The British State and European Integration: The Politics of Modernisation

Dr. Christopher G. Gifford

Department of Sociology
London School of Economics and Political Science

UMI Number: U188014

UMI U188014
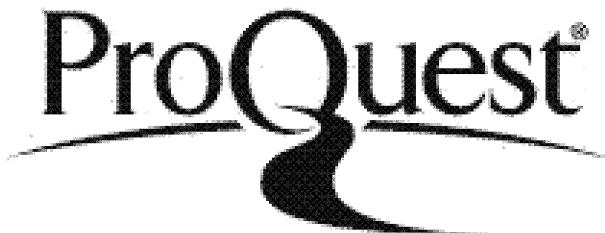
ProQuest LLC
789 East Eisenhower Parkway
P.O. Box 1346
Ann Arbor, MI 48106-1346

The British State and European Integration:
The Politics of Modernisation

Dr. Christopher G. Gifford

Department of Sociology
London School of Economics and Political Science

CHAPTER FOUR

The British State and European Integration 1964-1979: The Post-Imperial Crisis and the Exclusion of Europe 106

CHAPTER FIVE

The Second Wave of European Integration: A Process of Political Modernisation? 156

Conclusion

Abstract

My research develops a sociological framework for exploring the structural

constraints on the Europeanisation of British politics. I examine the history of

Britain's relationship to the European Community/European Union (EC/EU) from the

immediate post-war period up until 1994 in terms of the politics of modernisation. I

discuss forms of political and economic modernisation and argue that we can use

broad conceptions of these processes to establish the underlying structural tensions

within the relationship between the British state and European integration. I maintain

that Britain has not followed the same pattern of political and economic development

associated with modern Europe and has been historically constituted as a vehicle for

global economic modernisation. This has placed the British state at odds with the

organisation of Europe as a political and economic space. This structural problem

emerges in the practices and struggles of political elites over the role of 'Europe'

within a post-imperial Britain. I examine the chronic failure of elites to legitimate and

establish a coherent strategy for European integration within the recent trajectory of

the British state. British elites understandings of the role of European integration for

domestic political modernisation have been flawed. I propose that this has been

compounded by the ideological construction of 'Europe' as ' other' within populist

political projects of British exceptionalism that emerged out of a post-imperial crisis.

This culminated in the Thatcherite re-assertion of British exceptionalism in relation to

the second wave of European integration, igniting tensions in Britain's relationship

with the EC/EU that became fully manifest during the ratification of the Maastricht

Treaty. I explore in some detail the extensive attack by a Eurosceptic movement on

the Major government that undermined the attempt of the governing elites to

accommodate Britain to a second wave of integration. This reassertion of Britain's

difference from Europe during the 1990s had long term implications for both the

Conservative and New Labour governments. It is, therefore, apparent that the British

contestation over 'Europe' is structurally reproducing Britain's distinctive relationship

to the process of European integration.

Introduction

Drawing on sociological accounts of modernisation, this thesis builds on an existing body of work that locates the British problem with European integration within a distinctive historical experience and institutional heritage. Britain's relationship to the European Union[1] has been a matter of intense political debate since the Macmillan government first proposed British membership in 1961. In the emergent post-imperial context, the issue went to the heart of British political identity and organisation. It appeared to encapsulate the extent to which the British social and political order was in transition and the tensions that arose as a consequence of these changes. In general, social and political scientists have explored the question of why Britain has often been an 'awkward partner' (George 1990) in its relations with the EU and the possibilities and limitations for the Europeanisation[2] of British state and society. The issue has, however, largely been neglected by sociologists and has primarily been the concern of political scientists, historians and international relations specialists. This is surprising considering that the distinctiveness of sociology lies in its theoretically informed accounts of social change. Indeed, the debate over modernity[3] has been at the centre of the discipline's theoretical and analytical agenda. The advantage of such a macro-sociological approach is that it renders explicit the structures, which are often elusive in other forms of analysis, at work in social relations. The central proposition of this study is that the structure of the relationship between the British state and European integration is more fully illuminated when viewed from an examination of the global dynamics of political and economic modernisation.

From this perspective, the British state is shown to be structurally at odds with processes of political modernisation that underpin European integration. These constraints manifest in the struggles over modernisation that have been characteristic of the post-imperial British political order. British political development has been characterised by an approach to modernisation that subsumes the political within the economic. I show how the crisis over British post-imperial state formation has

7

resolved itself in the form of a mixture of exclusive and populist nationalism and economic globalism. This has created a distinct European crisis for the British state over the parameters of EU membership. This, I contend, has significant implications for understanding the relationship between Britain and European integration in a context of globalisation.

The thesis covers the period between 1950 and 1994 but particularly focuses on the period between 1986 and 1994. The implications of the arguments and propositions developed in the study for more recent developments are also considered in the conclusion.

Chapter outline

The approach of the thesis is set out in Chapter 1. This approach is organised in terms of its theoretical and methodologial objectives. The first objective is to develop a theoretically informed historical account of Britain's relationship to the EC/EU. In particular, I claim that much of the existing approaches to this issue are undertheorised and do not draw sufficiently on sociologically informed accounts of social and political transformation. In this respect, my central claim is that this issue is most fruitfully explicated through an examination of the tensions surrounding political modernisation in the British context. In that respect it by no means attempts to provide a total account of Britain's relations to the EC/EU, but aims to develop a theoretically derived interpretation. This relates to the second objective which is methodological and locates the analysis within a modified critical realism. From this perspective, I emphasise the importance of a structural analysis that utilises theory in order to identify the underlying mechanisms generating social phenomena. However, the aim is not to peripheralise actors, but to provide a more informed and objective account of the meanings and ideologies within which they organise their practices. Thus, the structural tensions in Britain's relationship to the project of European integration are reproduced in the struggles over the meaning of 'Europe' in a post-imperial Britain as part of the *politics of modernisation.*

The subtantive starting point of the thesis is to locate the British state's place within the global dynamics of political and economic modernisation. In Chapter 2, Britain's relationship to European integration is understood within an account of the changes in the international system of nation-states, the global system of capital accumulation and the reconfiguration of global hegemonic orders. I argue that the British state is exceptional in comparison to forms of European political organisation as a consequence of its specific political and economic development associated with its role as a hegemonic imperial power. Thus, the problem that British political elites[4] have had with European integration is explained in terms of the reconfiguration of long standing constraints on British political modernisation.

In Chapter 3 the problem of British modernisation is shown to be critical in explaining the failure of British governments to constructively engage with the process of European integration in the 1950s. It is also shown to be central to the decision to apply for membership in the early 1960s. European integration is understood as part of a range of proccesses associated with the Fordist reconstruction of the post-war nation-state and the establishment of a new form of post-national governance. The British problem with European integration is explained in terms of the failure of Fordism in Britain and the continuation of institutions and policies associated with imperialism. This is shown to be continuous once Britain enters a post-imperial trajectory and is forced to reconstruct itself as a nation-state. The decision to apply for membership of the European Community is viewed as a conservative strategy of contained modernisation designed to secure core elements of the British politico-economic order and avoid a more fundamental modernisation of state and society. It can be conceptualised as flawed Europeanism.

The failure to establish a legitimate European strategy within the British state is the subject of Chapter 4. In the 1960s the British state enters a post-imperial crisis[5] over modernisation. The attempts by governments to make membership of the European Community a crucial part of the solution to this crisis lacks coherence and is not supported across the wider political class. Specifically, on both the left and right the differentiation of Britain from the European Community became the basis for the construction of national projects. A trenchant politics of exclusion emerged towards

European integration that reconfigured and reasserted regressive features of the British political order. The consequence of this was to distance governing elites from the implications of membership of the Community. A distinctively British national discourse rooted in opposition to European political modernisation challenged the objectives of British membership. By the end of the 1970s, the implication of this was to subordinate European policy within a conception of a strong British state enmeshed within an American dominated global economy.

Chapter 5 explores the changing European context within which British governing elites found themselves during the 1980s and 1990s. This is referred to as the second wave of European integration. In response to processes of globalisation, European elites engaged in a re-assertion of the European project as a project of political modernisation. The extent and character of this remains uncertain, nevertheless it was a distinctly European response to the shift from Fordism to flexible accumulation. Indeed, it can be characterised as a contested form of post-national political modernisation. It is in this context, that the continual problems of British political modernisation and its relationship to European integration are reconfigured. Specifially, the re-assertion in Britain of an aggressive form of neo-liberalism leads us to rethink the relationship between Britain and the EC/EU in terms of globalised political struggles and contexts.

In Chapter 6, the relationship between Britain and the EU/EU is explored in terms of the conflicts between the extension of the European integrationist project and the emerging Thatcherite settlement of the British state. The particular structure of the British economy and the failure to construct a Fordist national accumulation strategy meant that by the late 1970s there was little choice but to accommodate the British economy to the requirements of the world market. The Thatcher administrations were primarily concerned with accomplishing this transition and securing the necessary national acquiescence. It combined an aggressive neo-liberal accumulation strategy with a powerful, albeit problematic, assertion of distinctly British conception of a strong nation-state. My central claim is that, at its core, the Thatcherite settlement was anti-European because it was primarily a project of economic flexible accumulation and was not concerned with any concomitant forms of political modernisation. This

was most clearly seen in the populist reassertion of British exceptionalism in the form of a Thatcherite Euroscepticism. In effect broader political problems were reduced to issues of market adaptation and the renewal of state domination. It is my contention that the chronic tensions over political modernisation manifest in the European crisis of the Conservative party during the late 1980s and early 1990s, albeit one framed by the parameters of the Thatcherite settlement.

In Chapter 7, the European crisis of the British state is revealed in the crisis of the Major government over the ERM membership and Eurosceptic rebellion over the ratification of the Maastricht Treaty. It is argued that during the period of 1990-1993 the attempt to revise the Thatcherite settlement through a renewed Europeanism was fundamentally flawed and crisis prone. Neither the economic nor the political basis for constructive British engagement with the second wave of integration was in place and the attempts of the Major government to accommodate to these developments backfired. They gave rise to an extraordinary attack on the governing elite by a populist Eurosceptic movement. The consequence of this failure was the further entrenchment of a Eurosceptic Thatcherism within the British political order. It led to the assertion of a neo-Thatcherite European policy that saw the British government exclude itself from core aspects of the integration process and the reassertion of British exceptionalism.

My overview and analysis of British European policy leads to the conclusion that British state remains structurally incompatible with the project of European integration. In Britain economic modernisation has been subordinated to political modernisation in such a way that the renegotiations of economic and political modernisation associated with European integration are viewed as unnecessary and/or threatening. The British state has been incapable of sustaining a coherent approach towards the EC/EU precisely because its politico-economic development has been incompatible with the complexities of European political modernity. I conclude by reflecting on the European policy of the New Labour government and its capacity to engage constructively with the process of European integration.

Chapter One

The British State and European Integration:

A Structural Analysis

The aim of this Chapter is to outline the original contribution that a sociological approach can make to this significant issue. The starting point is to consider how British elite action towards European integration can be explained. I propose that in order to explain these actions sociologically, we have to address the particular structures involved. In doing so, I suggest that we can make considerable use of existing literature that examines British institutions. This locates the problems that Britain has with European integration in the organisation of these institutions and the beliefs and strategies of their respective elites. However, the main aim in examining these institutional dimensions is to move beyond the domestic politics approach both theoretically and methodologically. It is argued that this is achieved by addressing the relationship of the British state to European integration from the perspective of a theoretically informed account of the global dynamics of modernisation. Such an approach helps us to understand the structural mechanisms at work in this relationship and positions the current work within critical realism. The theoretical and methodological originality of the thesis is therefore set out in this Chapter.

1.1 The problem of Britain and European integration: the limits of rational action

When membership of the EEC was secured by Edward Heath in 1973, Britain's move into the Community was seen as a major plank of an economic policy designed to reinvigorate the British economy. Heath believed that opening up the British economy to European competition would contribute to the modernisation of the economy. Yet it has been suggested that underlying these economic goals was a concern to bring about a more profound change in British society. It was presented as a policy designed to move Britain away from a society based on class and privilege and towards one that

was open and meritocratic (Palmer 1993: 43). It was also seen as a shift in the consciousness of the British political class:

> 'It symbolised an abandonment of the delusions of imperial grandeur and international superpower status that had for so long intoxicated Britain's governing classes.' (ibid 1993:43)

This view was reinforced from a broadly Marxist perspective by Tom Nairn (1973). In an edition of the New Left Review (1973) totally devoted to his analysis of the British left and the European Community, he argued that membership represented the abandonment of Britain's traditional political goals by the ruling classes in the face of economic crisis. The collapse of the dollar in 1971 had finally exposed the relative weakness of the British economy. Britain did not have a strong national industrial sector to fall back on in the face of international economic crisis and its core economic interests, in particular financial capital, were dependent on a Western economic order under American hegemony. Nairn presented the move into the Community as a way out for the ruling class in the context of this post-imperial decline. The crisis of the British state that was evident by the 1970s meant that the 'gentlemanly perambulation' towards Europe 'turned into a run' (Nairn 1973:26). From this perspective the turn to Europe could be seen as a fundamental reorientation and restructuring of an economic system and political regime. It implied the reconstruction of Britain as a European nation-state within an association of European nation-states as part of the transition from imperial state to modernised European nation-state. In this context, Nairn noted that the representatives of the working class were left behind, defending a conception of the nation that was no longer appropriate in a world increasingly dominated by the multi-national company. Meanwhile the ruling class appeared to have found a successful new political strategy characterised by a 'sense of forward motion and action, of new perspective and conquests' (Nairn 1973:37). Membership of the European Community appeared to be crucial to the modernisation of the British state and economy.

By the mid 1990s we find the Conservative party chronically split on the question of Britain's role in European integration and the Major leadership heading in a distinctly Eurosceptic direction (Young 1998; Turner 2000; Gowland and Turner 2000). In

13

contrast, the modernised Labour party ended its hostility to the EC/EU and reconstructed itself as the 'Party of Europe'. This role was, however, severely tested once in office when tensions arose in the government over joining the single currency. If the decision to join the EC was indicative of the post-imperial reconstruction of the British state as a European nation-state, its persistent status as an 'awkward partner' (George 1994), within the formal integration process, suggests that Britain continues to be at variance with the political trajectory of the continent. This has led a number of commentators to catalogue the historical relationship between Britain and the project of Europe integration, as one of missed opportunities and elite misjudgements (Milward 1992; Young 1998).

A summary of the main tensions and problems in the British state's relationship to the Community since membership indicates the extent to which British elites have not become easy accomplices in the construction of the new Europe:

- The renegotiation of the terms of entry by the Labour government in 1975 and splits in the Labour party over membership. The establishment of anti-European factions in both the main parties;
- Continual conflict over British budgetary contributions; particularly intense during Mrs Thatcher's first term of office and causing a significant block to Community business from 1979-1984;
- Mrs Thatcher's opposition to further moves towards political and monetary union after the signing of the Single European Act in 1986;
- The opposition of the Conservative government to the social dimension of the Community pursued by Jacques Delors;
- The resignation of four Cabinet Ministers over European issues during Conservative adminstrations between 1986-90;
- The contribution of Mrs Thatcher's opposition to developments in the Community to her loss of the Conservative party leadership election in 1990;
- John Major's opt out agreements for Britain in the Maastricht Treaty (1992) over monetary union and the Social Chapter;
- Britain's withdrawal from the Exchange Rate Mechanism in September 1992;

14

- The problems over the parliamentary ratification of the Maastricht Treaty and the growing divide between Eurosceptics and Europhiles in the Conservative party;

- The problems for the New Labour government over adoption of the European single currency in the face of internal political wranglings and public scepticism.

It is apparent that British governments have been on the back foot in the integration process and have often been concerned with limiting the political implications of continued British membership. In retrospect, the central role of the European Community in the renewal and modernisation of the British state and society that was envisaged under the Heath government has not occurred. However, some commentators believe that it still might happen. For instance, Gamble predicted that:

> 'If Britain's integration does progress, the pressure for institutional reform will intensify. Britain may emerge as a more typical European state, shedding in the process some of the burdens that have delayed its adaptation in the past.' (1994: 225)

From the point of view of this thesis, we are concerned with the actual trajectory of the British state and its relationship with the EC/EU rather than the counterfactual case of a European modernisation of the British state through European integration. However, counterfactuals are essential to sound social science because in order to explain what actually occurs involves the specification of what did not, but could have, occurred (Tilly 1997: 41). In the case of this thesis, the counterfactual case has taken on the status of a British political myth; the always present possibility that Britain might have joined the Community at the start, played its full role at the 'heart of Europe' and been reconstructed as a more typical European nation-state in the process.

