that the concept of the five tests, which came to have so much power over the entire European debate in Britain, was thrown together over the course of a weekend by Treasury staff. This may well have been the case, but Brown had, apparently, been mulling over the “five tests” language for some time. In June 1997 Blair’s cabinet had debated whether to continue the troubled Millennium Dome project, and Brown suggested a way of presenting the topic to the public: tell them that the government would put the Dome project to a series of five tests which must be met before going forward with the endeavor (Campbell 1997).

In any case, Brown’s statement met with success in Parliament, in the media, and in the financial markets, which initially had roiled in response to the government turmoil over its euro policy (Rawnsley 2001).
The Five Tests and how Blair and Brown used them

The political implications of the five test framework were widely seen to be the true import of the tests. However, a brief discussion of what the five tests regarding Britain’s potential entry into the single currency were is necessary in order to assess how the economic language presented a framework with which the Blair government could justify political decisions. The tests were:

1. Are business cycles and economic structures compatible so that we and others could live comfortably with euro interest rates on a permanent basis?
2. If problems emerge is there sufficient flexibility to deal with them?
3. Would joining EMU create better conditions for firms making long-term decisions to invest in Britain?
4. What impact would entry into EMU have on the competitive positions of the UK’s financial services industry, particularly the City’s wholesale markets?
5. In summary, will joining EMU promote higher growth, stability and a lasting increase in jobs? (HM Treasury 2003)

These tests aimed to consider to what degree Britain’s economy aligned with those of the other countries of the EU that would be joining the single currency, so that if Britain were to join, negative economic shocks or trends would not result. As such, the first test addressed concerns that British interest rates were higher on average than those set by the German Bundesbank, the predecessor to the European Central Bank (ECB), as interest rates play a considerable role in the growth and stability of an economy. The second test considered whether the British economy would be sufficiently flexible to adjust to any problems that might arise from the business cycle or interest rate adjustments referred to in the first test; for example, labor market flexibility is often a consideration in dealing with whatever job losses might result from business cycle shocks. Foreign direct
investment was the third test: there has been a long and continuing debate about whether firms would be more or less attracted to setting up shop in the UK if it went into the eurozone. Given the strength of the UK’s financial services industry (known as “the City”) the Treasury wanted to ensure that it would not be adversely affected by joining the euro. Finally, the fifth test was a catchall, an overall assessment of EMU’s impact on the British economy.

In his briefing to the House of Commons in October 1997, Brown asserted that the British economy was not sufficiently in convergence with the EU economies, nor would it be by 1999, so he ruled out any entry into the euro-zone at least in 1999 and by implication for the duration of the first parliament (through 2001). The British economy was simply too far apart from the EU economies structurally and in terms of performance, he said, for entry into the EMU to benefit the UK (House of Commons Debate October 27, 1997).

Meanwhile, Scott (2004) argued that the five tests that the Treasury came up with were second order issues because no one in the government asked the more central question: whether joining EMU would actually be good for the country. Indeed, he claims that in discussions with Foreign Office staff, they made plain their conviction that joining the euro was inevitable, so Britain might as well get on with it sooner rather than later. Scott claims that no one at No. 10 wanted to question EMU policy either, either because they were pro-euro, saw it as inevitable—such as Blair’s Europe advisor Stephen Wall (though Wall’s own account of events suggests a more enthusiastic attitude towards euro membership than that)—or viewed it as their job to carry out whatever Blair wanted (Wall 2008). Finally, Scott recounted that No. 11 (the Treasury) might have been taking
a sharper look at whether Britain’s joining the euro was even a good idea, but they were even more secretive about EMU policy than they were about other economic policy issues, so that he, as the prime minister’s representative on economic issues, could not discuss it with them (Scott 2004).

While the five tests were presented as measures of economic performance, instantly they were seen as primarily political criteria for membership, especially since the euro decision itself was considered to be “a political decision” (Baker 2001, 285). The five tests were not measurable in any simple, unambiguous way so there was inevitably some subjectivity to the evaluation as to whether they are met or not. The subjective nature of the five tests could be seen in part as the government’s nod to the fact that domestic political factors such as the euroskeptic press might constrain its ability to win a referendum, though Holden (2002, 157) points out that “in accepting that domestic factors acted as possible policy constraints, [the government] was apparently being over-ruled by them.” In this policy area the leadership preferred a policy of preference accommodation rather than preference shaping, reacting to public opinion rather than attempting to form it (Holden 2002).

Indeed, many commentators on the five tests have noted the phantom presence of a crucial sixth test, which measured whether the government could actually win a referendum on joining the euro zone. “This was far from a foregone conclusion. In November 1997, an opinion poll revealed that fifty per cent of those questioned opposed United Kingdom participation in the euro. … No fewer than thirty-five per cent favoured outright withdrawal from the EU” (Lee 2007, p. 191).
Some thought that Blair’s immense personal and government popularity could have shifted the balance here. For instance, the pro-euro leader of the Liberal Democratic Party, Paddy Ashdown, pushed Blair hard in 1997 and throughout Labour’s first term to use his huge Parliament majority and high public opinion ratings to hold and win a referendum. Interestingly, despite these advantages, Blair said that he was not sure he could win (Rawnsley 2001, 76). Despite his big parliamentary majority, Blair remained cautious about the depth and degree of Labour’s newfound support and did not want to risk Labour’s future electoral prospects by driving away euroskeptical voters. While Labour had won the 1997 election by a landslide, bringing in a wide array of voters who had not traditionally voted Labour meant that Blair could not assume that their electoral support (or their dislike of the Conservatives) would overcome the conviction of half the population that Britain was better off out.

In addition, Blair also did not call a referendum because he was aware that to commit to the referendum campaign was to take on the immensely influential euroskeptical press led by the Murdoch papers, which also might harm his chances of winning re-election. These papers, most notably the Sun tabloid, would play a considerable role in stirring up the euroskeptic tendencies of a dubious population. While pledging a referendum had lowered the salience of the euro issue for Labour prior to the 1997 election, calling a referendum would raise the salience of the issue again dramatically, something Blair wished to avoid. A campaign would bring to the fore not only a chance for Blair to lose big on a major issue, but also for the remaining divisions over the euro in his party to reappear as euroskeptics and europhile MPs would take their sides in a
campaign, resulting in a perceived (and perhaps actual) loss of authority for the Blair government (Forster 2002).

Blair privately had ruled out joining in the first term because he also was not sure that he could win a referendum until New Labour had demonstrated its competence in government, particularly regarding economic policy. After having been in opposition for eighteen years, and having been held largely responsible for Britain’s economic woes in the 1970s when last in power, Labour needed to persuade an electorate that its checkered record on economic management was long past. New Labour immediately bolstered its economic credibility by making the Bank of England independent of the political arm of the government. Bank of England independence allowed the government to put off what would be a difficult debate over EMU. Making the Bank independent gave British business the message that Labour was willing to subject itself to monetary discipline, which entry into EMU might also have achieved. But euro membership was laden with more emotional issues of nationhood and identity that the government did not want to take on, and which the issue of Bank of England independence did not have (Cronin 2004, 418). Also, paradoxically, the government’s very success over the Bank of England made Blair more reluctant to risk this newly won credibility by holding a referendum that the government was unsure of winning (Riddell 2005).

All these reasons notwithstanding, Ashdown’s assessment may have been right, that the best chance for Britain to join the euro came at the beginning of Blair’s first term in 1997. Electoral support for euro membership fell among Britons as time went on: a poll in November 2000 showed only 18 per cent of voters favored joining the euro compared to 36 percent 20 months earlier. Even the widespread public conviction that
Britain’s membership in the eurozone was inevitable, a message the pro-euro campaign used relentlessly, became less reliable: Fifty-two percent of those polled in November 2000 thought that the euro was inevitable, but this had fallen from a high of 66 percent (Baker 2001). Without the government actively engaging in preference shaping, acceptance of and support for euro membership subsided.

Ashdown attributed part of Blair’s failure to call a referendum to his leadership personality. Ashdown contrasted the circumstances between Blair’s decisions regarding the euro at the beginning of his premiership and those in his fight over support for the Iraq war. On Blair’s winning the contentious House of Commons vote on Iraq, Ashdown says: “he’s hopeless in my view when you give him a wide open goal and a roaring crowd: he doesn’t know which goal to shoot at. But put him back against the wall fighting for his life he’s absolutely magnificent” (Coldstream 2007). With the huge majority and open policy options facing him in the euro issue, Ashdown suggests, Blair vacillated. Moreover, Ashdown claims of Blair that, “on one hand he shows almost too much moral purpose and fervor on international affairs and on the other can be quite pusillanimous when it comes to taking decisions on domestic ones. Time and again issues that he should have confronted early on, he failed to do so” (Coldstream 2007).

While interesting, this assessment is no doubt attributable in part to Ashdown’s own policy agenda differences with Blair – the latter is pusillanimous when wavering on issues such as the euro, while fervid in conducting the war in Iraq. However, Ashdown’s observations may be attributable to another factor shaping Blair’s power even as a highly popular prime minister, and which will be discussed later: the power of the chancellor to constrain the prime minister’s policy actions. Brown held considerable sway over the
shaping of domestic policy in the Blair government, which may have made Blair cautious about the internal political power plays that would accompany any domestic move, especially regarding the euro. But the chancellor had relatively little power over Blair’s foreign policy, and there, as Ashdown observes, Blair strode out with decision even in the face of opposition (Coldstream 2007).

Still, it is remarkable that even the head of an officially pro-Euro party with a huge parliamentary majority and high popular opinion ratings did not think that he could win a referendum, and without the prime minister’s personal endorsement the policy could not come about. Blair planned to revisit the matter of euro membership later in his premiership after he had achieved other policy aims and if public opinion changed, but Brown’s seizure of control over the euro policy ensured that the opportunity did not arise again.

**Blair’s motivations regarding the euro**

Even though Blair did not make a push for eurozone membership immediately, he did favor Britain’s membership in the EMU. For Blair, the euro decision was political. For one thing, Blair wanted Britain to join the eurozone in part in order to augment Britain’s political influence in the EU. Moreover, Blair wanted to join the euro zone sooner rather than later to capitalize on the goodwill expressed by other member states for Britain’s joining the single currency: as he observed, everyone but the French favored Britain joining EMU, but if they waited for five years or more to join then the goodwill and good timing would have dissipated and Britain's ability to influence events in the EU would diminish.
In any case, he wished to leave the option of joining open for a while for diplomatic purposes. European colleagues could not understand why a very popular prime minister with a very large parliamentary majority could not or would not bring his country into the euro zone, a policy he purported to support. Meanwhile, Seldon (2007) and Scott (2004), among others, observe Blair’s failure to grasp (and utter disinterest in) the economic case for the euro: he was interested in it as a tool for further political power in the EU as a whole, but not as being in itself good or bad for the British economy.

Despite his support for euro membership, Blair did not want to take on the issue—and the referendum campaign that necessarily came with it—not only for the reasons discussed above but because delaying the euro push gave him room to achieve other policy goals first. Blair had domestic policy goals he wanted to achieve more than the euro, ones that might be easier to achieve before he had begun to tread “on potentially dangerous ground as far as the electorate was concerned” with the euro issue (Holden 2002, 158). Blair saw a referendum as too much of a diversion from these policy priorities during his first term (Riddell 2005).

