

LABOUR EURO-SAFEGUARDS CAMPAIGN

BULLETIN

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QUESTIONS AND ANSWERS ON

THE FUTURE OF EUROPE AND THE LEFT

1. **What has the Single Currency done to trust in the EU's political institutions?**

Despite the claims made at the EU crisis summit in December 2011, it is clear that the financial problems besetting the Eurozone are little if any nearer to being resolved than they were before. The costs of the Single Currency is not, however, to be measured just in economic terms, high though these may be. There is, in addition, a very large political dimension. The travails of the Eurozone have done huge political damage to the EU and to all its institutions. Because there is so little popular support for the measures which EU leaders insist are needed to resolve the euro crisis, it is impossible to obtain any democratic mandate for them. This leaves the politicians involved increasingly unpopular with their disenchanted electorates. Two countries – Greece and Italy – have already stopped even pretending that the policies that they have been forced to implement have any political cover, as unelected technocrats have taken control. Because the politicians who are still left in charge have to try to get themselves re-elected, to placate their electorates they are all forced to push for national objectives which are incompatible with the Eurozone's continued existence. The ineffective compromises which then materialise bring all concerned into further disrepute as the reputation of politicians generally as being competent and capable plunges to depths seldom, if ever, previously experienced. The EU political class now finds itself in a bind from which there is no evidently credible and creditable exit.

2. **What impact does this have on left of centre parties?**

While the damage being done generally to the democratic political process is acute enough, the problems are particularly great for parties of the left. This is partly because the impact of the Eurozone crisis has been to hit some countries which had left of centre governments – particularly Greece and Spain – particularly hard. The result has been

supposedly socialist governments advocating and implementing harsh deflationary policies – cutting public expenditure, reducing living standards and sacking public sector workers. It is hardly surprising that pushing through policies of this sort has caused support for the parties whose governments have been implementing them to haemorrhage. It is not, however, just in countries with left of centre government that support for moderate left of centre parties has been in steep decline. The same phenomenon can be seen across almost the whole of Europe where left of centre parties are now almost all in opposition. The reason for this is not hard to find. Almost all the leaders of these parties have been strong supporters of exactly the policies, particularly the establishment of the Single Currency, which have caused all the present problems. Now that the policies are manifestly failing to work, they have no realistic alternatives to offer. They therefore appear to be just another part of a political class which has completely lost touch with its supporters' aspirations and hopes.

3. **Where does the British Labour Party stand?**

The Labour Party in Britain – at least up to now – has been insulated from the worst of the euro's travails, with all their deflationary implications for many of the economies in the Eurozone, partly because Britain is not, of course, in the Single Currency and partly because the Labour Party is not in power. This has enabled the Party's leadership to avoid having to say much about the Eurozone's problems and to maintain a relatively low key stance on the damaging impact of the euro, while gaining some well deserved kudos for having kept the UK out of the Single Currency in the early 2000s, when the pressure to join was at its greatest. The huge problems which the Eurozone is now facing have, however, had another impact which the Labour Party needs to take into account. This is that disillusionment with Britain's membership as a whole of the EU is becoming increasingly widespread. While until comparatively recently, most opposition to Britain's membership arose from the terms on which we were in the EU, now there is increasing concern as to whether the EU is the sort of organisation of which we would want to be members even if the terms were right. It is now clear that the attitudes shown by many Labour MPs and policy makers are well out of touch with the vast majority of Labour's natural and potential supporters. This is a very dangerous position for any political party to be in. At the moment, the EU is not top of the concerns which most Labour Party members or supporters have in mind. It could, however, soon become so, as the deepening crisis round the euro unfolds.

4. **What is likely to happen to the Eurozone countries?**

It is clear that the highly unstable situation in the Eurozone could lead to events developing in the fairly near future in broadly either one of two ways. One would be for there to be radical moves towards a federal government for all the Eurozone countries, so that all the countries in the Single Currency area became effectively subordinated to powerful central political control. This would then enable there to be a centrally run budget and economic policy for the whole of the Eurozone area, with the same scale of transfers of resources from the richer to the poorer parts of the economy as happens