What I consider to be central to understanding the relationship between the British state and the EC/EU are the contexts that constrain elite action. In his autobiography, Edward Heath makes the plea for decisions on the membership of the single currency to be based on 'a careful and thorough analysis of where the balance of national advantage lies' and not 'on Euro-phobic prejudice, nor on romantic illusions based on past glories' (1998: 726). He goes on to call for the Conservative party to come to its

senses on this question for the good of the country (ibid). This could also be read as a personal lament for a political class that has proved unable to, or chosen not to, break free of the structural constraints imposed by the domestic political order over the issue of European integration. Clearly, the problem is not that British elites have acted irrationally over the question of European integration project; they have consistently recognised that continued membership is essential to a post imperial Britain. The problem is that we find that in the actual contexts of action, British governing elites have been faced with a whole series of constraints and error inducing circumstances that limit the rationality of their strategic decision making. We should not be surprised by this. Merton (1957) famously argued that the problem with social action is that it fails to meet the criteria of rationality that we expect to find and that we are constantly faced with the unanticipated consequences of purposive social action. Tilly takes up this argument, stating that there appears to be an omnipresent 'invisible hand' directing and misdirecting our actions (1997: 38). In Tilly's interesting revisiting of the Mertonian argument, he argues that this so-called error filled action may in fact produce systematic properties because it takes place within constraints set by previous understandings and practices (1997: 41). In social action we may not only find errors and limitations when considered against the counterfactuals, but also error corrections and responses in line with shared meanings and in the face of unexpected outcomes. Actors may be engaged in purposive innovation, erroneous actions and responses to erroneous actions while at the same time reinstating systemic properties:

> 'Here distinctions among conformity, error and innovation begin to blur. They operate under similar constraints from shared understandings and established social relations.' (ibid: 41)

What Tilly suggests is that through our engagement with the complexities of social action we are led to an analysis of the systemic features of social action. For the purposes of this thesis, such a proposition implies that the constrained and problematic action of British elites over European integration is indicative of practices that reproduce the British state as a durable political structure. It is through the investigation of the twists and turns of elite action that we can begin to identify forms of structural determinism and the constraints on political transformation. This

16

sensitivity to structre and action in historical change is the important contribution made by a sociological analysis.

I want now to introduce two methodological principles that inform the present study. Firstly, following Weber, we must take meaning seriously and view social action as the starting point of a sociological analysis (Weber 1964: 88). Secondly, in explaining social action we have to make reference to causal structures that are historically embedded and reproduced and cannot be reduced to the motivations of actors (Outhwaite 1975: 54; Keat and Urry 1975: 193). We have to engage with historically structured practices and identities. The implication of this is that the British state has been involved with the process of European integration in a particularly British way that reflects the underlying features of a distinct political order and, in particular, the problems of political modernisation. With these propositions in mind, I want to consider the ways in which British elite actions over Europe have been explained and understood in the existing literature on the topic.

1.2 Moving beyond domestic politics

My main concern in reviewing the literature on Britain and European integration.is to highlight the methodological limitations of current approaches and to consider how we can build upon some of the empirical and theoretical insights of these approaches. In the thesis I make considerable use of these institutional and historical discussions of Britain and Europe as they are crucial for understanding the substance of the relationship. However, my main aim is to move beyond what we can characterise as the domestic politics approach by reconnecting the institutional history of Britain and European integration with the deeper structural features of this relationship.

A broad range of literature from across the social sciences has now documented this troubled history and highlighted the 'semi-detached' and 'ambivalent' approach of governing elites and the wider political class to the project of European integration (W. Wallace 1980; George 1990, 1991, 1992, 1994; Greenword 1996; Gowland and Turner 2000a). For the purposes of this study, I refer to the approach taken by these authors as the domestic politics approach as it is primarily concerned with the various

17

institutional dimensions of the British politico-economic order that have constrained Britain's relationship with the EC/EU at various times. These are therefore viewed as some of the key determinants of a 'semi-detached' British European policy (George 1992).

There are five broad institutional features identified by the 'domestic politics approach': the global outlook of the British state; the part played by Whitehall in determining policy; the role of the main political parties; non-state factors such as the media, public opinion and organised interests; and, finally, the nature and organisation of British parliamentary sovereignty.

The first feature is the geopolitical role of the British state and the global outlook of British institutions (George 1994: 249- 250; Bulmer 1992: 11-13). In particular, the importance is stressed of the continued concern of governing elites that Britain should play a global role and that a close relationship with the United States is fundamental to this. It is argued that the pursuit of an Atlantic Community has been prioritised over any commitment to regional integration. Indeed, the latter has often been viewed as a threat to the success of the former. This global orientation has been particularly evident in the international outlook of British political institutions. Bulmer points out that,

> 'Anglo-American and Anglo-Japanese economic diplomacy (including at ministerial level) is likely to give Britain special interests in EC trade policy and these may be the further source of conflict.' (1992: 13)

The domestic politics approach highlights continuities across administrations and this is related to the role played by core political institutions that have coordinated the direction of British European policy. Therefore the second feature of domestic politics therefore has been the significant role played by the Foreign Office and the Treasury, in establishing the direction of policy. Young notes the guiding considerations of British officials:

> 'The preservation of the widest market (with the lowest possible tariffs) for British trade, the need for a united Atlantic alliance as an anti-Soviet device, and the maximisation of British influence in a situation where all states were

increasingly interdependent (but where federalism was rejected as undesirable) were consistent themes.' (1995: 103)

The extent to which there has been a consistent and united position within Whitehall should not, however, be overestimated. George, for instance, has suggested that the Treasury has been more ambivalent than the Foreign Office and has not necessarily seen British interests as compatible with European integration (1990: 209; also Bulmer 1992: 28).

The third feature is the divisions within the main political parties (Aspinwall 2000; Usherwood 2002; Gaffney 1996; Wallace 1995; Ashford 1992; Lord 1992). Here the focus has been on the conflict and splits over Europe. Lord argues that parties have been engaged in 'constant search for obfuscating formulae to conceal divisions' and have lacked any coherent strategies (1992: 435). Underlying this has been the particular national orientations of the main political parties which has prevented the incorporation of the European interest along the lines of continental Social and Christian Democratic parties. Ashford has argued that the divisiveness of the European issue is also the product of the British organisation of the party and electoral systems (1992: 119-148). This 'first past the post' party system and the adversarial nature of British politics means any policy consensus has been impossible to achieve. Although, as Helen Wallace, notes this has been 'greatly accentuated by the recurrent conflicts *within* the two larger parties on European issues' (1995: 51). The lack of a powersharing system of government, which enables the formation of stable centrist coalitions, has meant that Eurosceptic factions have had considerable influence within the main parties (Aspinwall 2000; Usherwood 2002).

Political parties do not exist autonomously of *patterns of interest* within the wider society. Fourthly, the domestic politics approach has also explored the role of public opinion and economic actors in determining European policy. The volatility of public opinion has clearly been a major consideration for political parties in their attempts to establish a legitimate position on EC/EU membership. They have been reluctant to challenge negative attitudes towards Europe that have often been 'based on generations of imperialism' and have often attempted to make political capital out of

the Euroscepticism within public opinion (George 1994: 255). This has been compounded by sections of the press that have been virulently Eurosceptic (Wilkes and Wring 1998).

In terms of powerful economic actors within British society, ambivalence and ambiguity again become evident. Initially trade unions were hostile to the integrationist project, which reflected their underlying economic nationalism. Yet in the context of Conservative government's hostility to union power during the 1980s, there was some evidence that the trade union movement began to Europeanise their activities and institutions (George 1991: 81; Wendon 1994; George and Haythorne 1996: 118; Vogler 2001). They certainly became more supportive of the EC/EU as part of a national strategy of opposition to Thatcherism. The representatives of British capitalism have been more supportive of membership initially as part of the post-imperial reorientation of the British economy (George 1990: 32; Gowland and Turner 2000a: 206, 319). Nevertheless, the relationship between different dimensions of 'British' capital and membership of the European Union has also varied over time and there has been no uniform position. This may reflect the disorganisation of capitalist interests in Britain and its historical enmeshment in the international economy. The latter is particularly important for understanding the ways in which economic interests become articulated in terms of European policy (Bulmer 1992).

Finally, we can point to the organising principles of British political power as a constraint on engagement in the European integration process that has been emphasised by the domestic politics approach (Wallace 1980: 22; Bulmer 1992: 25-26). The continuation of a highly centralised state form organised around the principle of monarchical sovereignty potentially represents a powerful constraint on participation within an emerging system of states and political authorities operating across a number of levels.

In some respects, we can identity a theoretical and methodological framework emerging out of the domestic politics approach for addressing these institutional constraints on British participation in the integration process. Bulmer, for instance,

makes the important point that British 'semi-detachment' does not represent 'some (mistaken or correct) policy dreamt up in Whitehall':

> 'It is, rather, the product of a strong institutional logic permeating the political system, economic markets, and public administration.' (1992: 29)

This approach has been crucial in challenging the artificial separation between a member-state's European policy and its other domestic behaviour (Bulmer 1983: 354). Such an artificial separation is seen to be characteristic of neo-functionalist and intergovernmentalist approaches to the EC/EU which treats European policy making as having its own independent logic. It is within the domestic politics approach that Stephen George locates his now classic study of Britain and the EC/EU, *An Awkward Partner* (1990). From such a perspective, George claims that his narrative discussion of contextualised and constrained governing elite behaviour in relation to the EC/EU is not 'undertheorised' (1990: v). However, there is a tension in the domestic politics literature between George's account of historically unfolding events and elite actions and Bulmer's more explicit suggestion that there is an institutional logic permeating the political system. This tension is also evident in Gowland and Turner's (2000a) implicit updating of the 'awkward partner' thesis, *The Reluctant Europeans*, with its intertwining of historical unfoldings and historical repetitions:

> 'It was in response to British objections that the phrase 'federal goal' was struck from the proposed opening article of the Treaty of Maastricht. None of the other EU states expressed similar anxieities. Furthermore, none was surprised by this episode in view of the tortuous saga of Britain's problematical adjustment to the process of European integration since 1945. As will be seen in this study, the singular features of this British experience can be traced back in the first instance to the impact of the Second World War on Britain and *to the main aims and assumptions of British policy makers in dealing with the problems of peacetime.*' (Gowland and Turner 2000a: 8 emphasis mine)

From this perspective the 'tortuous saga' of the recent governing elites in their dealings with the EC/EU are traced back to the 'aims and assumptions' of earlier elites, but the methodological and theoretical status of these evidently structural dimensions of Britain's historical relationship with the project of European integration is uncertain. How do we address the complex reproduction of these continuities in

attitudes and beliefs? The otherwise interesting and invaluable contributions of the domestic politics approach point to a deeper level of political reality without clarifying what this is. It is, therefore, prone to realist criticisms of positivism that it is based on observational regularities and a conjunction of conditions without any reference to the causal mechanisms and underlying structures which are involved in these processes (Keat and Urry 1975; Bhasker 1978; Outhwaite 1987). I would suggest that this stems from a failure to develop a theory of the British state within the global system. Instead there is a tendency to adopt a pluralist approach that disaggregates the state into a diversity of institutions, interest groups and political parties (see Bulmer 1983: 351). This thesis therefore extends the domestic politics approach in such a way that these methodological and theoretical lacunae are confronted through the application of political sociological concepts and theories that uncover a deeper layer of social reality.

The question arises as to whether these different features represent structural and chronic constraints in Britain's relationship with European integration; or, whether they are merely part of a process of adaptation to Britain's European reality? Kaiser (1996), for instance, has argued that Britain's awkward partner status has been exaggerated and that elements of the British political system have not been as constraining as has been assumed. Drawing on public records, he argues that British elites had accepted by the 1950s that compromises in British sovereignty would have to be made. This reflects the underlying reorientation of British foreign policy towards the EC/EU (W. Wallace 1974; Bulmer 1992). The divergences in economic policy that have been central to recent conflicts between Britain and the EU may also have been exaggerated. Gowan points out that it was Chancellor Geoffrey Howe's drive for ending the controls on the free movement of capital that Jacques Delors took up and 'which formed the basis for the entire single market programme' (1997: 100). To what extent, therefore, have British governments been exceptional in being 'reluctant Europeans'? Indeed, it might be said that all states are in some respects exceptional[6]. Nevertheless, this leaves us with the problem of identifying what is exceptional about British exceptionalism and deciding whether this is comparatively and historically significant.

Clearly, the British regime has had to adapt to European integration but the identification of empirical features of this process does not disprove the possibility of an underlying disjuncture. The domestic politics approach, however, has been open to empirical refutations because of its failure to engage with the deeper reality of the British political order and because it prioritises specific observational features of this relationship. It appears to stand or fall on whether one or other institutional factor is considered to be historically or comparatively significant[7]. In contrast I claim that the real significance of British exceptionalism is not uncovered unless the domestic institutions of the British politico-economic order are considered within the context of their global formation and evolution (Arrghi 1994). From the viewpoint of this thesis, domestic institutions cannot simply be studied from an internalist perspective, as they are determined by the developments within the inter-state system, and by the global configuration of capitalist social relations. Indeed, as will be shown, British exceptionalism may reflect historical and global trends that are not atypical of political and economic development but are not necessarily fully compatible with European modernity. It is only when the British politico-economic order is explored within a wider theoretical framework that we can begin to appreciate the structural dimensions of the exceptional relationship of the British state to the project of European integration. The British state and the EC/EU have to be viewed from a historical perspective that can locate their particular trajectories within a broader set of global determinants. From such a perspective, we can begin to fully appreciate the structural nature of the British state's difficult relationship to the project of European integration. In particular, when these wider factors are taken into consideration, it may be possible to hypothesise that the partial Europeanisation of the British political order is in fact an extremely crisis-ridden, elite driven process that may not reflect deeper processes of political modernisation.

1.3 The research agenda: structural analysis and historical research

In this section, I want to deal more specifically with what I mean by a structural analysis of the relationship between the British state and European integration. As is evident from the above discussion, I am developing a structural analysis that is concerned with historically embedded social relations that frame and contextualise

23

elite action. Furthermore, the institutions I am interested in are structures of domination that consist of struggles to reproduce asymmetric relations within and across societies. It is important to emphasise that actors are not completely determined by structures but rather that structures represent limiting frameworks within which action takes place. As we shall see in this section, I draw on critical realism (Keat and Urry 1975; Bhasker 1978, 1979, 1989; Outhwaite 1987; Sayer 1992; Archer 1995, 1996) to explicate the methodological and theoretical distinctiveness of the kind of structural analysis that informs this study. Inevitably, this raises a large number of issues concerning the philosophy of the social sciences and the nature of sociological enquiry that cannot practically be addressed in depth in the context of the present study. My aim here is simply to raise some important theoretical issues concerning a structural analysis and to propose a rationale for the approach taken.

I examine the history of Britain's relationship with European integration from an analysis of the British state as essentially anti-European political modernisation. By this I mean that its historically embedded institutions and political relations are in a profound sense antithetical to the process of European integration. In a number of important respects the study is underpinned by a critical realist meta-theory. I am interested in the structural mechanisms that underpin the conflicts and events that make up the content of the relationship between the British state and European integration. Following the tenets of critical realism, I claim that the social world exhibits ontological depth. From this perspective, social reality can be seen as stratified i.e. consisting of multiple layers that are hierarchically ordered. This deep reality consists of structures that may or may not be actualised in reality but are defined by their causal potential. Theoretical reasoning is essential because the structural mechanisms that realists wish to uncover have a reality beyond observational language. Thus a genuinely scientific sociology cannot be restricted to replicating the closed systems of natural science in order to identify causal mechanisms, but has to engage with the complexity of social reality.

From such a position, the examination of broad patterns and trends in social and political development, is essential for the coherent description and explanation of structures that are being reproduced over large tracts of time. Institutions are therefore

24

conceived in sociological terms as social wholes that are also parts of interdependent social systems. The aim is to explore the British state and European integration from the perspective of system integration (Lockwood1964). However, this raises methodological problems. It may be argued that it results in prioritising theoretical reasoning and chains of historical inferences over a more rigorous empirical analysis. The approach of much macro-sociological analysis may be derided as 'story-telling':

> 'the method of what historians call colligation, the binding together of facts, low level generalisations, high-level theories, and value-judgements in a coherent narrative, held together by a glue of an implicit set of beliefs and attitudes that an author shares within all his readers. In able hands it can be extremely persuasive, and yet it is never easy to explain afterwards why it has persuaded... ....because storytelling lacks rigour, lacks a definite logical structure, it is all too easy to verify and virtually impossible to falsify.' (Blaug cited in Sayer 1992: 251)

The problem with this argument is that it misses the point about the relationship between theoretical analysis and empirical evidence. Specifically, social scientists are concerned with complex social relations stretching across time and space in which causal relations cannot be examined in isolation from extraneous influences (Sayer 1992: 250-251; Outhwaite 1987: 22). In examining the open systems that concern social scientists, there are always likely to be new causal mechanisms emerging that have not initially been considered and may only become explicit through different interpretations of the same conditions. Furthermore, human beings characteristically transform systems and structures and, thus, they lack the stability that is often present in other non-human phenomenon.