Thus, Blair had reason to welcome the five tests framework even if he initially had not wanted to state the government’s euro policy so definitively. The prime minister used the five tests framework strategically: it allowed him to take a technocratic stance, treating the five tests as an objective matter, declaring on every occasion that the subject arose that Britain would join the euro when the tests were met; in other words, when the economic conditions were right. Blair took this approach despite his considerable disinterest in the economics of the case. The “economics” were deployed politically,
giving him a supposedly objective measure to justify his setting the euro issue aside in order to focus on other policy priorities.

**Brown’s motivations regarding the euro**

Meanwhile, Chancellor Gordon Brown, the author of the five tests, had his own opinions on both Britain’s euro membership and how the debate over it shaped the nature of domestic political power. While the chancellor’s October 1997 speech to the House of Commons provided his official assessment of the euro, Brown’s opposition to joining EMU apparently predated this speech. Riddell (2005) claims that in the beginning he was more pro-euro than Blair, but with the success of the Bank of England independence move he became more reluctant to pursue EMU. Lee (2007), however, asserts that Brown was solidly against EMU membership from the start.

In any case, according to Riddell, the Treasury under Brown became “hostile to entry” soon after Labour first came into power in 1997 and that, as discussed, he formulated the five tests as “a shield for the government to hide behind”, an excuse for not joining the EMU (Riddell 2005, 135). Lee (2007) supports this assertion, claiming that Brown had no intention of approving Britain’s entry into the single currency. This was true for a couple of reasons. First, euro membership would limit the government’s ability to achieve its domestic policy goals. Even though the government had made the Bank of England independent, the interest rates set by a central bank responsible only for the British economy rather than for that of the entire eurozone block might vary considerably, and might impede Labour’s policy goals.
Like Blair, Brown had plans for the domestic economy that he wanted to achieve. However, the conditions the EU established for member states wishing to adopt the single currency—particularly the Stability and Growth Pact (SGP) which set up economic requirements designed to align the national economies of would be members by limiting allowable debt and deficit levels—would have constrained Brown’s ability to pursue his (and New Labour’s) policies at home through the use of fiscal policy. This particularly affected Blair and Brown’s plans for an overhaul of Britain’s public services, but also potentially limited the execution of every other government policy.

In particular, Britain’s membership in EMU would hamper the power of the chancellor. Lee adds a seventh test, also political, which he claims was, for Brown, the most important of them all: “whether EMU would fatally undermine the Treasury’s control over domestic economic and social policy choices by taking away discretion over the design of monetary and fiscal policy. Since it would, there could be no question of the United Kingdom participating in EMU” (Lee 2007, 191). And since Brown was the one who would decide the result of the five tests, this automatic failure of the seventh test meant that from the moment Brown articulated the five test framework there was no hope of Brown changing his mind.

In order to enter EMU Brown would have to give up considerable personal political power within the Labour government as well as power as the chancellor of the exchequer (Lee 2007). Thus, while Brown’s first major Westminster speech declared that the decision about Britain’s membership in the eurozone was at heart an economic decision, in truth Brown’s primary motivation on the matter was political. It was about Brown achieving political power relative to Blair. But this was also in relation to the
reality of European economics. As time went on, for example, Brown became still more 
concerned about the economics of the euro particularly when, in the early 2000s, the Euro 
economies slumped while Britain flourished (Seldon 2007, 205).

However, “The more Brown thought that the economics mattered, the more 
political the decision became (or the more important the political decision became). 
Brown had guaranteed Treasury control over monetary and fiscal policy for the duration 
of New Labour’s first term. More importantly, he had, at Tony Blair’s expense, 
entrenched his political control over resource allocation and domestic policy design in 
England” (Lee 2007, 192).

In terms of internal government politics, the five tests shifted the power balance, 
certainly on the matter of euro membership. By letting Brown set up the five tests, “Too 
late, Blair realized he had given Brown a veto” (Coldstream 2007). The five tests 
framework gave Brown power over when any referendum would take place if at all and 
thus also gave him a veto over Britain’s membership in the euro (Howarth 2007). Once 
the five tests were established, Brown controlled the framework of the euro policy 
debate, and it would have been politically difficult for Blair to override Brown on the 
issue. It was a means both of gaining power in the Blair government, and then as a way 
of reminding others of his authority in this area. Geoffrey Robinson, a Cabinet Minister 
during Blair’s first term, noted, “I don’t think a prime minister is going to say no to his 
chancellor on such a major issue, say no to the overwhelming unanimous pressure from 
the Treasury establishment. I don’t see how the prime minister could have done that” 
(Coldstream 2007).
Brown had every expectation of becoming prime minister after Blair, and he may have seen the preservation of this power as central to his future aims for the country. Or he may actually have believed it was best for Britain to remain out, based on the lack of economic convergence his assessment identified. Regardless, without Brown, it is far more likely that Blair would have achieved Britain’s entry into the euro zone. Lee (2007, 182) offers a blunt assessment of Brown’s seizure of British euro policy: “Brown’s political legacy as Chancellor of the Exchequer was the obstruction – repeatedly and successfully – of Tony Blair’s stated ambition to place the United Kingdom at the heart of Europe.”

**Part II: Chronology post-Five Tests**

After the flurry of speculation and the setting out of the five tests in fall 1997, the government gave the matter of Britain’s EMU policy little public mention subsequently. After 1997, the issue gets little mention from government members. In Parliament, for example, according to Hansard (the official record of UK parliamentary proceedings), Gordon Brown only gave speeches regarding the euro once in 1998 and twice in 1999, though he did provide written answers to questions submitted by members of Parliament on the topic several more times. The Prime Minister, meanwhile, spoke in the House of Commons on EMU once in 1998, made a major speech about the government’s technical preparations for changing over to the euro in February 1999, spoke of the euro once more in November of that year, then did not give speeches about the euro or EMU in Parliament again, though he too offered a few written answers on the topic and responded to questions about the topic as it arose in the weekly Prime Minister’s question period.
Nor did either Brown or Blair devote much time to speaking about Britain’s potential membership of the euro outside of Parliament: during his ten-year premiership, for example, Blair gave only a handful of speeches in which he discussed the issue any more than briefly.

The euro began trading on the international financial markets in January 1999, an event which marked the official incarnation of the currency, though it did not exist in physical form until January 1, 2002. In February 1999, Blair addressed Parliament about plans the government had made to prepare for a potential changeover from the pound to the euro, conceptually akin to the “Y2K” type of preparations taking place at the same time, ensuring that computer systems and so on could adapt to the change should it occur. This was justified as part of the government’s officially policy of “‘Prepare and decide,’ which to many was only a more active version of Major’s ‘wait and see,’” (Aspinwall 2004, 150).

**February 2001: Blair promises a Five Tests Assessment**

Two years then passed before any significant discussion of the single currency took place again in the House of Commons. In February 2001—less than three months before the next General Election—during Prime Minister’s Questions the Conservative party leader, William Hague, asked Blair to clarify a long-repeated reply the government had used to answer questions about when a new assessment of the five tests would take place. Government officials repeatedly had replied that an assessment would take place “early in the next parliament”. Hague asked Blair if that meant that it would take place within two years of the start of the next Parliament, and Blair agreed, which was taken to
be a major concession—not least by Brown, who was reported to have been infuriated (Lee 2007).

At this point the government or more specifically, the Treasury, was committed to delivering an assessment of whether the country had met the five tests for convergence with the EMU countries that the Chancellor had set out in his October 1997 speech to the House of Commons. Assuming (as everyone expected) that Labour won reelection in May 2001, this meant that Brown would have to deliver his verdict by June 2003. However, while Lee (2007) claims that Blair hoped that his agreeing to a deadline for the five tests assessment would pressure Brown into setting a timetable for entry, Brown was determined that no such event would take place.

2001 General Election

In May 2001 the prime minister called for a general election and campaigning ensued. Earlier, in January 2001, Campbell noted in his diary that Blair “was clear about the agenda” he wanted to carry out in his second term as prime minister: “public service reform, the euro if the conditions are right, international leadership because there was a vacuum” (Campbell 2007, 487). However, while the single currency was clearly part of the prime minister’s planned agenda Blair did not want any discussion of euro membership during the election campaign and insisted his government not campaign on the topic (Campbell 2007, Scott 2004).

The government’s handling of the EMU issue showed that the Parliamentary Labour Party (PLP) still viewed Europe with caution. The government wished to kept the new supporters it had won in the 1997 general election so it steered clear of
discussing any changes on single currency status. The euro was “the one issue capable of 
undermining the government’s electoral position, as it gives the Conservatives one issue 
where they enjoy a commanding lead” (Holden 2002, 161). The Conservative party had 
made the issue the centerpiece of its campaign, but Blair took care to squash that 
potential Tory advantage by declining to engage in a dispute over euro membership. 
Moreover, polls indicated that the voters still did not consider Europe to be a major 
electoral issue (Cronin 2004). 

As part of his campaign strategy Blair focused on the inter-party, Labour vs. 
Conservative, debate and on mobilizing or neutralizing the press, but was less successful 
in addressing his biggest intra-party challenge: namely, defusing Brown’s power within 
the government and thus his ability to impede Blair’s policy aims. While the euro did not 
appear to be paramount among Blair’s goals, Seldon claims that Blair made a mistake 
nonetheless in clamping down on any discussion of the euro during the 2001 campaign 
for a second term. Blair did this in order to defuse the Conservative campaign strategy, 
which focused on the euro debate, “But by not talking about the Euro during the election 
campaign (for fear of arousing an adverse press reaction) Blair had denied himself the 
opportunity to claim a mandate for entry, which would have proved a valuable battering 
ram against the doors of the Treasury. The odds were stacked heavily against him” 
(Seldon 2007, 205). Robin Cook, the Foreign Secretary, concurred: he wanted to develop 
momentum for the pro-euro movement, but Brown agreed with Blair and did not want to 
bring up the only issue in which the Conservatives might hold the advantage (Baker 
2001). Brown’s support of Blair in minimizing the salience of the euro issue meant that
the pressure of media and public opinion was less likely to be brought to bear against the government, allowing the chancellor’s veto on the issue to remain unassailed.

In May 2001, Labour won a second consecutive landslide victory. After the election Campbell reports a private meeting with Blair in June 2001 during which Blair reiterated that he was still committed to pushing for euro membership and recognized that while economic conditions were key, he favored early entry (Campbell 2007). However, Blair’s economic advisor Scott writes that around the same time, he briefed the prime minister that because of the downturn in the value of the pound the currency was beginning to converge with the euro. When Scott reassured Blair that this did not constitute real convergence of the sort that might mean that the five tests would soon be met, he reports that there was visible relief on the prime minister’s face, because at that stage Blair’s focus was on public sector reform and he did not want to have to deal with staging a euro referendum as well (Scott 2004).

Nonetheless, Blair did not intend to abandon the euro issue altogether. At the Trade Union Conference (TUC) in Brighton in the autumn he planned to deliver a wide-ranging speech in which he would strongly endorse Britain’s membership of the euro. The date on which he was to give the speech was September 11, 2001: he was making the final preparations to deliver the speech when the severity of the terrorist attacks in the United States became clear (Blair 2010). According to the Independent on September 12, 2001, “The Prime Minister was due to deliver yesterday what would have been one of his strongest speeches in support of the European single currency since he took office. However, as the scale of the atrocities in America became clear, Tony Blair cancelled his planned address to the TUC conference in Brighton and made a statement offering his
sympathy to the victims' families and declaring his determination to form a worldwide front against terrorism” (Clement 2001). From then on, the likelihood of Blair using his political capital to build public support for the euro became less and less likely as the prime minister became focused on the terrorist threat.

