

An unsayable truth: time for Britain to reconsider the euro

The Europe Dilemma: Britain and the Drama of EU Integration

Roger Liddle

I.B. TAURIS/POLICY NETWORK, 2014

Reviewed by Jeremy Cliffe

Ever wondered why Germany's railways are so much better than those of Britain? One answer is found in the aftermath of the Second World War. The complete destruction wrought on Hitler's Germany forced the federal republic to build a new, modern infrastructure on the ruins of the imperial one. Britain, by contrast, could make do by patching up its old Victorian network. So it did.

A similar story can be told of the two countries' geopolitical settlements. After the War Germany, along with most continental states, had entirely to rethink its place in the world and consequently threw itself into the task of European integration. Britain, diminished yet victorious, had no such reckoning; no natural juncture at which to establish a post-imperial role. Successive politicians have sought to bring about such a moment, but with limited success. As a result (to quote one of them, Tony Blair, in 1995) the country has remained 'half in and half out' of Europe. This, said Jean Monnet, was the price it paid for 1945.

Such is the argument of an important new account of Britain's relationship with the continent. And it is this sweep that makes Roger Liddle's book so compelling. To a field characterised by swaggering ignorance (witness eurosceptic MPs carping about diplomats 'going native' in European capitals), the Labour peer brings two things that are frustratingly rare: historical depth and experience of today's Europe and its workings. The result is a polemical case for a reformed EU policy – and, specifically, a new debate about British membership of the euro – that stands on the shoulders of three preceding sections describing its evolution to date.

Missed opportunities

In the first Liddle tells the story of UK-EU relations to 1997 as a series of missed opportunities, for which he holds both main parties accountable. On the Conservative side, the myths of Dunkirk (Britain and the Commonwealth standing alone) and of 'offshore Britain' (the UK as a colder, rainier version of Singapore) gave first the Macmillanites and then the Thatcherites reservations about Europe. Labour figures too left Britain's stance towards the continent uncertain: Hugh Gaitskell failed to recognise the importance of the country's continental partnerships; Roy Jenkins resigned as Harold Wilson's deputy rather than staying to mend bridges after the latter committed to a referendum; the left's hostility to European integration belied its professed internationalism.

From 1997 Liddle shifts into the first person, and the book becomes a frank (and sometimes self-critical) account of his time as Blair's EU affairs adviser. This section is in itself notable. Shelves of memoirs by advisers and ministers chart the achievements and the debilitating neuroses of the New Labour government, but this is a rare example that concentrates predominantly on policy and practice rather than the soap opera (Jonathan Powell's excellent *The New Machiavelli* (2011) is another). Which is not to say that it lacks colourful tidbits from Blair's retinue. In one anecdote from 1999, Liddle describes the Anglican prime minister taking communion 'without hesitation' in Aachen cathedral, metres from Charlemagne's grave, contributing soon-to-disappear Deutschmarks to the collection, then giving perhaps the most Europhile speech of his premiership.

The peer is frank about Blair's failures to live up to his pro-European rhetoric. These, he maintains, were products of his government's well-documented problems: New Labour was slow to invest its early political capital, had a short institutional attention span (on which he blames missed chances to make more of the reformist Lisbon Agenda), was hampered by the rivalry between Blair and Brown, and lost trust over the Iraq War. Even these need not have prevented Blair from taking Britain into the euro, however; he could have done more to win over his Chancellor, for example, or – once the Chancellor had set his face – swapped him with Robin Cook, the pro-European Foreign Secretary, in the 2001 reshuffle.

David Cameron, claims Liddle, has perpetuated Britain's old limbo – but unlike Blair, the current Prime Minister accepts it in word and deed. The author identifies the central flaw in the Prime Minister's and George Osborne's position: they believe that other EU countries are committed to a federal Europe and that Britain is

therefore destined to remain in the union's outer tier. In reality our neighbours are more pragmatic, and participation in the European project less binary, than this allows. Increasingly the EU's architecture enables members to choose between different levels of cooperation on different issues. Germany, notionally Europe's dominant player, does not share the Franco-British penchant for defence integration, for example. With the right approach, Liddle argues convincingly, Britain can and should be at the heart of the evolving post-crisis Europe. But the assumption of marginalisation is becoming self-fulfilling. Though it played out after *The Europe Dilemma* went to press, Cameron's unilateral bid to keep Jean-Claude Juncker from the Commission presidency is the latest example.