This raises important issues about the relationship between theory and research. In particular, the search for clear causal groups in the context of complex and chaotic open systems may not be appropriate. Indeed, we may go further and add that the acknowledgement of open systems is integral to social scientific analysis because they are the medium and content of human experience. Thus:

> '...a realist analysis of causality can account for the interaction of various causal tendencies within the complex and open systems among which we live, and which we ourselves are.' (Outhwaite 1987: 22)

From the perspective of critical realism, the identification of observable regularities is subordinate to explanations of the mechanisms that generate events. The key point here is that causal mechanisms are activated by human action, which is never entirely predictable and has its own causal properties. In this respect, structures that concern sociologists cannot be the same as structures in the natural world and sociologists require a variety of methodological strategies in order to understand social reality:

> 'So causal analysis is usually closely tied to abstraction and structural analysis and hence explanation to description. There is also interdependence between all of these and the interpretation of meaning. As reasons can be causes and structures can be concept-dependent, causal, structural and interpretive analysis are interdependent.' (Sayer 1992: 114)

Outhwaite argues that once we have accepted the ontological properties of structure and agency as understood by critical realism then we should conceive of social processes in terms of Gidden's 'duality of structure' or Bhasker's transformational model of social activity' (1987: 117). In relation to this debate I refer to the work of Margaret Archer which represents one of the most significant attempts to refine the structure/action conception distinction in line with a realist ontology. Contra structuration theory (Giddens 1984), Archer has emphasised the ontological distinction between the properties of agents and structures and that these should not be conflated:

> 'Structures (as emergent properties) are not only irreducible to people, they pre-exist them, and people are not puppets of structures because they have their own emergent properties which mean they either *reproduce* or *transform* social structure rather than creating it. To explain which occurs, the realist examines the interplay between the two (endorsing and utilising separability) and in both cases, reproduction and transformation necessarily refer to maintaining or changing something which is temporally prior to these activities, and whose change itself is posterior to them (thus entailing temporality).' (Archer 1996:695)

From this perspective, fundamental temporal differences underpin the distinctiveness of system and social integration. These differences relate to the varying properties and powers of structures compared to agents. Archer wants us to make a clear distinction between the parts and the people. It is, therefore, the interplay between these different

'emergent properties'[8] of structures and agency that determines outcomes (Archer 1995: 190). Structures pre- and post date action while action in turn intervenes and has practical consequences for structural elaboration; 'it follows from this that the two cannot be co-variate in time' and that one cannot be seen as the epiphenomenon of the other (Archer 1996: 694, 697). Structures then exhibit causal powers as generative mechanisms, while people are viewed as having their own powers of self and social reflection which determines the ways in which structures are received, reproduced and transformed (Archer 1995: 174-175; 1996: 699-698).

The danger with a sharply dualistic approach to structure and agency is that the underlying ontological unity within particular historical lifeworlds may be overlooked. In the case of class exploitation and class conflict, there is a direct relationship between structural necessity and reactive agency that may best be understood from the perspective of the *totality* of capitalist social relations. The danger is that critical realists approach structure and agency as discrete features of social reality and, thereby, ignore the historical and dialectical nature of structure and agency. The consequence may be structural reification or even, conversely, voluntarism. Indeed, Roberts argues that the ontological claims made by realists for social phenomena collapse when considered from the perspective of historical totality (1999: 41). According to Roberts, critical realism potentially 'loses contact with the sensuous nature of history' and conceives of capitalism in terms of its technical qualities (ibid: 44). This is certainly the case when we consider Archer's conception of structure that is unequivocally materialist and conceptually severed from a concern with meanings and legitimation (1995: 62). The operationalisation of such a conception of structure would be mechanical and ahistorical.

A key feature of critical realism is that it need not be as prescriptive as its critics suppose. It is not committed 'to the adulatory reification of particular existing sciences, as intellectual and social forms, any more than to that of particular theories and methods within them' (Outhwaite 1987: 118). It certainly allows for a conception of structure that is concerned with recurrent historical contingencies and struggles that are intrinsic to structural processes. In many respects, it can be argued that critical realism transcends dualisms by taking the ontological properties of different

27

dimensions of social reality seriously whether this reality is ultimately conceived as a complex whole or not.

I propose, therefore, that we can maintain the ontological distinctiveness of structures without engaging in reification and/or presenting them as mechanically deterministic. In particular, a structural analysis must proceed from the assumption that outcomes are first and foremost the product of definite and specifiable conditions and cannot be conceived as the simple effect of a structure (Hindess 1982: 334-335). Clearly, such a position is essential in order to maintain the possibility of structural transformation in the contexts of structures of domination (Stewart 2001). For Hindess, such structures are always contingent in the sense that they are sites of practices (ibid: 339). More specifically they can be conceived as arenas of struggles because they consist of opposing practices (ibid). Nevertheless, objectives and outcomes are clearly constrained and structured by these arenas even if their precise outcome is not dictated. In the case of formalised state power struggles, the patterns of interests and identities are often highly institutionalised to the point where a high degree of structural reproduction through struggle is likely to occur. In such contexts a range of practices may be evident, but real transformatory agency may not. The point, however, is that we can only come to such conclusions once we have begun to address specific contexts. In this case structures are identified 'as a long chain of linked and *contingent* antecedents, a "trajectory" or "path" ' (Bryant 1994: 11 emphasis mine) and are explicated through theoretically informed historical reconstructions. This is the approach taken to structural analysis in the present study and underpins the use of historical narrative to set out the core arguments and interpretations. Specifically, the focus is on the practices and projects that reconstitute and reassert British exceptionalism in relation to European integration. Thus, while this is a study of macro-sociological processes, reification is avoided by connecting macro structures to the actions of macro-actors (Mouzelis 1995). It is the extent of historical continuity identified in these types of political agency that leads us to conceptualise the problem of Britain and European integration as structural.

If, as I have claimed, structural reproduction is identified through the explication of historically contextualised agency then we enter the difficult arena of the relationship

between history and sociology. Here, the particular danger facing sociologists undertaking historical research is that they potentially adopt a positivist conception of history and, as Goldthorpe notes,

> 'treat the facts, or concatenations of facts or entire accounts, that they find in secondary sources as it if they were relatively discrete and stable entities that can be excerpted and then brought together in order that some larger design may be realised.' (1991: 221)

Goldthorpe claims that the tendency of some historical sociologists to assume the stability of historical evidence means that the links they wish to make between evidence and argument are often tenuous and arbitrary (ibid: 222). This represents a significant criticism and highlights the problems of conflating sociological and historical enterprises. Notably, those sociologists who are concerned with establishing large-scale social and political trends are in danger of failing to acknowledge two significant problems with their work. Firstly, they rely on second order historical accounts and therefore produce what are essentially 'interpretations of interpretations of, perhaps, interpretations' (ibid: 223). Secondly, grand historical sociology is often faced with conflicting interpretations of historical evidence that they have to choose between (ibid). However, Goldthorpe, claims that they provide us with no methodological criteria for making such a choice (ibid). The dilemma, as Goldthorpe acknowledges, is that sociological analysis cannot do without a historical dimension because the analysis of social change is central to the discipline (ibid: 216). We may add that this is not simply a consequence of having to establish 'the time-space coordinates' of a social investigation but is a result of the centrality of history to the ontology of social phenomena (Bryant 1994: 10-11). Indeed, despite the methodological traps Goldthorpe identifies, historically informed social analysis is fundamental to sociology because it identifies social processes that have often proved elusive to other kinds of sociological research. These arguments do not invalidate Goldthorpe's methodological qualms about such work, indeed they make them even more pertinent, but they certainly raise the stakes in terms of the relationship between theory, methodology and research. The point here is that a methodological awareness of these issues should not lead to a fetishisation of primary evidence or an empiricist mistrust of all theory (Outhwaite 1987).

In order to address some of the issues raised by the above discussion it may be useful to refer to some of the problems of evidence raised by the present study. Commenting on the historiography of Britain and European integration, Gowland and Turner point out that,

> 'The historian of this as of any other period faces the task of forming a judgement on the basis of incomplete information and in the sure knowledge that no source offers either incontrovertible meaning or a 'definitive' picture.' (2000b: xv)

Despite this the number of authoritative accounts that have now emerged on the subject do provide a wealth of historical data that forms the basis for sociological analysis (Deighton 1995; Kaiser 1996; Gowland and Turner 2000a). Furthermore, because we are dealing with the recent past much of this evidence consists of first hand accounts and an extensive range of authenticated documents. This may explain why government papers recently made available, such as those concerning the first application for membership, have confirmed rather than contradicted what was previously known from contemporary accounts (Gowland and Turner 2000b: xv).

This study then draws on a range of authoritative texts that are concerned with general overviews of British relationship with Europe as well as more specific texts covering particular periods and events. These texts tend to draw on other secondary work as well as primary material. The purpose of the current work is not to provide a new account of the events that make up the historiography of Britain and European integration but involves a reinterpretation of the existing accounts of this relationship. Therefore, I have selected from the literature, strategic examples and the main 'facts' surrounding significant events. I have often synthesised and extended existing interpretations of the established historiography in order to support my analysis. Where I have considered it necessary to support the discussion with primary materials, I have introduced relevant documents and personal accounts to support and emphasise interpretations. I have made particular use of political autobiography in order to gain first hand accounts as well as evidence of political attitudes and beliefs.

parliamentary debates, party political documents and media material have also been included.

There are of course limitations to the procedures outlined above. The broad scope of the study means that some facts may be taken as given, when from the point of view of more detailed work they may be questionable. In this respect, I have to acknowledge my reliance on the existing historiography and its core interpretations in order to develop my arguments. In general, the approach taken can be referred to as a form of documentary research that relies on the establishment of chains of inferences. The limitations of such an approach potentially lies in its 'openness' in relation to what may count as good evidence and its claims of proof of conclusions (Platt 1981: 64-65). I have suggested that we can defend such an approach because of the historical ontology of social phenomena and its advantages in establishing causal mechanisms. In this section, I have also argued that the evidential base of such research and the interpretations reached can be accounted for and approached systematically.

1.4 Conclusion

The relationship between the British state and the project of European integration has been inextricably linked to a politics of post-imperial modernisation. Despite membership of the European Union, Britain has continued to be at odds with a deeper project of European integration. The implication is that the politics of domestic modernisation have not resolved the question of Britain's post imperial role in a fundamentally European direction. The domestic politics approach is suggestive of the reasons for this but does not fully explain the *structural nature* of these constraints and tensions. To do so we must begin to relate domestic politics and institutions to the historical and global dynamics of economic and political modernisation.

Chapter Two

The Global Dynamics of Modernisation and British Exceptionalism

The examination of social phenomena from the perspective of societal trajectories and the broad parameters of social and political change sets sociology apart from other disciplines. In particular in recent years, the idea that social relations and institutions under modernity are globalised has become a fundamental feature of sociological explanation (Harvey 1989; Giddens 1990; Albrow 1996; Castells 1996; Bauman 1998; Beck 1999; Held et al 1999). The starting point in this chapter is economic and political modernisation as contrasting forms of political rule. This analytical framework is then used to understand and explain changes in the global order. From such a perspective, we are able to explore the processes of European integration as part of the global dynamics of economic and political modernisation. Towards the end of the Chapter, I turn to the specifics of the British case. Here we find the historical subordination of national political modernisation to the pursuit of a global free market and the prioritising of capitalism as a mode of rule. This underpinned the establishment of Britain as a hegemonic global power and resulted in a distinctive relationship to European political modernity. This provides the framework from which to understand the structural tensions in the relationship between the British state and European integration.

2.1 Economic and political modernisation: contrasting forms of political rule

The general theoretical framework concerns two contrasting forms of political rule that are typical of modernity. The first is economic modernisation and is concerned with the transformation of political relations into private economic relations. This is particularly associated with the transition from feudalism and the abstract separation of the state from civil society. Following Marx we should note that this separation between the economic and the political is not substantive but abstract and ideological (1975: 165-6). It is in fact a separation within the political sphere that gives rise to two

32

political spheres; a public sphere of the state and communal relations and the private political sphere of the family, property and economic activity (Wood 1981; Rosenburg 1994). This does not mean that politics is reduced to civil society but that modernity is characterised by conflicting arenas of legality and legitimacy. As Rose notes, 'their [state and civil society] dirempted relation is a question of configuration which is always precarious' (Rose 1992: 244). Thus, political strategies of economic modernisation are directed towards the establishment and restoration of private political power in production (Rosenburg 1994: 128). It implies maintaining and enforcing the boundaries betweeen private and public spheres 'which is the form of both class power and state power under capitalism' (ibid: 129). The objective is the maximisation of the flexibility within the economy in order to secure capitalist accumulation[9].

In comparison, a strategy of political modernisation involves a direct political intervention into civil society. It is associated with the extensive forms of administrative power exerted by a centralising political authority. A commanding feature of this process was the extent to which the state was able to pacify civil society and systematically control and employ the means of force in a society. This gave the modern state considerable capacity to dominate and structure social and political relations across a particular territory. Thus, as Ruggie notes, 'the distinctive feature of the modern system of rule is that it has differentiated its subject collectivity into territorially defined, fixed mutually exclusive enclaves of legitimate dominion' (1993: 151). A significant consequence of this was that the solutions to the problems of modern societies have been conceived in terms of new and more extensive forms of state intervention. Crook et al summarise these developments as follows:

> 'A modern political idiom of "power politics" arose, based on systematic and rational interst representation and mediation. Its advanced or late modern form was founded on an alignment between major societal forces and organized political groups and on systematic, instrumental, pragmatic, elite-controlled interest mediation. Finally political modernization involved a concentration of the means of administration in the centralized state machines, a process which was subsequently accelerated by centralization and concentration in the economy and the mass media, and the extension of control over social processes. Thus, on the differentiation of political functions, bureaucratization of organization, and rationality of political action.' (1992: 81)

33

The extensive forms of political modernisation found within the modern European nation-state have been associated with the struggle to bring about the symbiotic development of capitalism and formal democracy within a particular territory. This has not been without significant problems. Offe, in particular, has drawn attention to 'the internal complexity and potential inconsistensies of functions which have been assigned to the modern state' (1985: 5). Large- scale administration of society by the state has not necessarily been either effective or legitimate. Furthermore, interventions by the state into the economy have risked undermining the private organisation of the means of production. Current developments suggest that the state has been devolving and decentralising its powers and responsibilities in a bid to relieve tensions and offset potential crises (Crook et al 1992: 65; Offe 1996: 65). This has involved new territorial redistributions of political authority, shifting power downwards to regions and sub-nations and upwards to supranational bodies such as the European Union. It also involves a dispersal of state power to a range of quasi-governmental and non-goververnmental actors, and to the private sector. These developments suggest a reversal in the centralising and monopolising processes that characterised modern state development. They also imply unique forms of late modern political modernisation. Such processes must, however, be placed in the context of the *global* dynamics of modernisation.

2.2 Analysing changes in the global order

The approach taken here is that the process of European integration represents a significant transformation of state power and the emergence of a relatively autonomous form of regional governance. However, European integration has been shaped by a range of economic and political factors associated with global transformations (Held 1999: 10; Giddens 2001: 58-61). The purpose of this section is to provide an account of the global dynamics of political and economic modernisation. From this perspective, we can begin to understand how the history of the British state and European integration is a particular dimension of a broader set of set of global formations.

A useful starting point is Giddens' definition of globalisation 'as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa.' (1990: 61). He goes on to claim that the principal actors within the global political order are nation-states, while corporations are the dominant agents within the world economy (ibid: 71). Here Giddens is connecting two dominant conceptions of the global order, world systems theory and international relations, each of which draw our attention to the core institutions of the global order. The significant insight of world systems theory was that it located capitalist class relations within a *global context* that was independent of the nation-state (Wallerstein 1980). Wallerstein demonstrated that capitalism brought about a genuine world economy through commercial and manufacturing interconnectedness. This economy was, however, geographically segmented as total profit moved from periphery to core zones. Yet, world systems theory failed to demonstrate the extent to which class power was crystallized at the national level (Overbeek 1990: 13; Giddens 1991: 69). The implications of this for our understanding of the actual historical development of capitalism are profound. Overbeek argues that Wallerstein works with a 'very superficial concept of capitalism' that does not consider the extent to which capitalism is a real social formation articulated by processes of nation-building and state formation (1990: 14). Indeed, capitalism as an economic system is predicated on the political separation of state from civil society.