While Blair’s government did instantly shift its focus towards the response to terrorism, Blair continued to address his other priorities, and made a strongly pro-Europe speech in November 2001 at the European Research Institute in Birmingham that left pro-euro supporters hoping that this was at last the push for the euro referendum they’d awaited since May 1997 (Blair 2001). After that, however, however, Blair delivered no more big speeches regarding the euro for the rest of his premiership.

January 1, 2002 saw the introduction of the physical euro currency, which many expected would result in a government push on EMU in light of an anticipated rise in public support as people experienced using euro notes and coins for the first time (the much ballyhooed “notes and coins effect”) but neither the government nor the public evinced any lasting enthusiasm on that occasion (Mullen 2003). In November 2002 Blair gave a speech, “A Clear Course for Europe”, that expressed a strong commitment to Britain’s involvement in Europe, but mentioned the euro only briefly, reiterating the government’s noncommittal stance that Britain should only join under the appropriate economic circumstances (Blair 2002). While Blair’s aspirations for European integration continued, he had, it appeared, set aside membership of the euro as a means of achieving it.
By the fall of 2002 attention had moved to the Chancellor’s anticipated assessment of the five tests, due by no later than the following June. Various media outlets had begun to report leaks that the assessment would be negative; meanwhile, Blair’s periodic requests that the Chancellor give him an indication of how the assessment was going met with resistance. Only shortly before he was to deliver his assessment to the House of Commons did Brown get back to the Prime Minister on the topic in any meaningful way, again too late for Blair to weigh in significantly on the Treasury’s plans (Scott 2004).

The result was what nearly everyone expected: on June 9, 2003, the chancellor announced that the British economy had met only two of the five economic tests for convergence, those regarding investment and financial services (House of Commons Debates June 9, 2003). According to the chancellor’s report, “Price inflation in the British housing market (a source of economic volatility during the past fifty years) was a particular structural difference between the United Kingdom and the euro-zone remained and dictated ‘a cautious approach’” and “since the housing market was one of the principal engines of the consumption-led growth which characterised the British model of political economy,” the Treasury’s overall assessment stated that Britain was not sufficiently in line with the EMU economy for the government to be able to recommend membership in the euro-zone (Lee 2007, 196).

In deference to Blair’s desire to keep the issue open-ended, Brown’s assessment did not rule out the euro indefinitely but promised that a follow-up assessment would take place the following year. However, it was evident that the policy window (Kingdon
2003) for the euro referendum had closed. The promised assessment the following year
never took place, nor did a cross-country “road show” promoting the benefits of euro
membership to the public get underway in the fall of 2003, as Blair had pledged (Cook
2007, Riddell 2005). The Blair government moved on to other issues, and other
strategies for exerting influence in the EU.

In summary, euro policy was not at the top of the agenda in the Blair government
during either his first or second term, and by midway through the second term it was a
moot issue. The next section addresses what behind the scenes circumstances contributed
to this being the case.

Part III: Prime minister and chancellor

While many members of Blair’s government and staff held strong opinions on the
euro and influenced the primary policy actors, the views of those two, Blair, the prime
minister, and Brown, the chancellor who held the power to make the five tests
assessment, ultimately mattered most in shaping the government’s EMU policy.
Moreover, the two used the single currency issue as a weapon in their struggle for power
in government, so that the issue was not so much the cause of their discord (as in
previous premierships) as a means of advancing their own respective agendas.

The relationship between Blair and Brown was both a close and a contentious
one, as the two had together built New Labour into a successful political party while
competing for its leadership. The issue of the government’s EMU policy cannot be
separated from the longstanding partnership which at times descended into rivalry and an
on-again, off-again friendship between the two that was, during Blair’s premiership,
under great tension at times. Thus it is important to understand the background and nature of the relationship between the two politicians, both the conflicts and the cooperation, in order to analyze what impact it had on the government’s policy regarding the single currency.

**Background prime minister and chancellor relationship:**

Both Blair and Brown entered Parliament following the 1983 general election, and both swiftly moved up the ranks of the Labour Party, which at the time was undergoing significant shifts in policy and outlook regarding Europe. Blair, Brown, fellow Labour politician Peter Mandelson, and Alastair Campbell (Blair’s spokesman and director of communications and strategy) formed the nucleus of what became known as “New Labour”, which reoriented Labour Party principles (“modernisation”, in Blair’s own words), to fit a newer era of British life in order to win back popular support after eighteen years in Opposition (Blair 1993). This change involved, for instance, abandoning the long-standing language of Clause IV of the Labour Party Constitution\(^{28}\), which committed the party to pursuing the nationalization of industry. It also cemented what had been a gradual shift of the official Labour Party position on the European Union and its predecessor organizations from outright opposition to, by the time Blair’s leadership of the party began in 1994, enthusiastic desire for further integration.

This change on European policy had fully come about by the time the Maastricht Treaty came into effect in 1994, and while the PLP had a number of dissenters in its ranks regarding the treaty, as noted in the previous chapter, these MPs were ineffective in

\(^{28}\) First written in 1918.
influencing party policy. Labour’s policy shift from opposing to supporting further integration with the EU was both a way of redefining the Labour Party so as to make it electable once more and an easy weapon against the beleaguered Conservative party, which was becoming deeply divided over Europe (Scott 2004).

While the Labour Party in opposition supported the idea of the single currency, even once he became party leader Blair personally was never very interested in the economics of the single currency, though he was convinced of the political benefits for Britain. In the only major presentation of his views on Europe before becoming prime minister, in a speech at Chatham House in 1995, Blair focused almost exclusively on the politics of the single currency. Brown, however, was interested in both the economics and the politics of the issue (Scott 2004, Seldon 2007).

In 1994 Labour Party leader John Smith died unexpectedly, leaving both Blair and Brown as potential successors to the title. Some had expected Brown to succeed his mentor, but in a meeting before the contest Blair went to Brown and presented him with a fait accompli: Blair had gathered a sufficient number of votes to defeat Brown. In the end, Brown agreed not to contest Blair formally for the party leadership. In exchange for Brown’s public support in that leadership contest, Blair may or may not have offered the future chancellor specific incentives, discussed below. Brown became shadow chancellor in Blair’s opposition shadow cabinet but it was clear that he still wanted to be party leader and prime minister, and widely assumed that he would succeed Blair to the post eventually.

The personality differences between the two men formed part of the nature of their power struggle. Blair preferred to keep his options open, while Brown preferred to
have matters settled, as evinced by the 1997 confusion over declaring the government’s euro policy (Blair 2010). Moreover Blair’s biographer Seldon observes that not only differences in views and agendas complicated the two men’s relationship, but also different communication styles. Part of the ambiguity of the Blair-Brown relationship resulted from the fact that, people reported, following any exchange the Brown camp would take what Blair said literally and bank on it, while Blair would say what he thought people wanted to hear, and in turn would take from a meeting not literal meaning but nuance. Others, however, said that Brown had a habit of hearing what he wanted to hear, and acting on it (Seldon 2007, 206). These communication difficulties contributed to the establishment of the five tests framework.

Particularly as relations worsened between the two, the prime minister and chancellor also frequently used others to deliver messages to each other, holding a conversation with someone like Deputy Prime Minister John Prescott or former cabinet secretary Clare Short, knowing that they would pass on what they had heard. Short claimed that Blair used her to try to broker a deal with Brown in hopes of achieving euro entry, to no avail (Seldon 2007; Coldstream 2007).

By Blair’s second term in office, the relationship between Brown and Blair, and their staff, was decidedly chilly. Matthew Taylor, a Blair advisor in 2003, notes that Brown and Blair’s staffers were “like kids in a dysfunctional marriage, trying to duck crockery flying about the kitchen” (Coldstream 2007). At times the two most powerful members of the government, who worked and lived next door to each other, had very little communication, even when Blair requested updates on issues such as the Budget and EMU policy. Indeed, the rivalry of the two men often went further than just over
euro policy: tales of Brown’s refusing to give any information on economic issues, including the budget, to the prime minister abound. According to Riddell, “at one point during the long period of frosty relations between the prime minister and the Chancellor from the autumn of 2004 to the spring of 2005, Blair is said to have asked Brown about the budget at a small meeting of senior ministers, only to have received the terse reply, ‘It’s on March 16’” (Riddell 2005, 71).

If the relationship had become so problematic, and had stood in the way of Blair’s advancement of the single currency issue, why did the prime minister retain Brown as chancellor? The answer is threefold, relating first to power dynamics within the Labour Party; second to Brown’s economic policy expertise; and third to Blair’s unwillingness to let cabinet divisions damage his government as they had John Major’s and Margaret Thatcher’s. All of these factors made Brown “too big to fire”.

Labour party power dynamics

Back in 1994 the Labour Party recognized that Brown did not have the personal charisma to take them to their first victory in five general elections. As a Labour whip told then-Prime Minister John Major, “‘We won’t pick Gordon. He’s too like one of those undertakers in old western films that measure you for a coffin before the gunfight’” (Major 1999, 592). Brown’s intellectual understanding was widely recognized to be formidable and his appearances in Parliament were also impressive but, as Major added, “he carried with him an air of gloom and, in public at least, seemed to regard a smile as an optional extra” (Major 1999, 592). By contrast, the party decided, Blair had the personal charisma as well as the other traits needed to carry the party to electoral victory.
But while Labour had not seen Brown as the man to lead them to victory in 1994 (an assessment partially borne out by the 2010 general election results), Brown was a powerful figure in Labour politics and appealed to the Old Labour stalwarts in the party. In 1994 the changes Kinnock had wrought in the party were still fairly new, and Blair did not fit in well within the traditional Labour party as a whole, whereas Brown had cultivated a great deal of support within the party (Riddell 2005).

Importantly, Labourites respected rather than liked Blair: he was a leader who could win a general election but he was not a traditional Labour Party politician. Brown, meanwhile, was a more traditional Labourite with strong ties to the unions, the traditional stronghold of Labour power. Blair won the party leadership in 1994 because Labour members believed that he could win a general election, and after fifteen years in the political wilderness they recognized a need for change. But Blair had to be careful in dealing with more the traditional Labour MPs in his government such as Deputy Prime Minister John Prescott and Brown, both of whom had a strong following in the party (Riddell 2005). These informal political dynamics played a big role in Blair’s unwillingness to sack Brown even as the latter took over policy on EMU and prevented Number 10 from even hearing about the policy, much less play a role in shaping it (Scott 2004).

**Partnership: Brown strong on economic policy**

Blair recognized Brown’s expertise in an area in which he had relatively little interest, economic policy, and accepted that his government would be weaker without Brown as chancellor (Riddell 2005, Scott 2004, Seldon 2007, Blair 2010). Blair’s
concession of economic policy power to Brown “was partly shrewd politics to appease his old friend, but it also reflected Blair’s lack of interest in, and of feel for, economic issues” (Riddell 2005, 70). Economic expertise has never been a prerequisite for the post of chancellor, which tends to be determined more based on the nature of its political power in government, but in this case Brown fit both criteria.