A velvet-clad bulldozer

What makes Liddle's tripartite history of Britain's relations with the EU so refreshing is that he politely but systematically dismantles misunderstandings and nonsense that other pro-Europeans are all too wary of challenging. The effect is of a velvet-clad bulldozer.

'The history of conventional wisdoms is that they can be very strongly held at the time', he ventures, 'but can often turn out to be disastrously wrong.' Britons were hoodwinked into supporting continued EC membership in 1975, right? Not really: the antis told themselves that to take the edge off losing – and the myth stuck. Margaret Thatcher proved that unilateralism works in Brussels? The iron lady obtained her rebate but in exchange went quiet on CAP reform and supported a doubling of the EC budget. David Cameron has finally put liberalising reforms on the Brussels agenda? His reform programme is a lukewarm version of the Blair-era Lisbon programme.

Most boldly of all – the point towards which the rest of *The Europe Dilemma* seems to build – Liddle challenges the idea that Britain should at all costs avoid joining the euro. In doing so, he sets out arguments that can be heard privately from prominent figures in all three main parties. Dispiritingly, only those who have left front-line politics dare utter them in public: Michael Heseltine, Paddy Ashdown, Peter Mandelson and, for that matter, Liddle. It is not hard to understand the reticence. Past or present support for the euro is deemed so toxic that mainstream eurosceptics hold it up as proof that the speaker's entire outlook is invalid (Business for Britain, a prototype referendum 'out' campaign, has dismissed businessmen like Richard Branson and Martin Sorrell on this basis).

The result is an illusory consensus – so settled that it has calcified into unexamined cant – that non-euro membership spared Britain the fate of Ireland and Greece. Liddle puts the rarely seen counter-argument: the crisis made a mockery of euro-sceptics' beloved monetary and fiscal sovereignty. Britain's independent interest rates remained close to those of the ECB and did not spare the country a worse downturn than that of many euro members. Notions of the country's fiscal freedom vanished when Osborne argued that markets would punish London if it failed to retrench rapidly. Britain only had a 'good crisis' insofar as its flexible labour market made possible an 'internal devaluation' that kept unemployment down – a shock absorber that would have been available whether or not the country had joined the euro.

Moreover, Liddle notes, Britain may well have gone into the global economic crunch in a better state had it done so. Membership of the common currency would have capped the structural deficit, putting government finances in better shape by the eve of the crisis. It would have accelerated stabilising reforms to housing and financial markets and bolstered Britain's manufacturing base with favourable exchange rates (as was the case in Germany).

The final section of the book issues a series of proposals rooted in the changes Britain and Europe are currently going through: the eurozone reforming, banking union coming together, a 'mark two euro' emerging and Britain's share of global GDP declining. The main one is that, in light of these developments, the country should re-examine the case for euro membership. Liddle argues that this would amplify London's voice in the Brussels and Frankfurt institutions, boost investment in Britain, and ultimately make the British government more influential than it is now. If there are good, pro-European objections to such claims, your reviewer is yet to read them.

More generally, the author of *The Europe Dilemma* insists that Britain should not simply resign itself to outer tier status and gives a compelling account of why it can and should be at the heart of a reformed EU. Specifically, his book advocates and embodies the case for a Europe debate with a sense of history (for example, aptly comparing Tory intransigence over Europe with the party's generational mistake in backing the Corn Laws).

At some point, Britain will indeed have to discuss and properly settle its relationship with its geographically (but also culturally and economically) closest neighbours – the question that it never answered at the end of the Second World War. With the

EU rapidly evolving and the possibility of another in-out referendum by the end of the decade looming, politicians who want Britain to remain in the fold should heed Liddle's analysis: 'The root of the British problem with Europe lies not so much with public opinion, but with the failure of our political class to make the case for our membership.'

Jeremy Cliffe is the Britain Political Correspondent of *The Economist*.

Reference

Powell, J. (2011) *The New Machiavelli*, London, Random House.