If the problem of the nation-state was not adequately addressed by world systems theory, the opposite problem arises when we consider international relations. The latter was founded on a realist conception of the nation-state as an autonomous domain, which can be treated as an independent actor engaging with others in the international arena (Morganthau 1978; Waltz 1979). More recently the emphasis has shifted to an understanding of the complex interdependence of states that has emerged as a consequence of the intensification of international transactions (Keohane and Nye 1977). Consequently, networks of reciprocal relations are seen to characterise the mature state system. However, the extent to which the autonomy of nation-states has been undermined remains questionable (Held 1995: 92, 96; Sassen 1996, 2000). The broader issue that interdependence theory raises, but fails to resolve, is the

35

significance of processes that 'are not between states or outside states, but crosscut state divides' (Giddens 1990: 67). In this sense, interdependence theory does not break free from classical realism because it is established on the principle of the distinction between domestic and external affairs (Bonefield et al 1995: 19). This is particularly evident when we conceptualise capitalism as a system that is never entirely contained by nation-states. As Arrighi points out, capitalism escapes the spaces-of-places:

> 'In the space of flows, in contrast, it triumphed by *not* becoming identified with any particular state but by constructing world-encompassing, non-territorial business organisations.' (1994: 84)

Nation-states therefore compete with one another in order to direct the flow of capital to a particular territory, but they also operate as regulators of these flows in cooperation within other states (Bonefield et al 1995: 18). In effect, states may control capital as part of their power over territory and populations, or the control over populations and territory may be a means or by-product of the control over capital (Arrighi 1994: 30; Giddens 1985: 13-14). Arrighi refers to the former as a territorialist logic of state formation and the latter as a capitalist logic of state formation. States thus employ strategies of both political and economic modernisation in varying degrees and at different times. This brings into sharp focus the complex and indeterminate relationship between nation-state reproduction and global capital accumulation which is not addressed by world systems theory or international relations. From such a perspective the global system can only ever be contingently stabilised and this occurs under the hegemony of a leading capitalist state. According to Arrighi, successful and concerted capitalist expansions only occurred when inter-state competition is contained by dominant blocs of world power that could bring this competition under control and ensure minimal state cooperation (ibid: 12). He identifies four states – Venice, the United Provinces, the United Kingdom and the United States – as successive global leaders in processes of state formation and capitalist accumulation (ibid: 14). The sequence of development is crucial here as each political order 'encompasses a larger territory and a greater variety of resources than those of its predecessor' (ibid). In other words, each stage involves more extensive and complex forms of political and economic modernisation. Thus, the *long*

36

duree of societal rationalisation that is considered to be characteristic of modernity consists of shorter historical periods of modernisation. This is central to the present thesis as the politico-economic situation of any particular state or political order can only be understood once it is located within the stage of development of the global order as a whole.

2.3 Global Fordism and European integration

For the purposes of this thesis we are particularly interested in the more recent stages of global development that can be conceptualised in terms of the consolidation and crisis of global Fordism (Gramsci 1971: 312; Aglietta 1979; Lipietz 1985; Hall and Jacques 1989; Harvey 1989; Rustin 1989; Overbeek 1990; Amin 1994). Global Fordism is characterised by 'Fordism when considered at the level of the organisation of production, as the era of the Keynesian welfare state when looked at from the level of society and state, and as Pax Americana when looked at from the perspective of the overall organisation of the capitalist world system' (Overbeek 1990: 87). The changes in the organisation of production involved the reorganisation of the labour process and included the introduction of mass production techniques, increased discipline of workforces and relatively high wages in order to secure cooperation. In terms of the wider regulation of society it involved such factors as the extension of social welfare, collective wage bargaining and the incorporation of organised labour into economic planning. Pax Americana implied the reinvention of a liberal trade system amongst capitalist nations, the establishment of the dollar as a global currency and America as a global banker, and the aggressive extension of American militarism. Of course, these developments were framed by the parameters of the Cold War and Pax Americana has to be seen as an emergent global project. A key feature of American imperialism was the 'globalizing of the sovereign state-system' (Rosenburg 1994: 169).

Global Fordism under Pax Americana, and its European articulation, forms the context for much of the discussion in Chapter 3. The project of European integration is viewed as a distinctive European dimension of global Fordism that is intertwined with the development of the global system in the post-war period. In particular, the

37

process of European integration is linked to the crisis of the nation-state form in post-war Europe and the need to re-establish stable regimes of accumulation and legitimation. In Europe, these problems found a distinctive solution in the consolidation of European Fordist nation-states and an emergent transnational European economy. Political modernisation was mainly pursued at the national level but was also expressed in the emerging political and economic organisation of Western Europe. In particular, the latter was to involve a process of functional and technical integration that would form the basis for the construction of a European political community. This functionalist approach to integration envisaged that groups with particular interests and values would undergo change once they began to co-operate within transnational contexts (Haas 1966: 13-14). Ultimately, 'the erstwhile set of separate national group values will gradually be superseded by a new and geographically larger set of beliefs' (ibid). The focus was not, therefore, on building a European state, but on facilitating the construction of a European civil society initially organised around economic and technical cooperation. The processes of informal integration were, therefore, intrinsically linked to processes of formal integration in the emerging conceptions of a European political community outlined by writers such as Ernst Haas and Karl Deutsch:

> 'Common to all these approaches was a concern for a relationship between the establishment of political structures and their legitimation through the development of a shared sense of shared interests and values, which Deutsch designated a political community. All assumed a close interaction between economic integration, creating new patterns of economic interest as well as of trade, the social communication which accompanied this – and which in part resulted from it – and the creation of new levels of political institutions. None was entirely clear as to which was the independent variable and the dependent ones.' (Wallace 1990a: 61-62)

What these authors envisaged was the construction of a European political community through the incremental, and largely technocratic, development of a European civil society. It was this idea that was considered to be over-optimistic by intergovernmentalists in the 1960s and 1970s (Hoffman 1966). It was argued that neo-functionalists had completely underestimated the continued centrality of the nation-state to political organisation and political identity. In the context of a stalling of formal integration, neo-realists claimed that the European Community was essentially

continuous with the nation-state system. This argument was predicated on an over-extended concept of the sovereign state that underestimated its economic vulnerability.

2.4 Flexible accumulation and European integration

The limits of state-centric approaches to European integration became increasingly clear when the second wave of integration began to take off with the single market project in the 1980s (Schmitter 1996a: 10). The context for this was the emerging crisis of global Fordism. A key feature of the post-war European Fordist nation-state had been the attempt to accommodate the inherent class conflict of modern capitalist societies within a set of complex institutional arrangements. It systematically institutionalised the power of organised labour via corporatist arrangements and secured mass loyalty via the extension of social citizenship. The consequence of this attempt to constrain and regulate capitalism and secure national power containers was the introduction of rigidities into social organisation that eventually proved detrimental to capitalist accumulation, as Harvey notes:

> 'There were problems of rigidities in the labour markets, labour allocation, and in labour contracts (especially in the so-called 'monopoly sector'). And any attempt to overcome these rigidities ran into the seemingly immovable force of deeply entrenched working class power – hence the strike waves and labour disruptions of the period 1968-72. The rigidities of state commitments also became more serious as entitlement programmes (social security, pension rights, etc.) grew under pressure to keep legitimacy at a time when rigidities in production restricted any expansion in the fiscal basis for state expenditure.' (1989: 142)

Harvey points here to the key argument of regulationists that the post-war crisis was a consequence of increased working class power and rigidities this imposed on capital accumulation (Sachs 1979; Aglietta 1979; Boyer 1988; Armstrong et al 1991). Yet according to Brenner this is an insufficient explanation for the extent of the crisis and he argues that the economic downturn was a consequence of over production and over capacity in the international economy (1998; 2001; 2002). A similar point is made by Harvey when he argues that the regulationists fail to address the underlying logic of capitalism and its mechanisms and transitions (1989: 179). Drawing directly on Marx,

Brenner argues that capitalism is prone to periodic crisis because it is an inherently anarchic system in which,

> 'individual capitalists have no interest in and are in any case incapable of, taking account of the aggregate effects of their actions...specifically the destructive impact of their cost cutting on already-existing capitals and on the ability of those capitals to yield profits.' (2001: 9)

Brenner points to a breakdown in the global economic arrangements that had sustained the post-war boom, namely the hegemonic relationship between the United States and other economies. The post-war US economy expanded through supporting the growth of Europe and Japan in a symbiotic relationship that came to an end once these rival economies started exporting the same products at lower prices to the United States (ibid: 13). Fordism was marked by intensified international competition between companies that were exporting products that had initially been produced for the home market. There was therefore, international trade in the same products that resulted in over capacity and over production. We can note that Brenner's arguments points to the rigidities within a Fordist system of mass production and mass consumption but these are understood in terms of the logic of capitalism as a global system. Clearly Harvey's aim is to locate modes of accumulation and regulation theory within this powerful capitalist logic:

> 'The crisis of Fordism was, therefore, as much a geographical and geopolitical crisis as it was a crisis of indebtedness, class struggle, or corporate stagnation within any particular nation-state. It was simply that the mechanisms evolved for controlling crisis tendencies were finally overwhelmed by the power of the underlying contradictions of capitalism.' (1989:186)

The crisis of Fordism was eventually exhausted once the existing strategies for dealing with over accumulation had reached their limits. Fordist strategies of crisis management including increased international competition, rising government debt, devaluation and the break down of fixed currency systems, essentially created and reinforced existing crisis tendencies to the point where the only solution was a fundamental shift in the organisation of production (ibid: 184-186). It implied a strategy of economic modernisation designed to recommodify social relations and reassert the boundaries between the political and the economic. The overcoming of

the rigidities of Fordism and the reorganisation of economic structures along the lines of flexible accumulation became the dominant capitalist strategy:

> '*Flexible accummulation* as I shall call it, is marked by a direct confrontation with the rigidities of Fordism. It rests on flexibility with respect to labour processes, labour markets, products, and patterns of consumption. It is characterised by the emergence of entirely new sectors of production, new ways of providing financial services, new markets, and above all greatly intensified rates of commercial, technological and organizational innovation.' (Harvey 1989: 147)

To a large extent, the move to flexible accumulation was accomplished by employers' and governments' persistent attacks on worker's organisations, working conditions and living standards which culminated in significantly reduced wage growth and social spending, and increased unemployment. From the perspective of the social organistion of time and space, the crisis of the Fordist nation-state was fundamentally an attack on its spatial organisation by the temporal revolutionising of capitalist production and was consistent with capital's capacity to perpetually deconstruct social power by re-shaping its geographical bases (ibid: 238). Specifically, it was the autonomy and empowerment of financial capital vis a vis the nation-state that became central to the realisation of this new flexibility (ibid: 165, 194-195). This was particularly evident with the breakdown of the Bretton Woods financial system as the crisis in the dollar as an international currency became apparent from the late 1960s onwards. Financial capitalists disembedded themselves from national regimes of accumulation in the flexible pursuit of global profits (Strange 1986; Castells 1996; Greider 1997). A process that has gone hand in hand with multinationals shifting productive activity and assets between locations in order to capitalize on the volatility in demand, price, currency and value. In this globalizing economy, financial markets take on the role of ultimate arbiter over government economic policies, to a large extent replacing national legislatures, electorates and corporatist arrangements. What they have demanded have been policies of macro-economic discipline in order to protect investors. In this context, international institutions such as the IMF, OECD and World Bank have increasingly pressurised the developing and developed world into accepting austerity measures and deregulation and countries which ignore this

pressure risk a flight of capital and currency crisis. Their key role has been therefore to preserve the international financial system.

Underpinning these processes has been the crisis and renewal of American hegemony. The globalisation of capitalist relations has been the response to the crisis in profitability and hegemony of the US that has been contingently resolved through a financial expanstion (Arrighi 1994, 2003; Panitch 2000). From this perspective, globalisation does not simply represent an ideological mis-representation of the inter-national political economy (Hirst and Thompson 1999). Rather, as preceding financial expansions have shown, globalisation implies a breakdown of policial, social and economic system integration in such a way that it transcends inter-national organisation (Arrighi 2003: 68-69). It is indicative of the capacity of capitalism to thwart political modernisation through disrupting time/space relations.

Global capitalism requires the pursuit of strategies of economic modernisation by powerful political and economic elites. They are dependent on human action and therefore disordered and uncertain. More specifically at the level of the *political*, globalisation is articulated as globalised power struggles over the reproduction and transformation of interests and identities. Thus, 'local transformation is as much a part of globalisation as the lateral extension of social connections across time and space' (Giddens 1990: 64). The implication is that as economic modernisation proceeds we also witness re-organisations in political space. The central claims of this thesis concerning the British state and European integration are examined within this context.

2.5 European integration, globalisation and political modernisation

In recent times, the consequence of this structuring and restructuring of social and economic relations in post-war Europe has been the *globalisation* of initially Western Europe and more recently of Eastern Europe. By this I mean that there has been a regionalised compression of time-space relations within Europe that is part of a range of complex global processes of spatial and temporal transformation (Harvey 1989). If the world has shrunk over the last twenty years or so, Europe has been shrinking at a

particularly rapid rate and this is most clearly evidenced by the collapse of state socialism. As we have seen, these developments should be associated with the global spread of capitalist relations and, in particular, with a dramatic deterritorialisation of financial capitalism that has undermined the very concept of the nation-state (ibid: 194; Castells 1996; Greider 1997). A primary outcome of these developments has been the intensification of inter and intra *regionalised* patterns of trade and investments (Hirst and Thompson 1999: 121). Notably, the countries of the EU have their strongest trading and investment links with other EU countries then with Eastern Europe, and then with North America (ibid).

Such developments reflect extended processes of rationalisation that, also, includes the continued pluralisation of value spheres. In this sense people may be *contingently* integrated into Europe as a cultural or social space through work, tourism, consumption or social movement activity without necessarily developing a strong European identity. The constitution of this 'European space',

> 'does not depend on the collective emotions and predisposed identities. It includes multiple spheres and subjects and is created through the activities of growing contingent of social and political actors who engage in the discourse of Europe and deploy strategic action.' (Soysal 2002: 281)

As a consequence of both its economic liberalism, and social and cultural pluralism, we can conclude that 'Europe' materialises as part of the highly differentiated and fragmented experience of people's contemporary lives. There has been a disembedding of social relations within the nation-state and their partial re-embedding at the European level. These developments have been enabled through policies implemented at the European level and designed to bring about the free movement of goods, services and people i.e. a strategy of economic modernisation.

It is pertinent to consider the British nature of this new European reality can be captured in a number of ways. For example, UK trade with Europe increased from 22 % to 53 % between 1958 and 1992 (Northcott 1995: 200). Alongside this are the social, cultural and political networks that incorporate British associations and institutions within the web of a pluralist European civil society. Overall, these

processes of informal integration (Wallace 1990a: 54) have been part of the European trajectory that has characterised the post-imperial transformation and fragmentation of British society. Questions arise, however, over the nature of the relationship between this British 'market and cultural openness' and the political framework of the European Union that has emerged to foster and regulate these developments (McCrone and Kiely 2000: 32). Evidently, the process of integration becomes particularly problematic in the British context once we consider the relationship between formal political integration and British political structures and identities.

Wallace has usefully defined formal integration as follows:

> 'Formal integration consists of deliberate actions by authoritative policy-makers to create and adjust rules, to establish common institutions and to work with and through those institutions; to regulate, channel, redirect, encourage social and economic flows, as well as to pursue common policies' (1990: 54).

This definition could just as equally be applied to the nation-state, however, a number of commentators have noted that the European Union does not fit into this modernist political form (Schmitter and Streeck 1991; Meehan 1993; Ruggie 1993; Schmitter1996; Marks, Hooghe, & Blank 1996). The European Union is increasingly recognised not as a recreation of the nation-state at a new level but as a unique political entity that represents a break with the concept of the nation-state. Thus the European Union has been characterised as a form of multi-level governance in which decision making criss-crosses political institutions at sub-national, national and supranational levels (Marks and Macadam 1996). While elite structures and opaque decision making processes mean that it is far from democratic, it is not however concerned with accumulating monopolistic and exclusive territorial power in the classic mould of nation-state building. In this sense, it is neither a form of intergovernmental governance nor a federation although these 'models' are helpful in understanding elements of its political crystallisation. There can be little doubt that the European Union is increasingly part of a new geography of power that has emerged in the late modern context as a consequence of processes of economic liberalisation and societal pluralisation. In particular, it represents a new form of regulatory governance tailored to the needs of the global economy (Sassen 2000: 381). With the latest

ascendancy of capital, its regulatory power is geared around trade liberalisation and as national welfare states are undermined it does not replace them with comprehensive European social rights (Schmitter and Streeck 1991).