Part of this sharing of power stems from a much speculated-upon conversation the two men had in June 1994 as the two men contested the leadership of the Labour Party. People have speculated endlessly over what, if anything, Blair promised Brown in order to gain his support for his leadership bid in 1994, ranging from a promise that Brown would succeed Blair as prime minister to a pledge that Brown would control economic policy. Blair (2010) asserts that there was never any such an arrangement and that all economic policy was formulated jointly between himself and the chancellor; however, “there is no doubt that Blair formally ceded big areas of economic policy to Brown. There were ‘Tony’s areas’ and Gordon’s areas’” (Riddell 2005, 16). Furthermore, even if Blair did not “formally cede” power over economic policy to the chancellor, Brown took it: either way, the latter gained unprecedented strength as the head of the Treasury.

Despite Blair’s assertion that he actively directed economic policy in coordination with the chancellor, for instance, Riddell claims that not since the 1950s had a prime minister had less input into economic policy than Blair did. This was in part because Number 11 “deliberately excluded” the prime minister’s office from its deliberations on the subject. Riddell adds, “This is not because Blair and Brown were not close. They were, or at least until open cracks appeared in the relationship in 2003. They talked
daily, often more frequently, but that was mainly about broad political issues, rather than the details of economic policy” (Riddell 2005, 70; Scott 2004).

This division of labor, in which Blair largely left economic policy to Brown, was evident while the party was in opposition and continued once Labour gained power in the 1997 general election. Riddell notes that ‘Tony’s areas’ and ‘Gordon’s areas’ did not remain fixed as time passed: rather, Brown used his powers to expand his areas of authority, first of all by making the Bank of England independent, giving the Treasury more time to focus on social policies rather than the traditional setting of interest rates and other instruments of monetary policy. Speaking of EMU policy specifically, Riddell writes,

Moreover, after the Treasury was formally made the assessor, and later self-styled guardian, of the five tests for entry into the euro, Blair had effectively accepted Brown’s veto over one of his central political aims. The power of the Treasury, and Brown, were unprecedented. …When you add in the lingering resentments that Brown felt over not being prime minister himself, which grew as Blair stayed on into a third term, then it is clear why Blair never felt he had a free hand. He always had to consider what ‘Gordon would think’ (Riddell 2005, 17).

From the beginning the shaping of the euro policy was a part of a contest for power in government between Blair and Brown. The euro policy gave Brown an opening for power because, as chancellor, he could assert his authority over euro policy legitimately. Because it was appropriate for Brown to assert control in this area he was able to seize more power from Blair by setting up the five tests framework controlled by his department. He did this by stealing a march on his own prime minister, as his predecessors had done at times before him. However, Brown took his seizure of power a step further than they had. Lawson, for instance, defied Thatcher by shadowing the
deutschemark but he did not use this as a means of taking over more control of economic policy: for one thing, Thatcher was too vigilant on economic affairs for this to happen even had he tried. In addition, other than the ERM debate, Lawson and Thatcher’s economic policy aims remained largely the same. Meanwhile, Clarke departed from the official party line on membership in the eurozone repeatedly, but his prime minister, Major, was already weak and unable to prevent this defiance: to sack Clarke would have brought a shaky government down. Brown, however, took power away from a strong prime minister who was caught off guard by a move in an area in which he had never expressed particular interest, leaving an area of weakness for a rival to exploit.

Brown’s greatest seizure of power was accomplished by setting the terms of the euro debate. He established the framework for the entire greater euro debate that was taking place not just within Whitehall or Parliament but also across the country, within the campaigns and media, and in the EU as outsiders wondered which direction Britain would choose. Once Brown introduced the five tests, everyone accepted his frame of the euro debate as the basis for argument and speculation. It shaped the nature of the referendum debate and the nature of Britain’s potential involvement in the eurozone. The euro remained on the agenda after the Major years, but in a new and particular way. A number of policy entrepreneurs had wanted Britain to join the eurozone, but a single, powerful policy actor (Brown) influenced the way these entrepreneurs had to conduct that debate (Kingdon 2003).

Despite his successful power play, however, Brown did not have complete control over the government’s euro policy: for instance, he was forced into making an assessment of the five tests by Blair’s 2001 pledge in the House of Commons. In
addition, as will be discussed later, cabinet members, MPs, and even members of Blair’s staff were able to pressure the Treasury on the five tests through informal channels (the five tests framework had shut down formal discussions of any policy shift) such as campaigns, the media, and internal politicking.

While Blair made no active endorsement of Brown’s seizure of the euro policy issue, nor did he dwell on it, either publicly or privately. Following the Times crisis in fall 1997, during which staffers Whelan and Campbell mistakenly conveyed to the media a firm rejection of Britain’s joining EMU during the Blair’s first term, Blair seemed resigned to the outcome, accepting Brown’s increased power over euro policy and moving on to other policy priorities (Campbell 2007). However, this stance indicated pragmatism rather than any support for Brown’s assertion of power. Over the course of his first term Blair did reassure Scott when the latter expressed concern that Brown was taking on too much control over EMU policy, telling him, “don’t worry, I’m on it”, but his actions suggested rather that he simply moved on to other priorities (Scott 2004).

**Government solidarity**

Blair was willing to put up with Brown’s power plays, especially on the euro issue, because he wanted to avoid the cabinet divisions that had damaged the previous two governments. Blair had watched Conservative party tear itself apart over European monetary integration from the time he had entered Parliament, and was determined that the same would not happen to his government. Ashdown states that at the beginning of his first term in office Blair told him, “If you look at governments they fall apart because
the prime minister and chancellor fall out. Whatever happens, I’ve got to get on with my chancellor” (Coldstream 2007).

Nor could Blair readily fire Brown and replace him with a more compliant chancellor. Even though, under the British parliamentary system, the prime minister has a great deal of power and can technically fire any minister in his cabinet and relegate him to the back benches of the House of Commons, in practice any prime minister is constrained by the fallout that would result from making such a move. This is particularly the case with a minister such as Gordon Brown, who had a strong standing of his own either in the parliamentary party or in the broader party as a whole.

Blair could not get rid of Brown because not only might he and his party allies fatally undermine support for Blair’s government in protest, but also even if Blair withstood that threat, Brown could stir up more trouble on the back benches with his supporters than he would inside the government. Moreover, Brown had made the chancellorship his fiefdom, and extricating him from this position undoubtedly would cause him to retaliate against the prime minister. Margaret Thatcher’s experience offers an example of this. Thatcher chose to shuffle her cabinet and removed one of her senior government members, Geoffrey Howe, from his longstanding position as Foreign Secretary. Even though she offered him another high-ranking position in her government, Howe’s resentment over losing his fiefdom contributed to his eventual central role in toppling her from the premiership. Brown held even more power within his party, though, as discussed, part of Howe’s success stemmed from a growing party dissatisfaction over its leadership. But Blair, as an outsider to the traditional Labour
framework, was careful not to court unpopularity by ousting party favorites. He was even reluctant to sack Clare Short, another minister with ties to old Labourites.

But Blair demonstrated a willingness to tolerate this rebellion by his second in command in the interest of retaining Brown within government. He succeeded in part by minimizing the effect Brown’s conniving had on his own agenda. According to Robert Harris, “There’s a quality of indifference about Blair that in some ways may explain his success: he can put up with things from Brown that would have you and I screaming and reaching for a shotgun, and he can dispose of a friend like turning off a light” (Coldstream 2007). ²⁹ In twice firing Peter Mandelson from his cabinet, for instance, Blair indicated his willingness to dispose of someone, even a friend, not central to the success of his government. According to Blair’s former deputy press secretary, Tim Allan, “He’s incredibly unsentimental and he just does what he thinks needs to be done” (Coldstream 2007). Blair would not have spared Brown out of personal loyalty, but the chancellor, and his power base in the party, was essential to Blair’s government, however divisive an effect he might have. The wars between the two were destabilizing, but not as destabilizing as a full break would have been.

Nonetheless, Blair’s reluctance to confront Brown had a huge impact on one of his primary policy goals: European integration. It also meant that Brown had more leeway to challenge Blair, often openly, knowing that Blair was unwilling to remove him from office. For instance, Brown quickly developed a habit of withholding his arguments on or changes to policies from even the prime minister until the absolute last minute, as

²⁹ Harris, a journalist and author, turned against Blair after the prime minister twice fired Harris’ friend, Peter Mandelson, from a cabinet post.
he did on the government’s euro policy in 1997. When Blair brought a contentious piece of legislation regarding university fees to the House of Commons in 2004, a vote on which Blair had staked his authority as prime minister, Brown hid his hand to such an extent that even going into the House for the vote Blair did not know if he could count on the backing of Brown and his followers. In the end Blair got Brown’s support and won the measure by five votes, but Wall noted, “I remember thinking to myself that this was a very, very extraordinary situation that the prime minister of the day did not know whether he could carry a crucial piece of legislation because he doesn’t know whether his chancellor of the exchequer is going to support the government or not” (Coldstream 2007).

In summary, the ramifications of these facts for the Labour government’s policy on EMU meant that Brown would have controlled the agenda whether he was chancellor or not. In regards to the euro, Blair’s Europe advisor Wall claims that Blair wanted to join and his staff wanted to do a referendum, but “every time they tried to do so they got sort of clobbered by Brown and the Treasury for stepping out of line” (Coldstream 2007). But had Blair removed Brown from the chancellorship in order to lift his effective veto on joining the single currency, “With Brown on the backbenches and given his influence in the party and over opinion outside, a referendum would never have been won” (Seldon 2007, 214). Thus, even if Blair had, for the sake of euro membership, taken on the other costs of firing Brown from his government, he still would not have been able to win the euro referendum. That level of party power is why Brown stayed in office: as in the Major years, the prime minister would rather have “the bastard” in government than out of it.
Part IV: Prime Minister and Cabinet: Marginalized

While Blair experienced continual challenges from the chancellor, he quickly marginalized the rest of the cabinet from the euro, and other, debates. He continued to act on his desire to minimize the kind of cabinet divisions that had undermined his predecessor’s government, but did so by removing his cabinet from any meaningful role in decision-making. He eschewed a management style of collective government, in which he as prime minister would be considered first among equals, for a format in which, according to former minister Estelle Morris, cabinet meetings were “an opportunity to put down a marker or to express a view, but I never saw it as a place where decisions were made” (Coldstream 2007).

Euro policy was not discussed in the Cabinet, only in private meetings between prime minister and chancellor (indeed, Brown did his best to leave the prime minister himself out of any discussion). Even the foreign secretary, normally a key player in EU policymaking and one of the most powerful members of government, was excluded. For instance, when asked about a possible change in the government’s euro policy in summer 1997, Foreign Secretary Robin Cook replied, “That’s the first I’ve heard of it” (Rawnsley 2001, 76).

This exclusions took place in part because Cook, as an ardent europhile, wished to press for a swift entry into the eurozone, something that neither Blair nor Brown wanted during the first term. Brown and Cook in particular disagreed over euro policy; again siding in the interest of appeasing Brown, Blair checked Cook’s pro-euro fervor, limiting his ability to discuss the euro publicly, to keep divisions over the issue at bay. But Blair
still wanted to reassure European partners of Britain’s desire for further EU integration, so the government made a tactical decision: Cook was allowed to make pro-Europe speeches, but he always did so outside the UK in a two level game effort to appease the EU while not riling up euroskeptic sentiment at home (Holden 2002, 155).