within nation states. It seems extremely unlikely that there will ever be enough democratic support and political will to see this sort of outcome materialising, especially within the constraints of the time frame which the markets will tolerate. This means that the other alternative way ahead – for the Single Currency to break up – is increasingly likely to be the eventual outcome. This could happen in a number of different ways. It could lead to the Eurozone splitting into two groups, one based round Germany and the other round the weaker members. A more likely outcome seems to be the exit of one member – probably Greece – leading to such contagion and otherwise unmanageable financial pressures that several other countries leave the euro as well. These are likely to include Ireland, Portugal, Spain, Italy and possibly Belgium and maybe even France. Either of these two ways in which the European Union might develop over the coming year or two, however, will involve very radical changes to the way it operates. It is thus very difficult to see how any kind of agreement could be reached which could possibly be imposed by the EU's leaders without requiring the assent of their electorates, however much the EU political class may want to avoid this happening. Although up to now, the Eurozone's political leaders have succeeded in doing what they thought had to be done without any direct democratic consent being obtained, it is now hard to see this being possible indefinitely. This means that it is likely that within the next perhaps two or three years there is going to have to be some kind of opportunity for the EU's electorates – including our own in the UK – to express a view on the EU's future. If this happens, the Labour Party in Britain is going to have to take a view about how to cope with this situation.

5. **What kind of choices are there likely to be?**

If the Eurozone countries move rapidly to forming a federal state, it is certain that this is an arrangement which the UK would not want to join. There may be other EU Member States which feel the same way, in which case the EU would split into an inner circle of Single Currency countries and an outer circle of which the UK would probably be the largest member. It is hard to see the UK having a strong negotiating hand in these circumstances, while staying within the EU, and it therefore seems quite likely that any consultation with the UK voters about our relationship with the other EU Member States in this scenario would morph into some kind of “in or out” referendum. If, on the other hand, the Eurozone breaks up, there could be a wide range of potential outcomes. At one extreme, the EU could resile back into being primarily a free trade area with relatively little central control. At the other extreme, just as when the Exchange Rate Mechanism collapsed the EU moved to the Single Currency, once the Eurozone ceases to exist there may be new moves to create the political institutions of a European federal state, which would make a new Single Currency possible. Probably what will happen is something in between these two poles, leaving our relationship with the other Member States not the same but not so very different from what it is now but with – again – the need for some kind of democratic consent, for whatever new arrangements have to be put in place. Especially if the EU is then in disarray and our terms of membership are no better than they are at the moment, it seems likely again that any consultation with the UK electorate would tend towards being an “in or out” referendum.

6. **Where does this leave the Labour Party?**

It is, of course, always difficult to predict accurately what is going to happen in future but it therefore seems reasonably likely that the Labour Party is going to be faced before long with an “in or out” referendum generated by a combination of events on the continent and mounting pressures within the UK for there to be an opportunity for the electorate to express its views on our continuing membership. With the future of our relationship with the EU right at the top of everyone’s agenda at this point, it would clearly not be helpful for the Labour Party to advocate a policy which the vast majority of the electorate, including most potential Labour voters, would not support. In 1975, the then Labour government allowed all Party members to campaign as they saw fit. In view of the differing views which would be bound to be present, this would surely be a better way for the Party to conduct itself than trying to dragoon as many people as possible to support an unpopular Party line which many members would reject.

7. **Where are all these developments likely to leave Social Democracy in future?**

There is also a wider dimension to all the errors and misjudgements which have been made by the EU elite over the last few decades, particularly about the euro but also more generally. This involves not only the moderate left but also the moderate right because between them most governments in most European countries have been ruled by parties of the centre for most of the past decades. While no ruling elites can be expected to get everything right, they cannot afford to make too many mistakes before they start to forego the legitimacy and reputation for competence on which their support depends. The fact that it is impossible to get any of the major policy initiatives which the EU has taken recently endorsed by referendums speaks volumes about the gap which has already opened up. The big danger across the EU is that the trust on which democracy depends is being eroded away by the catastrophic mistakes which too many of the EU’s leaders have made. It will then not just be Social Democracy which sees support for its values and aspirations seeping away but those of the whole of the political centre. In its place, it is all too easy to see extreme and fringe parties gaining support – as is already happening - their hallmarks being not rational alternative policies but ones based on racism, xenophobia, nationalism, protectionism, intolerance and appeals to irrational prejudice and fear. The situation is not as bad in the UK as it is at the moment in some other EU countries but it is very important that it gets no worse. The stakes are getting much too high for comfort, which is why it is so important that the Labour Party in the UK finds a way of both developing realistic and workable policies towards the EU but also keeping its supporters on side as it does so.