European integration can be seen as continuous with political modernisation as it represents an attempt to reorganise political space and contain the shift to flexible accumulation within a European society. In the context of the functional crises of the European welfare states it has provided a new level of governance with which to address the increasingly complex and atomised interests of groups and individuals (Anderson and Eliasson 1996: 69). Indeed, it potentially represents a new opportunity structure for social movement and interest group activity that had outstripped the competencies of European corporatism (Marks and Macadam 1996: 119). While European monetary union is often associated with the extension of economic globalisation, it can also be seen to represent an attempt to organise Europe as a politico-economic space and provide a stable monetary policy within which to resist the domination of autonomous financial markets under late modernity. It is my contention that while European integration has to be placed within the context of a global shift to flexible accumulation, at present[10] it also represents a partial re-organisation of political space that means it cannot be reduced to being a mere epiphenomena of economic globalisation. In Europe, economic globalisation has to be viewed through the prism of political Europeanisation. It is this overtly *political process* that has been so contested in Britain

To a large extent these processes of formal integration have been driven by European leaders who have become the 'entrepreneurs of alternative political identities' (Ruggie 1993: 172). Within the arenas of the European Union, governing elites (sub-national, national and supranational) attempt to engage with the differentiation of late modern collective existence through the pursuit of collective projects of integration. For example we may compare the more technocratic and 'social' emphasis of the French projects to the federalist and institutionalist approaches of German and Italian governments. These were successfully brought together by the political acumen of the Delor's Commission during the 1980s and early 1990s and culminated in the 1992 Maastricht Treaty (Ross 1992). Nevertheless, formal integration is a profoundly

decentred process, within which there is no one distinct hegemonic project or actor orchestrating the process. The exclusive territoriality of the nation-state, whether realised or not, was the single fixed viewpoint from which the processes and projects of political modernisation were conceived (Ruggie 1993). In contrast, formal European integration takes place in the context of an unbundling of territoriality and the reconstruction of what Ruggie refers to as a 'multiperspectival polity' (1993: 172). From such a position, there can be no overarching European national project but this does not mean that political projects and actions are not Europeanised. It is unsurprising that the focus of analysis has shifted from European integration to the complexities and uncertainties of Europeanisation (Bartolini 2002; Olsen 2002). Currently, European political modernisation represents a struggle to achieve and legitimate a complex polity and a functioning civil society in a context of uncertainty and fragmentation. It is therefore a response to the breakdown of the symbiotic development of capitalism and formal democracy within the nation-state as a consequence of the impact of flexible accumulation.

It is apparent that the engagement with the political process of European integration has emerged out of the distinct European encounter with the traditions of political modernity and the dilemmas of political modernisation. The modernising impact of European membership has been central to member states. It is seen to provide a stable arena within which legitimate political rule and capitalism can co-exist. The chronic incapacity of large sections of the British political class to positively engage with the process of European integration is a problem of translating 'Europe', as a modernising project, into the domestic arena. The argument of the next section is that the British approach to formal political European integration and the problems that have been encountered are the consequence of the British state's highly exceptional relationship to this history.

2. 6 British exceptionalism in perspective

It is in relation to processes of extended political modernisation that we have to understand the position of British governments towards European integration. In particular, the capacities and capabilities to fully engage in such processes have been

historically under-developed in the British context. This situation stems from the achievements of a British liberal imperial state that was characterised by unprecedented political and economic success and was based on the principles of a global market society. This concept was not typical of European modernity and its entrenchment within British state and political culture underpins my claim that there has been a systemic incompatibility between the British state and the EC/EU. In this section, I turn in more detail to the long history of British politico-economic development.

My argument, here, relies on a conception of British history as exceptional, a perspective that was initially developed by Nairn (1964a, 1964b, 1970, 1976, 1977, 1979) and Anderson (1964, 1968, 1976 [see 1992]). The 'exceptionalism thesis' was theoretically pioneering and opened up a range of questions concerning the interpretation of British history. In particular, it attempted to understand the British state systematically and in so doing broke with Marxist orthodoxy. The fundamental tenets of Anderson's and Nairn's original thesis emphasised the continued importance of the seventeenth century English revolutionary settlement to English history. This revolution had not resulted in the rise to power of the industrial bourgeoisie but agrarian capital and mercantile imperialism[11] (Anderson 1992: 18). The land owning aristocracy transformed itself from feudal landlords to capitalist farmers without weakening many of the principles of hereditary and hierarchy (ibid: 19). Anderson argued that while the English revolution removed the constitutional and juridical barriers to capitalist development, it left almost the entire social structure intact (ibid). It is apparent that Anderson endorsed a perspective on seventeenth century English history that emphasised the continuity of an *ancien regime* dominated by an oligarchy of landowners. It was this feature of the exceptionalism thesis that E.P. Thompson took particular exception to:

> 'These English bourgeois were not, all of them, the bloody fools Nairn and Anderson take them to be. It is not an argument between them and those of other countries. It happened one way in France and another way here.' (1978: 59)

In an updating of this original argument (1987 [1992]), however, Anderson acknowledged the similarities between the development of the English ruling class and other developed countries. He specifically noted the universal ascendancy of the landed and nobility strata across the West (ibid: 123). Nevertheless, he continued to subscribe to the exceptionalness of the English ruling class in comparison to their peers, however instead of their archaism it was their peculiar economic modernity that Anderson chose to emphasise. In particular, it proved to be richer and more productive than other ruling elites and 'had the longest consecutive history as a capitalist stratum proper' (ibid: 132). It secured its ascendancy over its nearest rivals, the industrial bourgeoisie, by the sheer size of its income and wealth. Furthermore, it was a distinctly metropolitan elite with its seasonal residences in the capital.

The exceptionalism framework developed by Anderson and Nairn was primarily theoretical, but it has found substantive endorsement in subsequent research (Leys 1983; Ingham 1984; Gowan 1987; Overbeek 1990). An interesting but more implicit endorsement of British exceptionalism has come from Cain and Hopkins' study of British imperialism (1993a 1993b). They chart the establishment of an English imperial 'gentlemanly order' that combined tradition with commercial and political innovation (1993a: 54). It was the assimilation of financial capital into the state as a consequence of its role in financing the national debt after 1688 that proved decisive for British political development (ibid: 72). This was consolidated with the move towards free trade after 1815 and the establishment of sterling as an international currency (ibid: 83). Significantly, they see developments in English financial capitalism as forming the basis for the establishment of both the formal and informal empire.

From such a perspective, it was the very evident success of the gentlemanly elite that hindered the political modernisation of the British state and the 'gentlemanly order' was not overtaken by the forms of politico-economic rationalisation that became apparent in other countries. Consequently, what was notable about domestic British institutions were their lack of political modernisation in the sense that it has come to be sociologically conceptualised. It is this perspective on British development that is central to my argument in this thesis. Crucially, the impersonal, abstract constitutional

state identified by Hobbes, Marx and Hegel as characteristic of modernity was missing and in its place, what had emerged during the course of 'modern' British history was the 'quasi-personal domination' of a gentlemanly patrician elite:

> 'In relation to the body of civil society, this ruling class established a tradition of informality (as opposed to the formality of the 'normal' State-form); personal or quasi-personal domination (as opposed to the impersonality inseparable from later States); non-bureaucratic and relatively de-centralized control with a weak military dimension (as distinct from 'rationalized', rigid and militarized control.' (Nairn 1977:16)

In effect, it was unnecessary to engineer capitalist relations as the social and cultural domination of a market-oriented society had existed since the seventeenth century. The exceptionalism of the British political order lies in the fact that the formal freedom of civil society was not concomitant with the establishment of formal political structures. The state as a distinct modernising force did not come into being. Instead, the British political order that co-existed with a market society reflected the personal domination of a patrician elite. As Nairn notes,

> 'This class framed representative rules for its members, in the most limited version of property-owning parliamentarianism; less the foundation of "democracy" (in the Enlightenment meaning) than a new version of constitutional aristocracy, like a medieval republic on a grand scale.' (1977a: 16)

According to Marxist commentators, the exceptionalism thesis is seen to rise or fall on the extent to which Britain developed a proper ruling bourgeoisie (Thompson 1978; Barratt Brown 1988). They have questioned the emphasis on the dominance of an imperialist commercial capitalism over national industrial development. Barratt Brown claims that this is a misconception that understates the extent to which Britain was an agro-industrial complex, one which was integral to the development of British imperialism (Barratt Brown 1988: 31). Furthermore, in the establishment of laissez-faire capitalism the development of the state was essential in order to secure the freedom of capital:

> 'What sort of a nightwatchman was this who prepared the ground for every single activity of the buildings occupants and not only watched against

49

unfriendly acts from outside but effectively ruled the seven seas and
established colonial outposts in every continent?' (ibid: 35)

Yet Barratt Brown's account of the crisis in British society as a consequence of the
absence of a powerful meritocratic technocracy within industry and government
appears unconvincing because it lacks the underlying theoretical explanation that
could account for the specifics of British development (1988: 40-42). The point of the
exceptionalism thesis was not to deny British industrialisation or the emergence of the
bourgeoisie. Instead it emphasised the domination of British capitalism by a powerful
non-industrial sector that consolidated its dominance through commercial imperial
expansion (both formal and informal) and through cultural and state hegemony. As
Ingham (1984) has demonstrated, the evidence for this lies in the establishment and
consolidation of the City of London as the commercial and financial centre of the
world system. This dominance was concomitant with a regime of accumulation that
was characterised by productive flexibility:

> 'By becoming the main commercial and financial entropot of the world, the
> British state created unique opportunities for businesses established in its
> metropolitan domains to specialize in high value-added activities, to obtain
> inputs from anywhere in the world they happened to cheapest, and to dispose
> of outputs anywhere in the world they happened to fetch the highest price. The
> full exploitation of these opportunities required that specialization of British
> business be highly flexible ... ' (Arrighi 1994: 284)

This growing dominance of financial capitalism meant that it is was not a mere
fraction of British capitalism but became the *essence* of the British state and the entire
regime of accumulation. The dominance of the core institutional nexus of the City-
Bank-Treasury provides evidence for this (Ingham 1984; Anderson 1992; Cain and
Hopkins 1993a). The state reflected the dominant social and cultural institutions of
liberal imperialism:

> 'Imperial and imperialist policies did not issue from a conspiracy by a covert
> minority but from the open exercise of authority by a respected elite who
> enjoyed the deference of those they governed.' (Cain and Hopkins 1993: 471)

The downside of this state of affairs was that it lacked the kind of capacity that
enabled other European countries to engineer national industrial development, which

50

were in many respects a reaction to British imperial success (ibid: 472). In comparison, the *raison d'etre* of the British state was primarily global economic modernisation.

It is evident therefore, that in the case of the development of the British state, the establishment of territorial control and the pacification of civil society were not co-existent with the establishment of a capitalist society. The implication was that British capitalism was peculiarly unbounded and the state followed this logic. Its capitalist and territorialist logic were not contained within the structure of bounded and sovereign nation-states which were anchored in the inter-state system established by the Westphalia Settlement of 1648 (Arrighi 1994:55). What distinguished the British state was its world leadership. A system of economic and political rule was established on the principles of free trade imperialism:

> 'The Westphalia system was based on the principle that there was no authority operating above the inter-state system. Free trade imperialism, in contrast, established the principle that the laws operating within and between states were subject to the higher authority of a new metaphysical entity – a world market ruled by its 'laws' – allegedly endowed with supernatural powers greater than anything Pope and Emperor had ever mastered in the medieval system of rule. By presenting its world supremacy as the embodiment of this metaphysical entity, the United Kingdom succeeded in expanding its power in the inter-state system well beyond what was warranted by the extent and effectiveness of its coercive apparatus.' (ibid: 55)

This imperial mission united the external financial economic interests of the British elite with a particular liberal vision of the international order (Cain and Hopkins 1993b: 303). The global domination of British financial capitalism was combined with an ideology that presented British rule as the 'motor force of a general expansion of the wealth of nations' (Arrighi 1994: 56). Thus, British free trade imperialism combined capitalist and territorialist domination in such a way that it was able to achieve global hegemony. It was secured across the globe by the control of world money and global elite networks. In this sense, the British system of imperial rule was primarily economic and strategic[12]. It did necessarily not involve a progression towards more complex and modern political structures [13]. It was surpassed by the global hegemony of the US that was more firmly based on the idea of a formal system of sovereign jurisdictions.

The British state relied on the flexibility of parliament and loyalty to the Crown to secure allegiance rather than constitutionalism and bureaucratisation[14]. It was an archaic mode of regulation that legitimated a global capitalist accumulation strategy characterised by free-trade imperialism (Arrighi 1994: 54). In this respect the establishment in Britain of a particular form of free market capitalism was neither typical of national capitalist development nor was it politically modern. In Britain, capitalism and society had become merged and given rise to a market society that was consolidated by the hegemony of liberal imperialism. In contrast, ' the countries of continental Europe were *market economies* but not *market societies*' (Gray 1998: 12). The primary spatial context of Empire within which British elites operated contrasted markedly with continental Europe. Here defensive forms of nationalistic modernisation became increasingly evident as opportunities for territorial expansion receded and capitalist competition intensified (Schmitter 1979: 34). In an attempt to maintain or improve their place in the unstable system of capitalist nation-states, these states consciously engaged in projects of political modernisation designed to construct stable national orders. In Britain, such processes were chronically compromised by the state's position as a hegemonic global power throughout much of the nineteenth century and the continuation of the imperial mission well into the twentieth century. In fact British political society had been constituted contra the forms of nation-state formation that had been typical of political modernisation. Indeed, we have to question the efficacy of the concept of the 'state' when used in connection with British political development and it is used throughout this thesis in the conditional sense that has been outlined above. It was not until the late 1950s and the possible relegation of Britain to the periphery of a world characterised by global Fordism that the chronic absence of modernisation became a major concern for both elites and the public.

2.7 Britain and European integration

This thesis explores the relationship of the British state to the European integration from the perspective of the British state's struggle for modernisation. The key argument is that engagement with the integration project as part of programmes of

domestic modernisation have been chronically compromised by contemporary articulations of deep seated structural features of the British politico-economic order. In particular, these include the central role of the state in servicing mobile international capital and the assertion of national political identities that are antithetical to political modernisation. These structural features remain central to understanding the relationship between Britain and the European Union. In particular, the failure to construct a Europeanised project of national modernisation is accounted for in terms of a post-imperial crisis that reinforces and re-orientates rather than restructures British institutions, interests and identities. The failure to realise an inclusive British modernisation project and resolve the post-imperial crisis culminates in a backlash against the integrationist project and the exclusion of 'Europe' within the national political discourse. This leaves the British state at odds with the second wave of European integration.

The British state encounters the project of European integration against a background of liberal imperialism, failed Fordism and a neo-liberal renaissance. A number of key propositions that inform the present study follow on from this. Firstly, that the British state initially engaged with the project of integration as a distinct liberal imperial regime. Secondly, an understanding of the movement of the British state towards joining the EC should be located within the emerging crisis of accumulation and regulation strategies underpinning this imperial state regime that occurred in the context of global Fordism. Thirdly, the difficult relationship between Britain and the EC/EU can be identified in the post-imperial crisis of projects of modernisation to reform the economy and revive the state. What emerged was a *flawed Europeanism* marked by 'imperial' continuities in the emerging 'post-imperial' order. Fourthly, the failure of projects of modernisation created distinct crises of political authority and legitimation. These were expressed as an intensification of political conflict over British involvement in the EC/EU and a growing anti-Europeanism. We have seen a persistent mobilisation against European integration and it has been constructed within the national political discourse as the 'other' of British national interest and identity. Euroscepticism has been a populist defence and reconfiguration of the ideology of British exceptionalism. Thus the British problem with Europe has to be contextualised within a set of reactive and defensive post-imperial struggles over the

53

meaning of British interests and identities. Finally, European policy was subordinated to the broader parameters of a nationally legitimated, neo-liberal Anglo-Atlanticism under the Callaghan and Thatcher regimes. The crisis over British post-imperial state formation has therefore resolved itself in the form of a mixture of exclusive and populist nationalism and economic globalism. This has created a distinct European crisis for the British state over the parameters of EU membership.

We can only fully understand the problematic relationship of the British state to the EC/EU from the perspective of the development of both these politico-economic orders within the global system. The 'history' of Britain's relationship to the project of European integration is a composite of several different histories that are in turn related to the stage of global development. Specifically, the British state is not only a post-imperial order but is a post global hegemonic political order that had been a vehicle for a particular form of liberal capitalist modernisation. The legacy of this was a particular conception of modernisation that subsumed the political within the economic. The distinct role of the state in bringing about modernisation remained underdeveloped and ill conceived. The British struggles over European integration not only reflect the limitations on reversing this institutional logic but also the capacity of British elites to revive earlier conceptions of modernisation. Thus, this examination of the relationship between Britain and the EC/EU is a case study in the conflicts surrounding the domestic politics of modernisation, viewed as part of the historical substance of the global dynamics of economic and political modernisation.