Baker (2001) claims that the divisions over EMU in the Blair cabinet were not serious, more about tactics than about policy. But this is partly because Blair (and Brown, through the five tests framework) took care to prevent serious policy discussions from arising in cabinet meetings. While Cook and Brown differed about euro policy, Blair kept the dispute from flaring up finally by moving Cook from the foreign secretary post following re-election in 2001 in order to stave off any future rows between him and the chancellor. “Blair sought to maintain unity in the government between the Chancellor of the Exchequer and other leading ministers on the Euro question,” and Blair’s decision to replace Cook as foreign secretary with the more cautiously euroskeptical Jack Straw was also seen as a way to minimize both divisions over and the salience of the issue in the cabinet (Howarth 2007, 53).

In the aftermath of the post-reelection cabinet reshuffle, in which Blair switched Cook from foreign secretary to Leader of the House of Commons, Cook wrote of a discussion he had had with fellow europhile cabinet member Stephen Byers, who had been moved from his post as trade minister to one unrelated to foreign affairs. “We were both struck that whether intended or not the effect of the reshuffle has been to weaken the line-up on the euro. He and I had been the most outspoken champions of the euro and now I had been moved out of the Foreign Office and he had been moved away from the Trade portfolio which had given us legitimate platforms from which to argue for British
membership. If Tony really intends to have a referendum this Parliament he is preparing for it in a very odd way” (Cook 2007, 10). Instead of using the potential power of the cabinet to promote euro membership, the pro-euro prime minister squelched it instead.

**Part V: Prime minister and backbenches: Not quite irrelevant**

If the cabinet was marginalized during the Blair years on the single currency issue, the Labour party backbenches were made practically irrelevant. Blair—and Brown—removed the issue as much as possible from discussion in the House of Commons, though even if they had not, Blair’s giant parliamentary majority rendered opposition from within the Labour Party in Parliament effectively useless. Thus, unlike Major, Blair did not have to worry about pressure regarding the euro from his backbenchers since the massive majority marginalized any skeptic voices. For that matter, the huge majority also allowed Blair largely to ignore pressure from pro-euro MPs who wanted the prime minister to pursue EMU more aggressively.

Blair did not experience the degree of internal party cleavages on the euro issue that Major had not only because of the large majority, but also because by 1997 most of the PLP was pro-euro. Of the large number of Labour MPs who had defied the party whip to vote against ratification of the Maastricht Treaty several years earlier, few remained in the Parliamentary Labour Party post-1997. “By 1997 the battle had been won inside the Labour Party,” and while a few Old Labour MPs remained opposed to EMU, “A 1998 ESRC-sponsored survey showed the great majority of the Parliamentary party was pro-euro and pro-European, especially the large intake of young Labour MPs; indeed, the EU has become something of a ‘moderniser’s’ talisman” (Baker 2001, 281-2).
While the Labour Party largely had resolved its inner conflicts over the euro, and were certainly more united than the Major-era Conservative Party on the issue, divisions remained both in the government, as discussed, and in the Labour backbenches (Gamble and Kelly 2000). The backbenches expressed these divisions by establishing groups within the party expressing support for one side or the other. These included pro-euro group “Labour Movement for Europe”, and euroskeptic organizations “Labour Euro-Safeguards Campaign” and “Labour Against the Euro”, which was established in April 2002. The flourishing of these advocacy groups within the party placed a degree of pressure on the government that had not existed in Blair’s first term, since their existence made “the establishment of a more committed Labour government policy line more politically problematic than would have been the case in the government’s first term” (Howarth 2007, 51-2). In any case it was harder to pretend the existence of a united party in the face of this opposition on both sides.

In fact, despite the large Parliamentary majority, Blair and New Labour remained sensitive to the euro cleavage in the party, even though skeptics were thin on the ground. Historically the Labour Party’s deep divisions over Europe had taken place in the debate over the country’s economic policy, and indeed had once split the party (Gamble and Kelly, 2000). This “made the issue of the single currency particularly important, and does much to explain the acute sensitivity of the New Labour governments of 1997 onwards to any internal dissent on the issue,” even though Labour euroskeptics lacked the numbers to otherwise seem threatening (Forster 2002, 117-118). Because the New Labour government remained sensitive to internal objections on the single currency, the outnumbered Labour dissidents carried more weight than they might have been expected
to. However, this influence took place mostly outside Parliament, in large part because New Labour made the referendum pledge in order to neutralize this internal cleavage (Forster 2002).

By pledging to hold a referendum on the issue of the euro and by later design, Blair kept any votes and even most discussions of the euro out of Parliament entirely. Even a minority of dissidents can cause problems for a government by defying the party whips on a vote and then publicizing their objections through the media. But Blair held no votes at all on the euro issue in the House of Commons during his entire ten-year premiership, so even that possibility of Parliamentary dissent was neutralized.

Even as a topic of discussion, Parliamentary record indicates, the euro all but disappeared from the House of Commons agenda. Brown delivered his five tests framework dictating the conditions of Britain’s membership in the EMU on October 27, 1997. In February 1999 Blair addressed the House about the government’s preparations for a potential changeover from the pound to the euro. In 2001, after Blair promised an assessment within two years of the next election during Prime Minister’s Questions, Brown made several statements about the euro in the run-up to the general election, all pledging to abide by the five tests model. Finally on June 9, 2003, Brown appeared before the House of Commons to declare that only two of the five tests had been met. These were the only times during the entire Blair government that either prime minister or chancellor chose to stand before the House to speak about the single currency, though they did occasionally provide written answers on the subject when questioned by individual MPs (Hansard 1997-2003). There were no votes on the issue and no call for a
referendum since the government never declared that the five tests framework had been met.

This record demonstrates that the real battle over the euro was not going on in Parliament. Blair (and Brown) had successfully removed the backbenchers—as well as the cabinet—from the debate. However, the euro issue was important enough that many of the MPs disenfranchised by the Blair government refused to give up fighting for an issue they felt strongly about, so they sought a venue in which to continue the battle. The euro conflict thus moved to a different arena: the referendum campaigns for and against the euro, which provided a policy venue for advocates on both sides of the issue.

Blair controlled the party and Parliament on the euro issue, so Labour dissidents went outside the traditional party/parliamentary structure to express the continuing cross-cutting cleavage over EMU. “Labour sceptics, although marginalised, voiced a number of arguments in opposition to the single currency” (Forster 2002, 118). These included Labour skeptic MPs former minister Frank Field, Diane Abbot, Alan Simpson, and in the House of Lords former Chancellor Denis Healey (Forster 2002). Though marginalized in Parliament, backbenchers thus could, and did, exert some pressure on the government through the referendum campaigns. In fact, Forster (2002) says that pressure from the campaigns was crucial: “in particular, without abandoning its aim of joining the Euro, the government was forced to postpone any consideration of a referendum until early in the Parliament of 2001 to 2005” (Forster 2002, 125). The campaigns’ accomplishment was to maintain sufficient salience-raising efforts to combat the Blair government’s efforts to minimize the salience of the euro debate, enough so that they were able to force
the government eventually to commit to a five tests assessment instead of leaving the euro issue open-ended indefinitely (Forster 2002).

Labour europhiles who wanted the government to pursue EMU more aggressively were placed in an odd position, since the official pro-euro campaign, Britain in Europe (BiE), was sponsored by Blair and other high ranking Labour ministers (as well as pro-euro Conservative leaders such as Kenneth Clarke and Michael Heseltine). BiE proponents kept waiting for Blair to take the lead in promoting the single currency and were reluctant to lead the argument themselves (Baker 2001). In the absence of a more positive presentation of the pro-euro argument from the prime minister, Holden (2002) argues, the strongest argument that europhiles could offer was that membership in the single currency was inevitable.

Even though the shift to the campaign venue did allow euroskeptics to exert pressure on the government, the government too gained from removing the issue to a different arena. As mentioned, the government was wary of the euro cleavage in the Labour Party, and by first pledging a referendum and then creating the five tests framework, the government successfully lowered the stakes imposed by the euro cross-cutting cleavage. Because the debate over the euro was taking place in the campaign and media arena, not in Parliament or in cabinet, the government could keep the issue more at arms length, certainly more successfully than previous governments had achieved. The referendum campaign mechanism acted for the government as a pressure valve, and in the end the pressure valve strategy worked for the government: While the government could not escape all the pressure on the euro issue – campaigns forced the government to shift tactics and act other than it might have intended – and while Blair did not call a
referendum on the euro, his use of the referendum pledge succeeded in defusing the party’s euro cross-cutting cleavage. It did not interfere with his government’s agenda, as it had Major’s.

In fact, the pledge of a referendum was enough to minimize internal dissent on the euro: the government did not have to hold a referendum at all, although failing to do so meant that it could not achieve eurozone membership. Once it had dissipated the pressure of the euro cross-cutting cleavage, the referendum pledge had done its job, as long as Blair was willing to forgo euro membership. As the conclusion will show, he was.

The referendum pledge and resulting campaign movements tie into all three of the governmental relationships discussed in this chapter. Because the referendum promise was made, Blair could remove the euro from the Parliamentary agenda. Because it was made, Brown could construct the sort of framework he did which gave him, too, the latitude to set the issue aside to deal with other policy issues. Because the pledge was made and the House of Commons and cabinet were taken out of the equation it allowed for a venue to emerge where those Labour and Conservative MPs shut out of their traditional areas of influence could promote their policy stances on the euro.

But while the referendum pledge opened space within the traditional Parliament and government relationships to ameliorate the euro cross-cutting cleavages, ultimate power over the issue remained within the traditional political structures. The referendum process did not create an alternate source of power because in the end Blair and Brown could manage not to hold a referendum. While the campaigns successfully exerted pressure on the government, real decision-making power regarding the single currency
stayed with Brown. But in a sign that Blair and Brown had successfully defused the euro cross-cutting cleavages, the divide between the two, and the fact that the prime minister did not achieve his aim of joining EMU, did not cause the party to collapse or trigger a leadership contest as it had in the past.

All this Blair achieved without actually calling a referendum. Though other countries have found the use of referenda to be a way of dealing with the types of issues prone to cross-cutting cleavages, in Britain, where referenda are uncommon, politicians ultimately did not take advantage of it (Qvortrup 2005). Both political parties set up the referendum mechanism as a pressure valve to externalize the euro cross-cutting cleavages and thus relieve some of the pressure it caused within party and government. Ultimately, though, the Blair government did not need to hold a referendum in order to resolve the party’s euro cross-cutting cleavages; the pledge of a referendum was sufficient to give both parties time to work out a way to resolve those divisions through internal party and government dynamics, without resorting to means outside the traditional British political system.

Part VI. Conclusion

Two level game analysis, applied to the euro cross-cutting cleavage, provides some insight into Blair’s record on the issue of European monetary integration. Blair’s main motivation at the European level was to achieve greater influence in the EU, which he could have done most readily by bringing Britain into the EMU, though he was willing to do so by other means if the euro proved unfeasible domestically. Blair’s main motivation on Europe at the domestic level was to not let the EMU issue get in the way of
his policy goals, or disrupt party and government as it had for the last twenty years for Labour and Conservatives alike. Overall he succeeded on both levels of the two level game: he improved Britain’s standing in the EU (before ironically diminishing it by going to war in Iraq); and neutralized the euro cross-cutting cleavage in his government and party, albeit at the cost of not achieving euro membership.