Chapter Three

The British State and European Integration 1950-1963: Imperial Opposition and Flawed Europeanism

In this Chapter I propose that the difficult relationship of the British state to the project of European integration between 1950 and 1963 can be located in the structural resistance of the British state to political modernisation. I show that European integration should be conceptualised in two ways: as an extension of Fordist processes of political-economic modernisation; and as a significant transformation of state relations and the beginnings of a regional government and a post-national political community. I go onto argue that the post-war British state was an imperial state that had been constructed without undergoing the forms of state rationalisation that were more typical of European state building. This lack of political modernisation is used to analyse and explain the content of the relationship between the British state and processes of European integration. It is also shown to be continuous once Britain enters a post-imperial trajectory and is forced to reconstruct itself as a nation-state. I argue that the decision to apply for membership of the European Community was a *conservative strategy of contained modernisation* that was designed to secure the core elements of the British politico-economic order and avoid a more profound reconstruction of state and society. What emerges in Britain is a *flawed Europeanism*. The opposition that arose to this governing strategy only reinforced this conservatism by politically mobilising against European integration in defence of the spurious superiority of British institutions. This chapter is central to the overall argument of the thesis because it locates the relationship between the British state and European integration in the tension between the historical structure of the British state and the transformation of state power that the project of European integration represents.

3. 1 European integration, Fordism and the rise of regional governance

In this section drawing on Milward's (1992) discussion of *The European Rescue of the Nation*, I argue that European integration was part of a Fordist mode of regulation[15]. As we saw in Chapter 2, Fordism[16] has been characterised as a form of social organisation typical of the twentieth century. It involves the economic dominance of mass production and semi-skilled labour, the centralized organisation of both large-scale labour and a more economically and socially interventionist state (Aglietta 1979; Lipietz 1985; Hall and Jacques 1989; Harvey 1989; Rustin 1989; Overbeek 1990). After the Second World War in Western Europe, Fordism was also more likely to be characterised by formal democratic structures, and included features such as constitutionalism. I also claim in this section that the project of European integration was an expression of the intensification of international relations between European states. This occurred to the extent that integration is usefully conceptualised independently of nation-state power as an emergent system of regional governance. This is important to the present study because it is this profound transformation and modernisation of European state relations that has been persistently problematic for the British state.

Milward (1992) has identified the formation of the European Community with the emergence of a common state model across Western Europe after the war. He argues that European integration was a core dimension of the post–war establishment of a new state form: the Keynesian welfare state. This model of the nation-state was predicated on the securing of legitimacy by responding to a greater set of demands from citizens than ever before (Milward 1992: 26). It was organised in terms of a wider social consensus than had been seen in the past, including 'labour, agricultural producers, and a diffuse alliance of lower and middle income beneficiaries of the welfare state' (ibid: 27). There was a virtual guarantee of full employment via Keynesian demand management, and political parties competed with one another for electoral support on the basis of their commitment to welfare programmes (ibid: 31). The success of this post-war welfare state has been identified in its twin settlements (Offe 1984: 147). Firstly, the productivist or redistributive settlement, which formally

56

incorporated organised labour into collective bargaining and recognised its role in public policy formation. With varying degrees of success, this reconfiguration of the power relationship between labour and capital was the mechanism by which the capitalist welfare state attempted to overcome the disruptive struggles and contradictions of liberal capitalism, and enable Fordist economic modernisation to take place (ibid). Secondly, the state secured legitimation by a redistributive settlement institutionalised in the extension of welfare provision and the establishment of the 'social wage' (Rhodes 2000). The implication of Milward's analysis is, however, that for a number of Western European states the construction of the welfare state involved a third settlement, one that redefined the relations *between* these states and secured future growth and stability. The welfare state was dependent on economic growth and the European Community was a key mechanism that secured and stimulated the burgeoning European market (Milward 1992: 223). National protectionism had been seen as one of the main causes of economic instability in the pre-war period, thus it was in the interests of these European states to avoid it. There was a need for a system which allowed governments to subsidise, protect and modernise industries without using tariffs and quotas which closed national borders to trade. This was achieved by the limited surrenders of national sovereignty within the framework of the European Community (ibid: esp. Chapter 4; Milward and Sorenson 1993: 15). For Milward, the key political goal behind the integrationist project was to secure the allegiance of citizens to the nation-state, which had been weakened by the catastrophe of the Second World War. This went hand in hand with the need to incorporate Western Germany into a European commercial and political framework (ibd: 134).

In placing Milward's classic account of integration within a broader sociological framework, it is therefore useful to identify the European Community with the post-1945 Fordist solution to the problem of maintaining capitalist growth and stabilising state boundaries. Integration put in place an organised European economic space that allowed capitalism to expand in the interests of the nation-state. In this sense, it was part of a mode of regulation that involved,

'highly diversified attempts within different nation-states to arrive at political, institutional and social arrangements that could accommodate the chronic incapacities of capitalism to regulate the essential conditions of its own reproduction.' (Harvey 1989: 129)

From the perspective of this model of post-war political economy, European integration provided a *regional* solution to regulation. A solution that was between the nation-state and the broader set of international institutional arrangements that came into place after the War under American hegemony. The elitist and technocratic features of the integrationist project were part of the international spread of Fordist political economic structures. These structures established national societies of citizens whose lifestyles were geared to consumption and who had expectations of rising standards of living. It was in this respect that Milward can legitimately argue that integration was, and remains, primarily 'a response of national governments to popular demand' (1996: 65).

However, Milward understates the role of post-national political developments in the process of European integration and, in particular, Federalist forces[17] (1992: 16-17; Anderson 1997: 59). The post-war problem of allegiance led to the extension of the formally rational structures of political authority of which the European Communities were a part. In the nation-state, these structures organised and neutralised political conflict by the extension of bureaucratic institutions that processed the claims of citizens (these included corporative arrangements, welfare organisations, mass political parties, interest groups and parliaments) (Habermas 1976: 37; Offe 1984: 163; 1996: 14). Underpinning these developments were modern principles of political legitimacy; legal constitutionalism and popular sovereignty (Anderson 1992: 340). In Germany and Italy, new forms of regional and federal government were imposed in the wake of fascism. While France remained a unitary state, the solution to its post-war imperial crisis involved the rewriting of the constitution and the establishment of the Fifth Republic. The formal implementation of European integration, the Treaties of Paris (1951) and Rome (1957), were an extension of processes of political modernisation and were part of broader processes of constitution making that underpinned post-war reconstruction. The Treaties linked together elites (national Ministers, officials and interest group representatives) within a formal framework of

58

institutionalised rules and rule making, which enabled the pursuit of defined economic and political objectives (Wallace 1990a: 79). Within this elite context, the principles of Federalism and the possibilities of European unity had real political meaning (see Lipgens 1982). The central argument of the chapter is that the project of European integration cannot be reduced to mere intergovernmentalism, because it involved an effective transformation of state power and the emergence of a distinctively post-national form of public governance. While this was occurring in the context of post-war American hegemony of the Western world, it represented a distinctive reorganisation of European economic and political relations that could not be reduced to American domination. It was against this background of state reorganisation and post-national modernisation that British opposition to European integration must be understood.

3. 2 The missing European rescue of the British state

Let us now consider the relationship of the British political order to these processes of modernisation and state reconfiguration. Here Milward's historical account is highly suggestive about the difficult relationship between Britain and the EC. At first sight the social and economic consensus that brought the EC into being was also evident in Britain (Milward 1992: 436). The 'ambitions and functions' of the British state were extended in a variety of ways including: a commitment to full employment; agricultural protection; demand management and state control over industry; and the extension of welfare (ibid: 345). A key difference, however, was that on the continent these goals were underpinned by an industrial and commercial policy explicitly designed to support the modernisation of industry and to encourage an export led recovery of national industry primarily within a European trading bloc. Milward argues that British commercial policy was fundamentally at odds with this regional solution to the economic problems of the post-war era (1992: 433). In contrast, British post-war economic policies were based rather on the Bretton Woods agreements and related Anglo-American agreements for a worldwide economic system (ibid: 347). British politicians in general believed that this was the basis for the reconstruction of an international economy in which Britain would take second place only to the United States (ibid: 347). A key feature of the relevant agreements was the re-establishment

of sterling as an international currency in exchange for a substantial dollar loan. The resultant problem, however, was that it put into place a system of fixed exchange rates that could only secure sterling as an international currency against a strong dollar. The 1947 experiment with conversion led to a sterling crisis and had to be abandoned in a matter of weeks (ibid: 348). In 1949, sterling had to be devalued because of a balance of payments crisis and by 1950 the solution of the incoming Conservative government was to pursue plans for the floating of sterling on the exchanges (ibid: 351). Milward claims that the aim was to restore Britain's national prestige by securing its role in an international financial system (ibid: 354). As part of this strategy, there were persistent British attempts to dissolve the European Payments Union (EPU). The EPU was a soft-currency zone that supported European trade and allowed European countries to obtain credit on easy terms (ibid: 350). British elites, however, believed it diverted trade away from hard currency markets and between 1950 and 1957 they attempted to lead Europe into a 'one world system' (ibid: 352, 387). In general British governments were fundamentally opposed to the programme of economic modernisation that was underpinning institution building at a European level in the post-war period[18].

Milward identifies this failure of British governments to take seriously European integration as a failure of British economic modernisation (ibid: 395). He argues that the continued pursuit by political elites of currency convertibility and the 'one world system' was a consequence of the primacy of the interests of the City in economic policy (ibid: 395). The City was in no position to facilitate the introduction of policies of economic modernisation as it was a 'closed social circle protected by its own restrictionist politics' (ibid: 395). Its dominance over economic policy continued because of the weakness of industry with the British state lacking the deep association between commercial and industrial policies that had been developed elsewhere. Industry had a far more limited role in government compared to the Bank of England and the Treasury (ibid: 394). Industry itself did not challenge government policy but rather pursued economic strategies that were defensive, retreating into what were perceived to be 'safe' world markets and failing to take advantage of European opportunities (ibid: 403-424). According to Milward, the new political consensus that was typical of the reconstructed European state was absent in Britain (ibid: 433). The

core political institutions of the British state, the Foreign Office and Treasury were dominated by an amateurish and socially prejudiced monied upper class (ibid: 431). Milward argues that the developments underway in Europe were to a large extent an anathema to the British political class:

> 'The startling absence of genuine comparison with any other European country in the many memoranda and analysis of Britain's economic position gives the impression of a hermetically sealed system with so little outward vision that no understanding of European developments could be possible.' (ibid)

At this point it is necessary to question whether Milward has accurately pinpointed the problem of the British state and European integration. He places considerable emphasis on the limitations of the British post-war consensus and argues that it is this weakness that explains why British governments were later to lead the attack on the post-war welfare state (ibid: 433). It is possible to see Milward's analysis of the current problems of the British state with European integration as rooted in this fundamental opposition to European social capitalism (ibid: 444). Nevertheless, it is clear that there was a strong commitment to the welfare state in post-war Britain and Milward is noticeably tentative about this explanation (Anderson 1997: 64-65). As Anderson points out, 'consensus is an evasive term, notoriously close to euphemism, which parades rather than defines the democratic will' (ibid: 65). The key question here concerns whether we are talking about the particular nature of the consensus in Britain or rather the weakness of that consensus. Is it a problem of actors failing to achieve a consensus or of a structural context which only allows a certain form of consensus to arise? I would argue that it is the latter that is significant. Milward importantly fails to explicate this structural context because of his focus on elite motivations. Ultimately, Milward fails to fully identify the structures underpinning British elite actions and determining their relationship to the process of European integration. If the problem of the British state and European integration is a problem of British modernisation, and the argument of this thesis is that it is, then it is necessary to consider the problem of national political modernisation in the context of the post-war Britain. It is within this context that the differences of economic interest have to be seen.

3.3 The British post-war consensus: the imperial state and the problem of political modernisation

The extent to which we can apply the idea of a post-war consensus to Britain requires clarification. Hay points out that 'consensus is perhaps the most disputed term in the academic vernacular of post-war British political history' (1999:21). The concept is used to describe a degree of bipartisan convergence that existed in the post-war period (Beer 1965, 1982; Miliband 1973; Gamble 1974; Barnett 1986; Lowe 1990; Addison 1994). The clearest demonstration of this convergence was when the 1951 Conservative government took office and retained the commitment to full employment and the welfare state (Jessop 1980: 29). However, the extent to which a consensus existed amongst British elites, let alone across society as a whole, remains highly debatable (Pimlott 1988; Addison 1994: 279-292; Hay, 1996: 44-48). Consensus can be used to refer to agreements on policy objectives across the main parties. However, it becomes more analytically significant when it is used to illustrate a broader political settlement characterised by the structured acceptance and reproduction of the broad parameters of the state (Hay 1996: 44-45)[19]. Such a usage helps to clarify the problem with Milward's analysis which fails to relate the British consensus to the British state regime, a failure that contrasts with his discussion of the European nation-state. In Britain, the post-war consensus was shaped by existing structures of spatial, political and economic organisation that substantially set it apart from Western Europe. Up until the late 1950s, the British state was primarily an imperial state and, as a consequence, its post-war consensus was only superficially similar to those states who went on to form the EC. The British political culture was imbued with a model of political development that set it apart from the continent and from Fordist modernisation.

Cain and Hopkins (1993b: 266) have argued that the fruits of the victory in 1945 included the survival of Britain's cultural and institutional heritage. Hay points out that the post-war politico-economic settlement was largely inherited from before the war (1994: 45). This inheritance consisted of the dominant institutions of the British imperial order that had been gradually adapted to the development of mass democracy

in the late nineteenth and early twentieth century. Initially, when the political order
had been threatened by working and middle class radicalism in the eighteenth and
nineteenth centuries, the solution was the formation of a cadre of intellectuals and
administrators imbued with the elite ethos by the institutions of the public schools,
Oxford and Cambridge who were able to actively constitute a hegemonic order (Nairn
1977: 22; Gowan 1987). In her analysis of the 1867 Reform Act, Catherine Hall .
characterises the formation of this imperial political status order as follows:

> 'Property was no longer the basis of the suffrage, but 'race', gender, labour
> and level of civilisation now determined who was included in and excluded
> from the political nation.' (1994: 27)

These developments were indicative of piecemeal and conservative forms of state
rationalisation that took place in the nineteenth century in reaction to domestic
pressures and included the extension of the franchise and the establishment of
elementary state education. However, it was in the context of a combination of
internal and external threats at the beginning of the twentieth century that the British
state went through a more intense period of rationalisation. This was a response to a
crisis of the British state that stemmed from German and U.S. threats to its global
hegemony and the rejection of the authority of the state by Irish nationalists,
suffragettes and a growing minority of anarcho-syndicalists in the labour movement
(Leys 1983: 39). Significantly, these threats gave rise to a strategy of social
imperialism that was centrally dependent on a programme of social reform and
attempted to institutionalise conflicts over class, gender and nation (Nairn 1979: 54;
Leys 1983: 50; Williams 1989: 156). This strategy saw the Labour party fully
incorporated into the state and accepting the 'soundness of Constitution and
Parliament' (Nairn 1979: 54). It culminated in what Middlemas (1979) has described
as a system of corporate bias:

> 'Under the double system of government's needs and the changing economic
> and social conditions of their membership what had once been interest groups
> outside of the formal constitution – what Hobbes called the 'lesser Common-
> wealths in the bowels of a greater, like worms in the entrayles of a naturale
> man' – became governing institutions, existing thereafter as estates of the
> realm, even if they retained the customary habit of opposition to the specific
> Party governments.' (1979: 371)

These developments represented a particular form of British state rationalisation that was firmly established as a necessary condition of state survival around the time of the First World War . Due to both internal and external threats, British political elites committed to the construction of a national political order and established the hegemony of a more revisionist liberal ideology. During the 1920s, this involved the establishment of a system of imperial preferences that allowed newly emerging Fordist industries, such as the car industry, to flourish (Overbeek 1990: 76). However, these developments co-existed with the continuation of a liberal orthodoxy and a commitment to the central principles of laissez faire. The British post-Second World War consensus was, therefore, largely a modification of this social imperial consensus, which had been intellectually fashioned towards the end of the nineteenth century and established at the beginning of the twentieth century. The British state did not construct a national Fordist mode of regulation and to do so would have been at odds with the international accumulation strategy of the dominant economic elite.