**EU Level Outcome**

Blair’s main motivation regarding Europe was to achieve greater influence in the EU, which he achieved by other means than the EMU. In the end, the euro came at too high a domestic cost to justify what membership might have achieved for Britain within the EU. Blair chose to pursue greater influence within the EU by other means. Blair ultimately was pragmatic about the euro. Blair biographer Anthony Seldon asks, “So what did Blair truly think about the Euro? The answer is that, whereas Britain’s role in the EU was of major importance to him, the Euro was merely a means to an end. ‘His paramount concern was Britain's political position, and if the Euro was necessary for that then that was where he came from,’ recalled one close aide” (Seldon 2007, p. 214).

For Blair, bringing Britain into the euro could provide a lasting, positive legacy that would allow him to resign as prime minister having achieved a triumph, something he considered after winning reelection in 2001. However, as 2002 and 2003 wore on he began to see that this was not a feasible option, particularly as he was unable to persuade Brown to alter his stance on EMU, and in pragmatic fashion was willing to drop the euro issue and move on to other political aims, and to pursue his ultimate goal vis a vis European policy—-influence in the EU—through other means than the euro (Seldon 2007,
The EU’s eastern expansion, with the entry of such new members as Poland and Hungary, was changing the dynamics and power structure within the EU and diluting the power of those member states in the euro zone, which offered opportunities for a large EU member state that was not a member of EMU to exercise influence.

In his memoir Blair (2010) devotes less than a page to explaining his failure to call a referendum on the euro and bring the country into the single currency regime he supported. He justifies the dichotomy between this failure and his support for European integration by arguing that he furthered Britain’s integration and interests within the EU in every other way. Blair’s Europe advisor Wall (2008) concurs, suggesting that through a number of small changes Blair made Britain’s everyday dealings within the EU less combative and more effective. Moreover, Riddell (2005) notes that, post-enlargement, the EU as a whole was more open to the type of policies that the UK supported and which Britain could take advantage of to achieve what was after all Blair’s main goal on Europe: a more central, influential role in the European Union.

But in the most obvious area of European integration, that of the single currency, Britain remained outside the central sphere of influence, and as Blair himself noted, not being in the eurozone meant that Britain could not take part in some of the most important decisions being made regarding European integration, decisions that affected the British economy whether the UK was in the eurozone or out (Rawnsley 2001). This was a fact that Blair’s other incremental integrations within the EU could not mitigate.
Domestic Level Outcome

As discussed, Blair’s domestic level goal was not primarily euro membership but rather management of the euro cross-cutting cleavage within the Labour Party and his government. As Seldon concludes of Blair,

If he had been as deeply committed to the Euro as he had led his supporters to believe, he would not have walked away so lightly after Brown’s 9 June [2003] statement. The truth is that, with his domestic agenda so incomplete, he seized on the Euro as a great defining issue on which he could win over a sceptical Treasury and nation. He convinced all parties it mattered greatly to him. It did not. He had other battles to fight, and other, better ways of exerting British influence in the EU.” (Seldon 2007, 214).

Seldon’s assessment reveals an essential characteristic that others, including his advisers, have observed in Blair: his pragmatism. By the time of the five tests assessment in June 2003 his government was deeply embroiled in the Iraq war and the fallout of the failure of British intelligence in asserting the existence of weapons of mass destruction in that country. Moreover, Blair’s domestic agenda of public service reform was also proving problematic and had already taken up six years of his premiership. The euro never made it to the front of his agenda. While many claimed that he was the most pro-Europe prime minister in thirty years, Riddell writes of Blair’s position on the euro, “Throughout his premiership, Blair has been ambivalent. He has made speeches every six to twelve months, or least did before the Iraq war, arguing for an end to the previous doubts about Britain’s role in the EU…. These excellent analyses, and statements of good intentions, did not change anything.” When he did speak of the euro he was persuasive but “There was usually little follow-up” (Riddell 2005, 131-132). This record again indicated that euro membership was not Blair’s top priority: in a manner far more successful than
Major, Blair used these periodic speeches to balance the pro- and anti-euro elements in his party, giving the former reason to hope while giving the latter—embodied in the chancellor—little reason to fear a battle on the euro front.

Many, including members of his own government such as Foreign Secretary Cook, had expected the prime minister to take a forthright approach in taking Britain into the eurozone, and well into his second term continued to expect Blair to make a big push for a euro referendum. But as Riddell observes, “Contrary to his talk of being ‘best when boldest’, Blair had opted for a minimalist, risk-averse position on Europe, putting off awkward positions when possible” (Riddell 2005, 148-149). Blair’s strategy of removing the euro debate from Parliament is one such example, and it resulted in less pressure on Blair to address the issue and less divisiveness among backbenchers and cabinet members. However it did not prevent the issue from being used as a power play by the chancellor, and it meant that Blair did not achieve his aim of joining the euro.

Broader Implications

As noted in the previous chapter, Major’s party suffered deep internal cleavages on the euro issue that condemned his government to recrimination and ineffectiveness. For the Major government, European monetary integration was the central problem. This was not the case in the Blair government. Blair and Brown may have had disagreements over the euro but the real division was not over the euro, but over power in general, with euro policy serving as only one weapon in that battle. Brown’s success in taking over the issue gave him a leg up in his war with Blair for predominance in the government, but it was not the center of the conflict. This contrasts with another past example: as discussed
earlier, the Lawson-Thatcher power struggle was specifically over euro integration policy; otherwise, they largely agreed on policy issues. For Blair and Brown, the euro was just another instrument in their larger power struggle: the euro no longer divided the Labour party.

The cross-cutting cleavages over European monetary integration were finally resolved after years of intra-party turmoil, and it resolved to the status quo, with Britain remaining outside the eurozone. This came about in large part because of Blair’s efforts to decrease the salience of the euro issue within party and government, and with the large exception of the relationship between himself and the chancellor, the prime minister was successful. This also translated to a decrease in the salience of the issue in the population as a whole, particularly after Brown’s 2003 assessment. By 2005, the percentage of voters who considered Europe or the euro to be an important or very important issue in determining how they voted had fallen “from 30 percent in 1997 to 24 percent in 2001 and 19 percent in 2005” (Howarth 2007, 55).

A broader implication of Blair’s decision to lower the salience of the euro issue is that by the middle of Blair’s second term, the euroskeptics in both the officially pro-euro and the officially euroskeptic parties had won the battle over European monetary integration that had been waged since the Thatcher era. After all the agonizing of both parties over the issue and the transformation of each party’s policy on Europe, euroskepticism prevailed. It is true that this meant that the status quo prevailed, which might seem to be the easier result, but in the 2003 a large majority (74 percent) of Britons had believed that euro membership was either “very likely” or “fairly likely” that Britain would join the eurozone within five years, and much of the press delivered the same
message (Howarth 2007, 57; Firmstone 2003). But because of Blair’s policies, the inevitable did not come about. Assessing Blair’s legacy, Riddell, writing in 2005, notes that thanks to the pro-euro prime minister’s efforts, “The whole question of Britain’s role on the EU remained unresolved after more than eight years in office, and the British public was, if anything, more sceptical than it had been in 1997.” (Riddell 2005, 199).

For the Conservative Party, which was now solidly euroskeptic, the result was a victory. But more interestingly, it was the officially pro-euro Labour party that brought about this victory for the skeptics. This means that in terms of monetary integration Labour too was not, in effect, pro-Europe, even though most of the PLP and the cabinet supported euro membership. But because Blair’s efforts had marginalized the bulk of the party, these sentiments were irrelevant in the face of Brown’s skepticism.
Chapter Six: Conclusion

Part I. Main Arguments

The main purpose of this study has been to examine what effect the European movement towards further economic and political integration in the EU has had on the domestic politics of a member country. In Britain, it created pressure on actors whose possible decisions in response to it were shaped by the informal and formal institutions of British politics such as the First Past the Post (FPTP) party system of governance in Parliament. This study argues that this outside pressure to integrate has exacerbated the cross-cutting cleavages inherent in party politics, making them potentially dangerous to party unity and to successful governance by making party management more challenging. By exacerbating the cross-cutting cleavages in each party over the time period studied, the pressure heightened existing divisions in the ruling and in the opposition parties, eroding public confidence in each as long as they were unable to resolve the differences.

While cross-cutting cleavages are not the only dynamic shaping politics in this or in any other case and in this time period other divisions challenged party unity for both Labour and Conservatives, the division over the euro and its predecessor institution the European Exchange Rate Mechanism (ERM) was a particularly serious cleavage. Indeed, Aspinwall claims, “no issue in contemporary British politics has nearly the allergenic qualities of Europe” (Aspinwall 2004, 155). The euro issue’s high degree of salience created divisiveness in the British political system (Gowland and Turner, 2000). No other issue in recent years has had the same power to engulf and divide parties save
perhaps Iraq, and that issue divided only one party, Labour, to any significant degree.

Europe engulfed both major parties and dominated discussion in the broader political sphere for a number of years. Moreover, this is an issue that, though relatively dormant at the moment, has not disappeared from British politics altogether. As long as European integration is an issue for EU member countries such as Britain; that is, as long as the UK remains a member of the EU, it will place pressure on party management in a unique and challenging way. In a FPTP political system such as Britain’s the cross-cutting cleavage challenge will re-emerge with particular force every time European integration intensifies (Aspinwall 2004).

This study examines in particular three factors critical to explaining Britain’s reaction to the pressure to join the euro and the impact that the euro cross-cutting cleavage has had on the parties and on British government. First, formal British political institutions, particularly the size of a ruling party’s parliamentary majority but also the FPTP electoral system that creates so-called “big tent” parties that are coalitions in themselves. As Baker (2003, 16) notes, the division over Europe “has continued to provide the clearest evidence of how UK political parties represent ‘managed coalitions’ rather than stable hierarchies” (Baker 2003, 16). The party leader must unite the various interest groups that comprise the party in support of his or her policies rather than assume that this support is given. Second, this study considers the role of actors in managing the euro cross-cutting cleavages, especially prime ministers and/or party leaders and how they use their informal powers to manage their party. Informal powers comprise a considerable part of party management, involving decisions such as whether the prime
minister insists on a party line or free vote on a matter pertaining to European integration, as will be discussed below.

Third, this study has considered the effect on British politics of outside pressure in the form of the movements at the EU level towards deeper economic and political integration. This effort is largely beyond the control of domestic actors: though they play a role in decision-making at the European level, British leaders constitute merely one voice among many in determining the direction and intensity of deeper EU integration. Thus, domestic political actors and parties have to treat pressure to integrate in Europe as an exogenous factor that comes as part of Britain’s membership in the EU. These periodic moves towards deeper integration, in the form of treaties such as the Single European Act (SEA) in the 1980s, the Maastricht Treaty—including the commitment to a single currency—in the 1990s, and the EU Constitution/Lisbon Treaty in the 2000s, may come at a bad time in terms of the first two domestic political factors, institutional issues and party leadership, such as whether the ruling party has a small majority or a weak leader. In such cases the effects of the euro cross-cutting cleavage will be exacerbated.

Thus, this work considers how this outside pressure to integrate interacts with the other factors—especially how the prime minister uses his or her informal and formal powers in managing the party and in interaction with the cabinet—as it played out in each time period, giving an idea of what any future prime minister may face when the pressure to integrate rises again. Based on the cases examined we can consider a mix of those factors: what happens when the British party system is faced with a large or small parliamentary majority, strong or weak party leadership, heavy or lighter euro pressure,
and whether the party is in or out of power, in minimizing or managing the resultant cross-cutting cleavages. Finally, this chapter will examine the broader repercussions of the EU impetus to deeper integration not only in Britain but also in other member countries currently struggling to balance the EU-level imperative of economic integration in the eurozone with domestic political realities.

**Part II. Summary of the temporal cases**

Each leader, whether Labour or Conservative, in each time period faced a different mix of the factors just discussed, affecting his or her ability to address the cross-cutting cleavages arising from the pressure to deeper European integration.

*Thatcher:*

Thatcher enjoyed a large parliamentary majority during most of her premiership, and her approach to the issue of European monetary integration was one of strong leadership based on pragmatic assessment. At first this manifested in a relatively dispassionate way, such as in her management of the ratification of the Single European Act on the basis of extending the European single market, but as the drive towards European monetary integration began to pick up momentum, Thatcher responded to it in an increasingly engaged manner. When combined with this rise in ideological fervor Thatcher’s strong political leadership, previously an asset in dealing with the pressure to integrate, began to erode as her promotion of euroskepticism heightened cross-cutting cleavages in the party over Europe.
During Thatcher’s tenure the government and prime minister faced heavy pressure from the European level to pursue deeper integration. Thatcher successfully managed backbenchers through the SEA ratification and maintained widespread support in the parliamentary party even as euro cross-cutting cleavages began to manifest in the late 1980s. Indeed, it was the strong support of a number of backbenchers for her leadership that led to the greater troubles over the euro cross-cutting cleavages her successor, John Major, faced during his premiership. The prime minister’s cabinet largely cooperated with her on Europe as well, though this broke down in the late period of her premiership as rebellion by chancellor and foreign secretary over her European policy spread to other cabinet members, eventually leading to her overthrow.

Labour in Opposition:

While in opposition, the Labour Party underwent a complete change in its policy towards Europe. It campaigned on a platform of exit from the European Community in 1983, but after the party’s massive defeat in that general election new party leader Neil Kinnock decided that a wholesale revision of the party’s economic policies, including its position on European economic integration, was necessary if the party was to regain the confidence of the voters.

Being in opposition gave Labour the opportunity to make these changes without the same high degree of domestic scrutiny that the Conservative Party would face as the governing party when it exposed its own divisions over European policy in the 1990s. Because the party was not in power it also was insulated from the EU-level pressure to integrate monetarily; indeed, Labour leaders such as Kinnock used new links with
counterpart parties in Europe to highlight the opportunities present in becoming a pro-
Europe party for its skeptical members.

Kinnock, though initially a euroskeptic himself, took an ideological approach to
the matter of Labour’s policy on European integration. Kinnock’s motivation for
transforming the party's Europe policy was to make party electable again; thus he
overrode the party’s euroskeptics over the course of a decade, an endeavor that his
successors John Smith and Tony Blair built on (Holden 2002). Moreover, the
Conservative Party’s own change in European integration policy starting in the late 1980s
aided Labour’s European transition, since, particularly in the FPTP electoral system
party, cross-cutting cleavages complicate party management. Instead, party leaders
“benefit from party unity” (Aspinwall 2004, 160). Thus, Thatcher’s increasing
expression of euroskepticism allowed Labour to become more europhile as the party
defined itself against the Conservative Party’s changing norm.

Major:

Europe has consistently split parties over the time period examined, but Major
exacerbated divisions within the Conservative Party through his method of party
management during his premiership. However, the high level of pressure to integrate
through the Maastricht Treaty during this time period, and Major’s institutional problem
of a small parliamentary majority, contributed to his weakness as a party leader. Major
experienced considerable trouble controlling the coalition within the Conservative Party
as disputes between party europhiles and euroskeptics flared during the Maastricht Treaty
ratification debates and beyond. Major tried to split the difference between the two sides
both at the domestic and the EU levels. During the Maastricht Treaty negotiations, for instance, he secured an opt-out from single currency membership for Britain, allowing the country to decide later whether or not to join the euro. However this opt-out soon became a point of contention itself in domestic politics as the debate shifted to when, or whether, the country would exchange the pound for the euro. Again, Major refused to commit to one side or another in hopes of staving off an outright split in the party. While he succeeded in keeping the party together throughout the raging debate, the cost to the party’s electoral viability and to its successful functioning as the ruling party was high.

The fact that Major kept most of his own parliamentary party and even his government ignorant of the details of the Maastricht Treaty negotiations made it easier for him to achieve what he considered a workable British position at the European level. He did this because of informal party dynamics: he did not want to stir up controversy especially since a general election had to be held by 1992. However, this secrecy created lasting resentment among the euroskeptics both on the backbenches and in his government. Major also faced considerable cross-cutting cleavages in his cabinet as europhiles and euroskeptics vied for influence over the government’s euro policy. All this meant that even though Major eventually achieved ratification of the Maastricht treaty, party management was a lasting trial for him well after ratification, as skeptics in the party sought to remove him from power.
By 1997 Europe was no longer an ideological barrier within the Labour Party as it had been in 1983. In that time, a Labour politician’s position on Europe served as a “litmus test” for their potential advancement in the party (Young 1998, 484). But by the time Blair came into power that state of affairs had reversed itself and European monetary integration had become a less salient issue in Labour electoral politics. By 1997, incoming Labour MPs tended to be pro-euro as a matter of course. This gave Blair an advantage not enjoyed by his immediate predecessors: the prime minister was able to handle the party’s cross-cutting cleavages in large part because the bulk of the work had been done while the Labour Party was in opposition. The balance of the party was now pro-euro without the fervor that had characterized the debate over the issue in the previous decade.

But while the cross-cutting cleavage over the euro in the Labour Party was resolved for the most part by 1992, because of the high salience of the euro issue Blair had to deal with euroskeptic remnants and solidify the party’s pro-euro stance once Labour finally returned to power. He was able to do so in part because he had a huge majority in Parliament. Nonetheless, Blair also exhibited strong party leadership based on pragmatic assessment rather than ideological conviction, at least regarding Europe, in all but his relationship with the chancellor, Gordon Brown. Blair used the pledge to hold a referendum on the euro and Brown’s five test framework, in addition to other strong party management techniques, to manage the outside pressure to join the euro and the

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30 Even those Labour candidates like Blair who were not particularly opposed to the EU had had to toe the party line and campaign on exit from the European Community in that election campaign.
resulting cross-cutting cleavages in the broader parliamentary party, though the cleavages manifested as resistance from the euro campaigns.

In government, however, Blair still experienced a sizable division over European policy with the chancellor. However, this division went beyond the euro issue into a broader power struggle between the two politicians, in which Brown often seemed to have the upper hand on Europe as well as on other matters.31

Conservative Party post-1997:

Hague’s election as Conservative Party leader in 1997 formally marked the shift in the balance of power that had been taking place over the course of the 1990s in the Conservative party to the euroskeptic side, sidelining the party’s europhiles (Gowland and Turner 2000; Aspinwall 2004). The appointment of a solid band of euroskeptics to the Conservative shadow cabinet formalized this shift. However, this transition took the Conservatives farther away from electoral viability: the public disliked its emphasis on the euro issue and distrusted its ability to govern competently in other areas.

The Conservatives had to correct themselves in the 2005 general election and beyond because their transformation had taken them too far electorally. In order to become electorally viable again, the party had to learn how to balance ideological fervor with ideological rationality. It managed to do so: the party has not become less euroskeptic, just less vociferously euroskeptic. This was in large part because the party downplayed the salience of the euro issue as part of its political strategy. Indeed, this

31 In general, for instance, Scott (2004) says that despite Major’s weakness as a leader, several of the Conservative leader’s advisors claimed that no one in the badly divided Conservative government would have treated Major as cavalierly as Brown treated Blair.
shift happened partly in conjunction with the Labour and Liberal Democrat Parties: Sherrington (2006) says that in the 2005 General Election the three major parties had a complicit agreement not to discuss Europe during the campaign, as it would, for different reasons, be damaging for each party. Likewise in the 2010 general election European integration was not a major issue as the parties recognized the danger of discussing European integration with a public more concerned with purely domestic policies. At present, Prime Minister David Cameron has no parliamentary majority at all, but rather presides over a coalition government. However, because he faces relatively low outside pressure to integrate in Europe he can minimize the issue in domestic politics while the Conservative Party maintains an officially euroskeptic stance.

Part III. Implications for the europhile-euroskeptic debate in the EU

While in hindsight the decision of successive British governments to stick with the status quo of retaining the pound seems obvious, during the broader time period studied the considerable pressure imposed by the European integration project gave a sense of inevitability to Britain’s membership first in the ERM, and then in the eurozone. The former step did take place despite the resistance of a powerful prime minister, Margaret Thatcher, and the latter seemed likely to take place in the years following the Maastricht Treaty ratification.

The question of the inevitability of euro membership became a focus of the overall argument between europhiles and euroskeptics, shaping public opinion accordingly. Even as the public continued to resist the idea of euro membership, for instance, it also believed that it would take place. Even by 2003, when Brown ruled out a
referendum in the foreseeable future, a large majority (74 percent) of Britons had
believed it was either “very likely” or “fairly likely” that Britain would join the eurozone
within five years, and much of the press delivered the same message (Howarth 2007, 57;
Firmstone 2003).

Europhiles used the sense of inevitability to bolster their argument that Britain
was better off in, and the sooner the better. This stemmed from Britain’s history of twice
applying for European Economic Community membership and being rejected, which
turned the question of whether Britain wanted to be a member of the European
integration project “from [one of] impossibility to imperative” (Scott 2004, 245). As a
result, evolving from an initial choice of not to join the EU’s original incarnation in the
postwar period, British elites began to fear that Britain was missing out by not being a
member, especially as the French and German economies flourished in the 1960s while
Britain’s stumbled. Eventually the country joined the EEC in 1973, but elites believed
that Britain had lost out on the chance to shape the community to its liking and instead
had to accept the structure—and the interests—that the founding countries had
established. Over the years europhiles agonized that Britain was always one step behind
its Europe counterparts in the integration impetus, a “reluctant European” (Gowland and
Turner 2000), and sought to change this tendency.

In the run-up to the planned launch of the eurozone in 1999 the fear of being left
behind formed a large part of the europhiles’ argument that Britain’s membership was not
a matter of “whether” but of “when” (Gowland and Turner 2000, 330). Young (1998, 3)
also presents increased EU integration as an “eventual, irresistible fact.” Pro-euro
members of the government such as Foreign Secretary Cook and Peter Mandelson made
the same inevitability argument, though Brown refuted these assertions (Rose 2001). The same argument prevailed during the debates over the EU Constitution, which followed the Blair government’s negative assessment of the five tests in June 2003, with Blair himself saying that there was “no alternative to the constitution” other than to leave the EU entirely, gambling that the public would be spooked into accepting the former rather than take the extreme step of the latter. Blair’s economic advisor Derek Scott argued that the government’s plan was that the public could then, by the same token, be “bullied into accepting the single currency” (Scott 2004, 248).

Part of the europhiles’ argument about inevitability involved a resultant “ridicule and caricature of those taking a contrary view” over the decades as pro-integrationists labeled euroskeptics nationalists, extremists and isolationists (Scott 2004, 245). For instance, academics Gowland and Turner (2000, 325) claimed that the predictions made by the new Conservative Shadow Chancellor in 1997, Francis Maude, about the future of the eurozone were “assuming apocalyptic proportions” simply because Maude predicted that the eurozone eventually would become engulfed in a banking crisis. While his prediction seems prescient and entirely reasonable from a present day perspective, this characterization of Maude’s assessment reflected the common europhile (and academic) opinion at the time regarding euroskeptic opinions about the eurozone.