The post-war Labour government was, therefore, entrenched within an existing conservative liberal imperialist political order that largely remained the basis for social cohesion (Halsey 1986: 63; Nairn 1979: 60). Nairn points out the Second World War provided the Labour party with a 'real opportunity' to move forward but was 'circumscribed' as the war also validated the existing ethos and class structure (Nairn 1979: 60). Labour's incorporation into an existing conservative national consensus was evident on taking office, when the Labour government ended its hostility to imperialism and 'hoisted the burdens of Empire with all the enthusiasm of the converted' (Cain and Hopkins 1993a 277; also Fieldhouse 1984). Initially, Britain was to be the third force in global politics in-between America and USSR, although this ambition was later modified to being the junior partner of America (Curtis 1995:14). Crucial to securing this world power status was both the extension and reinforcement of the concept of empire (Cain and Hopkins 1993: 276-277). The Colonial Office was reinvigorated and set about coordinating a post-war renewal of the imperial project (Lee 1977). This strategy could not be dismissed as either inept or based on a nostalgia for the past but rather:

'... the renewed commitment to Empire was as much a matter of calculation as it was of sentiment. Quite simply, the imperial option appeared to be far more promising than the alternatives, especially in war torn Europe.' (Cain and Hopkins 1993b: 276)

While Britain ended the war financially dependent on the United States, it was believed that economic recovery would follow from an eventual revival of free trade imperialism. The economic strategy to enable this to take place initially involved a form of imperial preferential trading and the establishment of the sterling bloc and later by a return to multilateralism and convertibility. The implications of this for the economy were profound as it meant a commitment to shrinking imperial markets, external investment and the pursuit of a high and stable exchange rate. The commitments to full employment, stimulating domestic demand and domestic capital investment were fundamentally compromised (Hay 1994: 45; Anderson 1992: 166).

The popular 'radicalism' that emerged during the war in support for social reform did not, therefore, threaten the imperial order. The social reformist project was encapsulated in the reports produced by William Beveridge, Master of University College, Oxford and a senior civil servant. The tremendous support for the Beveridge proposals represented a Gramscian passive revolution controlled from above, encapsulating the principles of a revisionary imperialist liberalism (Hay 1996: 30). Social imperialism was not only renewed by Beveridge but also by the Keynesian economic strategy that promised full employment and material prosperity. Importantly, it seemed to promise that there would be no return to the economic crises of the inter-war period.

This strategy did not however threaten City and Treasury dominance and this was illustrated by Keynes' commitment to the international role of sterling:

> 'Sterling must itself, in due course, become once again convertible. For, without this, London must necessarily lose its international position, and the arrangements of the Sterling area would fall to pieces... '(Keynes 23rd May 1944 cited in Nairn 1979: 66)

This renewed commitment to a one-world system did not merely represent a weaker version of the European post-war consensus. In Britain, it was a fundamental feature of a wholly *different* consensus involving a renewal of social imperialism under the intellectual guidance of Keynes and Beveridge. Specifically, the agreement to move towards the liberalisation of British foreign economic policy in exchange for American financial support was crucial to this renewal of traditional institutions of the imperial state. The belief in the symbiotic relationship between the international interests of financial capitalism and the national interest was instinctively accepted by British governing elites. This was particularly reflected in the Labour government's attitude to the City and the role of sterling. The Atlee government 'was active in Commonwealth conferences in promoting the solidarity of the sterling area and the use of sterling as a reserve currency. It also took the first tentative steps towards reopening the doors of the London market-place' (Strange 1967: 232). It reinforced the international outlook of the British economy however this was fundamentally dependent on American support. While the aim was to reinvigorate Britain's position as the centre of a global market society, the reality was of inexorable and terminal decline. The continuation of sterling's role as a reserve currency, that provided some basis for the economic and political coherence Commonwealth idea, was underpinned by American financial support which had been agreed during the Anglo-American Loan negotiations of 1945 (ibid: 60-61). It meant, however, that the so called 'special relationship' developed on the basis of 'an instinctive conjunction of financial interests, so that it seemed impossible, on either side, to imagine life without it' (ibid: 72). This had significant implications for the post-imperial restructuring of the British economy, as Overbeek comments:

> 'Increasingly, however, the role of the City in the world economy changed and its place was now clearly defined by the contours of the Atlantic economy and Pax Americana, and by the dominance of those fractions of capital associated with that of American hegemony – the internationalizing 'Fordist' industries such as automobiles, chemicals, and consumer electronics.' (1990: 107)

In effect, the renewal of the imperial state became chronically dependent on the United States, a position that proved to be extremely constraining on the reassertion of British power.

The British consensus was inherently hostile to forms of corporatism that were the product of Catholic social theory and the dominant continental model of state building through economic integration (Skidelsky 1993: 354). Indeed much of the British economy was characterised by businesses that lacked the Fordist managerial professionalism that was becoming typical on the continent (Barnett 1986; Pollard 1980). British industry continued to have the hallmarks of the first industrial revolution and was characterised by small capital, coal and cheap unskilled and intensive labour (Overbeek 1990; Hay 1994: 47). Thus the domestic economy was characterised by chronic weaknesses.

The social reforms that were embodied in the post-war welfare state lacked the politico-economic foundations that were evident in continental Europe. The nationalisation of industry and the establishment of corporatist structures did not lay the basis of an industrial citizenship and management continued to operate along similar lines to the past. In effect, corporatist structures became a façade designed to achieve the acquiescence of labour after decisions had been agreed (Panitch 1976; Leys 1983; Coates 1989). In the context of an unreformed polity, the idea that the post-war welfare state implied the establishment and extension of social citizenship was highly dubious (Marshall 1950). Marshall's analysis of the development of citizenship in Britain ignored British imperial history and its archaic political structure. The depoliticization inherent in state-centered conceptions of citizenship has been particularly acute in Britain because of the continuation of monarchical sovereignty and shadow of empire. As Roche notes,

> 'Each of these factors has promoted images of dutiful service and 'loyal subject' status, the latter status often requiring the reactive, military and administrative attitudes of obedience rather than the proactive and autonomous political attitude appropriate to citizenhood.' (1987: 386)

The post-war British welfare state can be seen as the extension of a form of state sponsored philanthropy, primarily concerned with securing the status of the 'respectable' male white working class and 'his' family. However, this commitment was compromised by the emerging weaknesses in the British internationalised

economy and the failure to secure union support for the concept of the social wage (Rhodes 2000: 165-166)[20].

The consequence of domestic conflicts and two world wars had irrevocably put the British state on a path to becoming a nation-state. As Taylor argues, 'the history of the English people and of the English state merged for the first time' (cited in Gray 1986: 35-36). This development however was characterised by contradictions and tensions evident in Taylor's use of the phrase 'the English people'. The post-Second World War British state remained primarily a world state because of its immense colonial possessions, the position of its institutions in the global economy, the continued political currency of free trade imperialism and the role of British elites in global governance. Most strikingly it gave rise to fundamental conflicts at the heart of British economic policy that arose as a consequence of its increasingly contradictory commitments to the global and national orders:

> 'Policy lurched between contracting the economy when a failure to achieve balances, above all in foreign payments, threatened sterling, and expanding it when unemployment started to rise. The excessive use of monetary and fiscal instruments to engineer deflation was highly damaging to investment – both public and private. The manipulation of current and capital social expenditure, had damaging effects on social provision.' (Rhodes 2000: 166)

Underlying this failure to sustain a coherent project of post-war modernisaton was the dominance of regressive imperial institutions that prioritised the imperial state's role in servicing internationally mobile capital. The construction of Britain as a national order is, therefore, best viewed as a domestic strategy employed by elites to secure Britain as a world state. In this respect it represents a compromised form of state management rather than proactive state modernisation.

So far this account has been suggestive of the structural tensions and contradictions that underpin the relations between the British state and European integration. However, it tells us little about the specific content of this relationship and how the problem of British political modernisation expressed itself in specific events and elite practices. My main concern in the remainder of the chapter, therefore, is to demonstrate the ways in which this took place by exploring the historical relationship

between the British state and European integration between 1950-1963. I aim to show that when faced with the radical reconfiguration of state power that the project of European integration represented, the particular features of the British state discussed so far began to vividly express themselves. Thus, we can begin to see that British opposition to domestic political modernisation had regional and global dimensions.

3.4 The Labour government and the Schuman Plan 1950: an imperial approach to European integration

A number of commentators have documented the British response to the post-war proposals for a European Coal and Steel Community (Greenwood 1992; Deighton 1993; Young 1993; Dell 1995; Gowland and Turner 2000a). This was conditioned by the desire of governing elites to re-establish and maintain the British state's role as a significant global power despite its evident economic and military weakness. In this respect the key objective of policy was to secure a wider Atlantic community consisting of the United States, British Empire and Commonwealth and Western Europe. Without doubt this policy contributed towards the wider geopolitical framework within which European integration could happen (Deighton 1993). However, British priorities also reflected the inherent features of the British state and imposed limits on British participation in the European project. This was encapsulated in the British opposition to the principles of supranationalism and Federalism that were enshrined in the Schuman Declaration (1950).

The formal beginnings of European integration[21] can be traced to the Schuman Declaration of May 1950 when the French Foreign Minister put forward the idea of a supranational European authority to govern coal and steel industries:

> '... the French government proposes to take action immediately on one limited but decisive point......to place Franco-German production of coal and steel under a common High Authority, within the framework of an organisation open to the participation of the other countries in Europe..' (cited in Pinder 1991: 1)

The European Coal and Steel Community was the brainchild of Jean Monnet, the head of the French *Commissariat du Plan* that formed the basis of post-war French reconstruction. Monnet persuaded Schuman of the idea because it was seen at the time as a solution to containing a reconstructed Germany. By placing the German steel industry under a supranational authority, the backbone of the German economy was secured within a European framework (Pinder 1991; Anderson 1997). European control over the German steel industry eventually meant any future German rearmament could be monitored and contained. It also resolved the problem of the Ruhr Authority that had been set up in 1948 to watch over Germany's main steel making region.

The question that arises is why did the solution to the control of the Ruhr encompassed the wider ambition of European Federalism? Anderson (1997: 58) raises this issue in his discussion of Milward's intergovernmentalist analysis of the origins of the European Community and argues that Milward understates the role of Federalist forces. In particular, Anderson points out that it was the role of Monnet that led to the proposal of a supranational solution to post-war European cooperation. Monnet was an exceptional historical figure who was capable of turning a vision of a new post-national political order into a practical reality. Anderson identifies his ability to think beyond national differences as stemming from his career as an international banker[22]. This gave him a very different outlook on world affairs to other members of the French political class:

> 'The small, dapper Charentais was an international adventurer on a grand
> scale, juggling finance and politics in a series of spectacular gambles that
> started with operations in war procurements and bank mergers, and ended with
> schemes for continental unity and dreams of a global directorate.' (ibid: 59)

Anderson points out that Monnet consistently worked for supranational goals in Europe. He wanted to see a united Europe that would rival the power of the United States. These ideas found favour during the 1950s notably because of the support for a Federal Europe amongst the smaller nations of Europe (ibid: 63), but also because of the influence of Monnet in the United States and the support he received for the goal of a United Europe. For example as Grosser argues:

70

'In practice, the collaboration of Monnet's American Friends led all the way to the drafting of entire Treaty articles....' (1980: 104).

When the Schuman Declaration was published, under Monnet's influence, it made explicit reference to the goal of political union. This position was restated by the German Chancellor, Konrad Adenauer, who made it clear that the project 'was above all political not economic' (Nugent 1994: 39). While the immediate concerns were economic growth and the position of Germany within Europe, the technocratic solution envisaged by Monnet had the wider ambition of binding the relations between European States within a legal constitutional order. Monnet and his supporters who set about constructing the ECSC were part of a European federalist movement that had been born out of resistance to fascism and then to Stalinism. They believed they had found a practical method for achieving integration that would involve the gradual transfer of national sovereignty to a supranational community as national governments came to recognise that this was the most effective way of achieving specific policy goals. Its legitimacy stemmed not from direct support amongst electorates for the European ideal but from an acceptance of the social and economic benefits that accrued from integration. The task of the ECSC was to provide 'economic expansion, growth of employment and a rising standard of living in the Member States' (The Treaty of Paris [1951] 1987: 23). A Federal Europe was to be founded on a form of civic supranationalism that mirrored the civic nationalism that formed the basis for post-war reconstruction. Citizenship was partially delinked from traditional ideas of national assertion and relinked to economic growth and welfare. A nascent European civic supranationalism was initiated with the Treaty of Paris and the setting up of the ECSC and reflected the Federalist principle that the peoples and states of the Six members were, at least notionally, equal. The ECSC was therefore an attempt to construct Europe as an organised economic and political space. As I have argued, it was part of Fordist processes of modernisation that supported and mirrored developments at the national level as well as establishing a post-national form of European governance.

The reaction of the British Labour government to the Treaty of Paris indicated the extent to which there was a fundamentally different consensus at work in Britain. The initial plans for a supranational Europe surprised the British. Bevin[23], Foreign Minister at the time, was shocked and annoyed by the French proposals and, in particular, at the lack of prior consultation. Both the Germans and the Americans were aware of the impending declaration while the British were taken unawares because they were not consulted on the proposal (Lord 1996: 6; Young 1984: 150). British annoyance with the French proposal was unsurprising as it represented a significant shift in French foreign policy. The British were keen to promote European cooperation through the framework of the Council of Europe and the Organisation for European Economic Cooperation (OEEC), an approach the French appeared to support. The British policy was to support gradual moves towards European unity based on intergovernmental cooperation[24], a policy that was designed to secure a particular form of British leadership of Western Europe. In fact, Bevin had gone so far as to propose the idea of a European 'Third Force' based on Anglo-French cooperation and, in particular, using French and British colonial possessions in Africa as a basis for European recovery (Greenwood 1992: 66). Yet it appears that Bevin, as Foreign Secretary, was unable to change the fundamental direction of an Atlanticist policy that was being pursued by the Treasury:

> 'On every occasion when Bevin actively tried to get the customs union rolling, the economic departments kicked it into touch, the Americans who opposed regional economic arrangements would be offended, that trade with the Commonwealth might be injured and that, anyway, economic integration with the dislocated French economy held no advantage.' (ibid: 65)

In general, British financial and military weakness and the emerging Soviet threat meant that the Special Relationship was to be the basis for any post-war re-establishment of Britain as a global power (Deighton 1993: 13).

This was the post-war consensus on foreign policy that Churchill encapsulated in his 'three circles' speech in 1950 that was made to the Conservative party conference in October 1948. The three circles were the British Commonwealth, the United States

and Europe. Churchill had stated that there was an order of priority to these three circles,

> 'the first circle for us is naturally the British Commonwealth and
> Empire......then there is the English speaking world... ......and finally there is
> Europe.' (Churchill cited in Lord 1996: 62)

The British position was to participate in increased European cooperation but this was to occur alongside the construction of a wider Atlantic community (Deighton 1993: 13). It was believed that this would allow Britain to support European co-operation and maintain its independence and sovereignty as a global power. Inevitably, the Federalist vision of the ECSC was unacceptable and viewed as a threat to the pursuit of a global role.

The French were sceptical, however, of the British commitment to Europe, both because of the Empire/Commonwealth and because of its special relationship with the United States. The supranationalism of the Schuman Declaration therefore represented a new direction in French European policy that broke with the strategy being pursued by the British. As we have seen, this change of direction by the French was given added impetus by American support who increasingly viewed Western Europe as a separate unit (Grosser 1980: 119). This represented a fundamental challenge to the historical British claim to rule over the inter-state system and, therefore, a clear challenge to the British state as an imperial state. As Lord notes:

> 'The preservation of British leadership and an intergovernmental approach to
> European cooperation were inseparably linked in the minds of British decision
> makers. Any supranational authority would act as a substitute for British
> expertise in devising initiatives and brokering between states.' (ibid: 33)

From a broader perspective, the success of the Schuman Plan can be seen as consistent with the breakdown of British hegemony over world governance that had been occurring since the beginning of the twentieth century (Kennedy 1989: 298).

The Labour government's official rejection of a closer economic union was laid down in a paper presented by Bevin and the Chancellor, Stafford Cripps. It outlined the following implications:

> 'i. Loss of Her Majesty's Government's responsibility for the budgetary and credit policy and the management of reserves;
> ii. Hindrance to our efforts to reach and maintain equlibrium between the dollar area and the sterling area: we cannot sacrifice opportunities for dollar earning (or dollar saving) in order to make it easier for other European countries to earn or save dollars;
> iii. Opening to European decision making the size of strategic dollar earning and dollar saving of United Kingdom industries;
> iv. Materially affecting the system of imperial preference.'(cited in Moon 1985: 71)

Moon points out these implications which 'effectively distanced the Cabinet from European aspirations of economic unification, was accepted by the Cabinet and became its official policy'[25] (ibid: 71). It reflected the traditional economic priority of the British state which was with securing sterling as an international currency and highlighted continued Treasury dominance over policy making. It was part of a strategy that placed multilateral world trade and establishment of a global liberal economic system over intra-European trade or a national accumulation strategy. This was evident in the use of Marshall Plan funds which went towards supporting the international financial position of Britain rather than supporting the modernisation of the domestic industrial sector (Overbeek 1990: 91)[26].