Europhiles claimed that euro membership is “inevitable”, but, toning down the rhetoric, Scott (2004, 245) argues that membership is not question of “destiny” but of “choice”. This ties in with Aspinwall’s (2004) assertion that the inclusion of the euroskeptic side of the opinion creates a more democratic integration experience, as mentioned above. Even though UK is viewed, with some justification, as idiosyncratic
within Europe—a reluctant euro-outsider (Miles 2005)—euroskeptic arguments against European monetary integration have emerged in other member countries as well. Parties in other EU countries have been subject to cross-cutting cleavages on Euro policy as British parties have, such as the Socialist and Gaullist parties in France: indeed, the Gaullist party split in 1994 over Europe as right wingers from the party moved to form their own party to oppose deeper EU integration. Other EU countries, as mentioned, are less prone to such cross-cutting cleavages due to their use of the PR electoral system in which skeptic opinions are marginalized to fringe parties with no input on policymaking (Aspinwall 2004).

Nonetheless, the existence in other member states of the same objections aired by British euroskeptics gives more authority to the skeptic argument even in PR countries: if skeptics can be portrayed as isolated extremist groups that exist primarily in one foot-dragging country, then their arguments can be devalued. This has been a common europhile strategy in Britain as in other member countries (Scott 2004). But as Aspinwall (2004) among others has pointed out, by acknowledging that these are widespread concerns across Europe the debate over the European integration project becomes more democratic. Such recognition could begin to legitimize calls for a more cautious approach by Britain as well as other member states on European integration in the face of the prevailing arguments common to europhiles across the EU, that ever-deeper integration is simply a matter of time.
Part IV. Broader Implications for EU member states

Britain offers a case study showing some of the political strains the EU integration project puts on a domestic member country. It emphasizes the degree to which the efforts to achieve monetary union impacts domestic politics. These problems may well continue as long as there is a divide between the degree of political and monetary integration in the EU, a discrepancy that exacerbates underlying tensions in domestic politics.

Although these strains are clearly evident in the current eurozone crisis, signs that just such a crisis would eventually occur were plain to those who wished to see them well before EMU came into being in 1999 and certainly by the time euro notes and coins were introduced in 2002. For instance, studies in the late 1990s and early 2000s in the run-up to the eurozone launch showed a lack of convergence in (among other areas) business cycles among prospective eurozone members, notably including Greece and Portugal (Korhonen 2001). Korhonen examined the prospects of euro membership for countries in central and eastern Europe in his study, and noted that these two members in particular as well as Ireland were about as integrated into the Eurozone business cycle as any of the petitioning accession countries on the EU’s eastern fringe. He uses this evidence to suggest that lack of convergence need not be an impediment to the entry into the eurozone for the eastern European countries, but the evidence provided a warning instead that the countries that had already been let in should have attained a greater degree of economic convergence with the rest of the eurozone before being allowed entry.

Others noted the lack of economic convergence among prospective member countries in the run-up to the launch of the eurozone and warned of the potential dangers
a country that had not sufficiently converged risked by giving up control over its exchange rate. In 1999 a study cautioned that “not all countries are equally far along this path [of convergence] and so the implication is that, if European governments are prepared to trade the costs of surrendering the exchange rate as a policy instrument for the benefits of a common currency, monetary union should only include a small core group of countries that have reached the symmetric league (Germany and the Netherlands and possibly France and Austria; certainly not Greece or Portugal, and the UK is probably not fully ready yet)” (Funke et al. 1999, 63-4). Losing the ability to devalue the national currency, which would allow the country in question to regain export competitiveness in an effort to restart economic grown, has been a key component of the current eurozone crisis.

This is especially true of Greece, the key example of a country that was allowed into the eurozone even though it had not converged with the targets on debt and deficit levels laid out in the German-mandated Stability and Growth Pact (SGP). However, at the time eurozone advocates waved away this lack of convergence: one academic argued, “Greece is an example of joining the ERM when nominal convergence has not been fully achieved. Yet the markets viewed the path to full nominal convergence as compatible with the government’s publicly stated objective of joining the EMU on a specified date. This compatibility led to a smooth transition from the ERM to the euro area” (Hochreiter et al. 2005, 200). Several years later, Greece’s entry into monetary union was no longer sufficient guarantee for the markets as they responded instead to the fact that Greece’s skyrocketing deficit levels—well outside the now-effectively abandoned SGP commitments—made it unable to repay its debts.
However, Greece, though ostensibly managing to squeeze into the SGP requirements in time to adopt the euro notes and coins, was not alone in failing to meet the convergence criteria well into the late 1990s. Even France and Germany had significant trouble meeting the very convergence criteria they had insisted was necessary for euro membership in the run up to the 1999 creation of the single currency. Ironically, the UK was the only large EU member state that met the convergence criteria in the years before the 1999 launch of the euro, and it was reluctant to join (Gowland and Turner 2000).

Finally, in 2001 Arestis and Sawyer predicted “that the eurozone will face considerable economic difficulties” and “the introduction of the euro and the associated institutional setting could well serve to exacerbate tendencies towards financial crisis including the volatility and subsequent collapse of asset prices and runs on the banking system” (2001, 1). This clearly happened in Ireland, where the housing bubble was made possible in part by Irish banks’ taking advantage of the ability to borrow without exchange rate risk within the eurozone. Honohan (2009) notes that Ireland’s rapid economic growth dating from 1994 on spurred a demand for housing, but the true trigger for the housing boom was Ireland’s entry into the single currency area where the EMU-wide interest rate was set too low for Ireland’s economic needs. Real interest rates in Ireland remained below zero percent nearly throughout the period from the introduction of the euro in 1999 through 2007. The resultant rise in consumer spending led to inflation and in turn fuelled demand for easy credit, which the banks provided through their extensive borrowing from within the EMU area, and the banks quickly became massively overextended.
Again, some observers noted such risks early on. In addition to the risks to Ireland, some pointed to credit risks in Portugal that existed before that country became a member of the single currency. Scott (2004) also notes that the tensions seen in the single currency area are the same as those that were evident in its predecessor, the European Exchange Rate Mechanism currency band. This previous case provided fair warning of the dangers of trying to force a country into economic union without sufficient convergence, especially after the UK and Italy were forced to abandon the ERM in 1992.

Overall, the point is that the seeds of the current eurozone crisis were evident when the EU member countries insisted on going ahead with deeper economic integration without first assuring the degree of political convergence necessary to avoid outcomes like the current crisis. But most of the EU member countries, Britain excepted, were determined to make the eurozone work. Certainly, monetary union comes with advantages as well as disadvantages, or countries would not agree to join regardless of a desire to achieve deeper European union. Weaker countries can gain economic credibility (however borrowed and temporary) by effectively adopting the monetary policy of their more economically sound neighbors, in this case Germany. This protects their economies against inflation and gives them credibility in the financial markets – but these benefits, as indicated above, can be incomplete and/or transitory.

Moreover, while these are advantages that come with monetary union and thus gave countries like Greece, Ireland, and Portugal an incentive to join the eurozone, the overall benefits such poorer countries gained from European economic integration arguably did not come from EMU membership at all. Ormerod (2006) claims that the
bulk of the benefit poor EU countries gained from membership and which helped them to catch up economically with their rich compatriots came from EU transfer payments, not from euro membership.

Even taking into account these considerable transfer payments, one could argue that EU membership has, at least economically, been a mixed bag for these poorer countries, fuelling an economic boom and then bust cycle. This effort to achieve deeper economic integration in the EU creates considerable strains in the domestic politics of these crisis-stricken member countries and, for that matter, in the politics of the creditor EMU countries as well. This study has explored the impact that even the pressure to join monetary union has had on British domestic politics: for actual members of the eurozone, the effect has been even more powerful. Britain’s experience offers another option for EU countries desiring the benefits of economic convergence within a single market without losing control over interest and exchange rates. For those EU members outside the eurozone Britain’s experience offers evidence that a country can be better off outside the eurozone with a strong economy than in EMU with a weak one.

Britain also can serve as an example to countries like Iceland that are tied to the EU but do not belong to it. The 2008 financial crash deeply affected Iceland, triggering a major banking crisis. Initially, the Icelandic government announced its intention to apply for EU membership immediately, with the aim of joining the eurozone so as to be insulated from such severe shocks. However, the country backed away from this plan as it observed that membership in the single currency area was no panacea. Recently, in fact, Iceland's finance minister criticized EMU leaders’ handling of the Greek crisis, arguing that their chosen approach is bad for small peripheral countries both within and
outside the eurozone. The European Central Bank continues to pursue a monetary policy better suited for the large, central eurozone countries than for the peripheral small countries that are experiencing the worst effects of the crisis. While this is understandable given the relative populations of these countries, clearly citizens in countries such as Germany and France are affected by the crisis as well as they are called on to bail out weaker members.

In any case, Iceland’s government now believes that its ability to devalue the krona has been beneficial for the country in regaining the strength of its export economy, which has recovered well in the last two years. Also, pursuing its own solution to its banking crisis in the face of considerable pressure from EU member states has allowed the country to focus on what is best for Icelandic citizens rather than for the bigger imperatives of the Euro banking industry, which the finance minister suggested is the Eurozone’s top priority. In all, despite the initial draw of eurozone membership, Iceland’s government now thinks that staying out of the single currency may be the country's best option (Parussini 2011).

In addition to empirical evidence from the eurozone crisis, Britain’s resistance to the monetary integration imperative lent credibility to this sort of stance. The UK was hard hit by the 2008 financial crisis, but other European countries both in and out of eurozone experienced worse. While the British recovery remains slow, the eurozone is faced with crises in Ireland, Greece, Portugal, Spain, and possibly others if the economic crisis continues to be contagious (Wolf 2011). Currently the EU consists of 27 member states, of which 17 are eurozone members. This means that Britain, rather than appearing as a reluctant euro-outsider, can take the opportunity instead to become a leader of the
non-EMU countries and, in the face of this current crisis, wield influence with the other leading EU states as they consider how to respond to the crisis and decide which EU countries should contribute to bailing the weaker eurozone countries out.

Thus, after the decades-long agonizing over whether Britain should pursue deeper economic interaction in Europe, Britain’s ultimate resistance to this pressure has resulted in an opportunity for the country to exercise influence in the EU while remaining outside EMU. Britain has the advantage of being a larger economy than stricken countries like Ireland and Greece, but unlike fellow large country Spain it has maintained the advantage of shaping monetary policy to suit the needs of its own economy. This has, for now, allowed Britain to move on from the damaging domestic cross-cutting cleavages over the euro, though these will recur as the European integration project inevitably moves forward. Deeper political integration, after all, is the logical next step and indeed some degree of cooperation on fiscal policy is necessary in the EMU in order to stave off the recurrence of crises like the current one. However, as discussed, the presence of euroskeptic countries offer the EU an opportunity to be more democratic, to give voice to other alternatives than the dominant imperative to deeper integration whatever the cost. Thus, Britain’s protracted political agonizing over whether to join or not to join has given the country a broader legacy by making the debate over economic and monetary union a more open and democratic one, allowing this “reluctant European” a key role in shaping the future of the European Union.
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