The British government did not, however, reject the Schuman Declaration out of hand and recognised its contribution to Franco-German reconciliation. A Foreign Office report argued that the plan would be a pragmatic solution to the German problem and that therefore Britain should join it or at least be positive about it, while acknowledging that supranationalism remained a major problem (Moon 1985: 153). However, the Cabinet position was that they were not prepared to enter into talks unless the supranational principle was negotiable. What is clear from these events is that the British government was not prepared to accept a proposal that might imply unlimited loss of sovereignty and movement towards federation. The formal decision not to participate in the ECSC was taken on 2nd June 1950 and emphasised the prior

commitment to submit resources to the jurisdiction of the High Authority as the
fundamental reason for non-participation,

> 'The main issues are really political. The exchanges with the French
> Government have brought out that their proposals, which started in a Franco-
> German context, have not been given a wider application. It is not merely
> pooling of resources, but also, in the first place, the conception of fusion or
> surrender of sovereignty in a European system which the French are asking us
> to accept in principle. M. Schuman's original memorandum said in terms that
> his plan would be a step towards the federation of Europe. It has been our
> settled policy hitherto that in view of our world position and interests, we
> should not commit ourselves irrevocably to Europe either in the political or the
> economic sphere unless we could measure the extent and effects of the
> commitment.' (PRO, CAB 129/40, C.P. (50) 120, 2 June 1950)

The Labour party response to the issue was the publication of a pamphlet by the NEC

entitled *European Unity* (1950). This rejected the Schuman Plan because it appeared

to threaten the Labour party's economic policies. In particular, the coal and steel

industries were regarded as part of the commanding heights of the economy and

needed to be nationalised in order to maintain full employment. Other European

governments reluctance to nationalise their industries meant that the British

nationalised coal and steel industries would be combined with private industries in an

'unstable market' (ibid: 50). The High Authority was seen as too weak to regulate

these industries in comparison to national governments. There was also the fear that

the Authority would be dominated by a non-socialist majority. *European Unity* argued

that it was better to go with the 'winner takes all' British political system (cited in

Lord 1996: 51). The threat to the Labour government's national governing strategy

was summed up by Herbert Morrison when, in the absence of Bevin, Atlee and

Cripps, he was asked to give a final decision on whether Britain would participate:

> 'It's no good. We can't do it. The Durham miners will never wear it.' (cited in
> Young 1998: 64)

European Unity went on to refer to how closer involvement in Europe could

jeopardise relations with the Commonwealth. It stated that 'Britain has to remember

that it is the nerve centre of a Commonwealth that extends over every continent.....not

just an island off Western Europe'; the Commonwealth, it argued, was the 'nucleus of

a potential world society' (National Executive of the British Labour Party,1950

European Unity 1950). The document went on to express fears over the implications of the plan for domestic control of defence matters and on relations with the United States. This document reflected the dominant view within the Labour party towards Europe and alternative views ' achieved no prominence at all within the anatomy of the issue derived from the Parliamentary debate' (Moon 1985: 81).

For the Labour government, involvement in the Schuman plan would have meant challenging some of the core elements of the British state. The priority of the Labour government was to maintain strong single party rule. Indeed, membership of the ECSC was perceived as a weakening of a strategy designed to secure the representation of the organised working class within the British state. This can be seen as paradoxical since the opposition was part of a national class project that was already chronically weakened by its support for the structures of the imperial state. Nowhere was this more evident than in the failure of Labour's nationalisation policy to restructure the 'commanding heights' of the economy and to secure the representations of labour that were found in industry on the continent (Cronin 1991; Hay 1996).

These economic, political and geopolitical constraints on British participation within the Schuman Plan reflected the underlying social imperial consensus within the British political order. The ECSC implied a territorial and capitalist reorganisation of the British state that was profoundly unacceptable at the time. This opposition was most succintly summarised in a Foreign Office memorandum of 12 December 1951 which outlined a commitment to Atlanticism and Empire/Commonwealth that was to remain unchallenged until the late 1950s:

> 'The United Kingdom cannot seriously contemplate joining in European integration. Apart from geographical and strategic considerations, Commonwealth ties and the special position of the United Kingdom as the centre of the sterling area, we cannot consider submitting our political and economic system to supranational institutions. Moreover, if these institutions did not prove workable, which their dissolution would not be serious for the individual countries which would go their separate ways again; it would be another matter for the United Kingdom which would have had to break its Commonwealth and sterling area connexions to join them. Nor is there, in fact, any evidence that there is real support in this country for any institutional

connexion with the continent. Moreover, although the fact may not be universally recognised, it is not in the true interests of the continent that we should sacrifice our present unattached position which enables us, together with the United States, to give a lead to the free world.' (DBPO [1986], series II, vol. I no. 414)

The dismay and anger at the Schuman proposals indicated the extent to which the British conception of the European order was being challenged. However, its rejection by British elites also indicated a continued confidence in the principles of British liberal imperialism. The latter was not based on formal legal constitutional arrangements and Fordist economic organisation but on a more informal political domination from London (which in the aftermath of World War II meant in partnership with Washington). The British position was to support looser, more intergovernmentalist arrangements, such as the OEEC that limited its obligations to Europe and enabled it to concentrate on orchestrating the global political arena. It was informal global political domination that mattered and in this respect Britain treated Europe, the third of Churchill's three circles, in the same way as the colonies of white settlement. In 1863, Disraeli had remarked in the House of Commons that 'colonies do not cease to be colonies because they are independent' (cited in Cain and Hopkins 1993a: 469). The trappings of formal political independence were often necessary to secure informal political domination:

> 'As they [former colonies] increased their formal political independence, so they became reliant on flows of British capital to an extent that limited their freedom of action in crucial respects and tied export interests and their political representatives to policy norms, the rules of the game, set by London' (ibid).

The point here is that real power remained in London; in the case of Europe the attitude was similar. Ultimately, power within Europe was not considered to lie in its sovereign nation-states or in the pooled sovereignty of a unified Europe and its supranational institutions but in the partnership between Washington and London and the establishment of the one world system. While it caused some disturbance for the Labour government, the importance of the ECSC for the government should not be overemphasised. There was a general belief that the ECSC was unlikely to succeed, to the extent that it was perceived as a challenge to existing forms of global governance,

it was not considered to be a particularly strong one. Its importance as a fundamental reorganisation of global power relations was therefore underestimated.

3.5 The failure of the European Defence Community 1951-1954: a British victory

We may characterise the emerging British position as one of tolerating the moves towards formal integration so as not to jeopardise the ideal of an Atlantic community. European integration was therefore to be viewed as a peripheral element of a form of association that had been enshrined in N.A.T.O [27] and the Bretton Woods agreements. This policy of 'toleration' hid a more deeply structured British opposition towards European integration that emerged in response to the setting up of the ECSC. This opposition continued with attempts to form a European Defence Community (EDC).

The background to the EDC was the intensification of the Cold War as a consequence of the outbreak of the Korean war (George 1990: 24; Gowland and Turner 2000a: 56). There was a growing fear of a Soviet threat to Europe, which was compounded by the overwhelming superiority of Soviet forces compared to NATO (ibid). As a solution to this, the Americans promised extra troops for Europe but in return wanted to see German rearmament (ibid). The response of the French was the *Pleven Plan* which advocated a European army, an independent European Defence Minister and eventually a European foreign policy (Northedge 1974: 160). It was also agreed that Federal institutions would be required to control such a structure and that the newly formed Assembly of the ECSC was to be given the task of drafting a treaty for a European political community. The Labour government's reaction to these developments was critical, in the House of Commons Bevin stated that:

> 'Europe is not enough; it is not big enough, it is not strong enough, and it is not able to stand by itself. It is this great conception of an Atlantic Community that we want to build up.' (cited in Evans 1975: 15)

The Plan however had strong American support and the British government agreed not to stand in the way of the French if it was decided to go ahead with the EDC. In September 1951, a joint declaration was signed by France, America and Britain supporting the EDC but without any commitment to British participation. Herbert

78

Morrison, who had replaced Bevin at the Foreign Office, stated that Britain wanted to see 'the closest possible association with the European continental community' (cited in Gowland and Turner 2000a: 58). However, Morrison failed to outline what this closest possible association actually meant.

The election of a Conservative government in October 1951 under Churchill did not change the official policy and the events seemed to strengthen this position. On the 28th November, Eden as Foreign Secretary informed a NATO meeting that British troops would not be part of a European defence force. This was seen by many as a reversal in Conservative thinking as Churchill had been a strong supporter of European unity during the war and while in opposition. In August 1950, he had spoken out in favour of a European army. Eden himself had criticised Labour's isolationism and their refusal to join the Schuman negotiations. However, once in power the Conservative government's support for European unity appeared to be more a matter of rhetoric than reality. Membership of a European Defence Community was seen as potentially undermining the unique relationship that Britain had with the United States, a development which would have allowed a disengagement of American forces from the continent (Young 1998: 75). Although Churchill was viewed as one of the main supporters of European unity, his position was in fact exceptionally ambiguous and he never embraced the idea of any curtailment of British sovereignty. A Cabinet note of October 1951 illustrated Churchill's position,

> 'Our first object is the unity and the consolidation of the British
> Commonwealths and what is left of the former British Empire. Our second
> 'fraternal association' of the English speaking world; and third, United
> Europe, to which we are a separate closely and specially-related ally and
> friend.' (PRO, CAB 129/48 C. 51, 29 November 1951)

Eden was primarily an internationalist and, after 1951, an upholder of imperial preference, who saw British national identity as antithetical to European unity (Young 1998: 74)[28]. The position of both Churchill and Eden was therefore that Britain would remain a 'benevolent spectator of the progress of the EDC' (Northedge 1974: 162).

The consequence of this cold British attitude was to leave the French feeling isolated and concerned over German domination of Europe (ibid). British refusal to join the EDC was a main factor in its failure and led directly to the refusal of the French Assembly to ratify the Treaty[29] (ibid: 166).

The failure of the EDC opened the space for a British initiative for extending the Treaty of Brussels to include Italy and Germany. This new organisation, the Western European Union (WEU), was a loose consultative organisation which put in place procedures for checking German remilitarisation. Its primary objective was therefore to incorporate Italy and Germany back into the Western defence system. For the British government, NATO remained the most important international defence organisation and the WEU was viewed as the best way of maintaining Anglo-American leadership of the West European bloc. However, damage had been done, Maxwell Fyfe, Home Secretary at the time, stated that the refusal to commit British troops to the EDC 'destroyed Britain's name on the continent' (cited in Turner 2000: 50).

The Conservatives under Churchill appeared more supportive than the Labour government of the idea of European unity. However, the general attitude in the Conservative party reflected a confidence in the 'solidity and superiority of British institutions and this made the European vision of transcending existing political structures unacceptable' (Morris 1996: 125). On the issue of supranationalism, there was no similarity between the European Christian democratic parties and the British Conservatives (ibid). Yet some sort of leadership role within Western Europe was a fundamental feature of British foreign policy at the time and the failure of the EDC and the formation of the WEU was viewed as a success by the Conservative government. However, this did not prevent the widening of the gap between Britain and her West European allies[30].

In general it can be argued that for both the Labour and Conservative government the relationship of Britain to Western Europe was framed within the broader parameters of global strategic objectives of an Atlantic community. As we shall see this is a recurring theme in determining the parameters of Britain's relationship with the

EC/EU. Governing elites were at times prepared to be supportive of proposals for greater European unity but without giving any indication of British involvement. They remained imperious and aloof. In many respects, such a policy was realistic considering the devastation of post-war Europe and the continued authority of the British state across the globe. However, it also reflected a structured opposition to the form of political modernisation that was evident in Europe and was finding its most radical expression in the supranationalism of the project of European integration. This was highlighted by the refusal of British governing elites to open up to serious public debate the possible gains and losses of different forms of membership and association with Western Europe (Northedge 1974: 171)[31]. This was a distinct failure of political imagination on the part of political elites that can only be explained in terms of their institutionalisation within an historically regressive state regime.

3.6 Sabotaging Messina and the free trade proposals

The failure of the European Defence Community did not however end the drive for more Western European integration. Proposals for an economic union were put forward in a memorandum from the Benelux countries presented to the ECSC in 1955. It contained measures for the establishment of a Common Market as well as for joint action in the areas of transport and energy and, in particular, for atomic energy. The Benelux proposals, plus Monnet's proposals for an atomic energy community, were examined at the Messina Conference in 1955 and the outcome of this was the Messina Resolution. This committed the member-states of the ECSC to

> 'continue the creation of a united Europe through an expansion of joint
> institutions, the gradual fusion of national economies, the creation of a
> common market, and the gradual coordination of social policies.' (Nugent
> 1994: 44)

The result of the Messina Conference was the setting up of the Spaak Committee (named after the Belgian Foreign Minister) to put together specific proposals in line with the resolution. The position of the British government was that it was not in Britain's interests to join the negotiations and anyway it was believed that the proposals were likely to come to nothing. The British position reflected the dominant

view of the Treasury and the Foreign Office that had been evident in the British response to the ECSC and EDC. Butler, at the Treasury considered membership of a Customs Union to be incompatible with Britain's role at the centre of the Sterling Area and Commonwealth, while Macmillan, at the Foreign Office, prioritised Britain's historic world role (Kaiser 1996: 40-41). However, between 1955 and 56 this stance was challenged on two fronts. Firstly, there was growing concern amongst economic ministries over Britain's declining economic position and, secondly, the success of the Customs Union proposals added to the growing fears over British marginalisation from European developments. Divisions were beginning to open up in Britain's position towards European integration that reflected the concerns over Britain's declining global position.

The British were invited to participate on the Spaak Committee and agreed to do so on the understanding that they had 'special difficulties' with any proposal for a European common market (Camps 1964: 30). This was in line with the official position of appearing to be a benevolent supporter of moves towards integration. It was hoped that Britain would be able to steer the talks 'along the most sensible lines' (PRO: CAB 134/1026 MAC (55) 20th, 16 June 1955 cited in Young 1993: 95). The British representative at the negotiations was not a Minister but rather a civil servant, Russell Bretherton, an Under Secretary in the Board of Trade. This demonstrated the low priority awarded to participation. Bretherton reported to the Spaak Committee that Britain was apprehensive about the moves towards economic integration because of its commitments to the Commonwealth and Empire (Moon 1985: 144). In particular, there was the issue of whether the Treaty of Rome would cover the overseas territories of the member states. The response of the other states was that they were prepared to negotiate on British conditions for entry and wanted to see its participation in a customs union. Bretherton informed his superiors that they were in a position to shape the negotiations to suit British interests (Young 1998: 91). It was therefore clear by August 1955 that Britain had to decide whether or not to take an active part in the negotiations and, as Bretherton informed his superiors, to do so would have meant a commitment to the final results (Young 1995: 96 Kaiser 1996: 47). The British government decided to withdraw its representation from the Spaak Committee in November 1955, arguing that it was a replication of the OEEC.

However, there was a growing concern in government circles over potential success of the Spaak committee (ibid: 48). There had already been some recognition within both the Board of Trade and the Treasury over the economic consequences of British exclusion from European developments (Young 1995: 94; Kaiser 1996: 34-36)[32]. These fears were reflected in Peter Thorneycroft's[33] (President of the Board of Trade) letter to Macmillan in January 1956 in which he stated:

> 'I am convinced that the Americans are living in a fools' paradise about Messina, and I strongly recommend that you and the Foreign Secretary should seek to bring home to President Eisenhower the gravity of the dangerous situation which is rapidly developing against the interests of both our countries and all our joint work since the war to build up a 'one-world' trading system' (cited in Milward 1992: 428).

Thorneycroft went on to charge the integrationist project with 'undermining our security and economy' and stated that it would inevitably lead to German domination of Europe (ibid: 429). It was evidence of a more aggressive opposition to European developments underlying diplomatic manoeuvring. By the beginning of 1956 it had been agreed that Britain should attempt to sabotage the proposals for a Customs Union by having the Brussel's proposals redirected through the OEEC (Kaiser 1996: 48). The aim was, as Gladwyn Jebb described it, to 'embrace destructively' the proposals for an economic community (cited in Kaiser 1996: 48). The objectives of the British government were to attempt to politically isolate those governments who favoured further European integration and convince the Americans that the Messina initiative would split Europe. Neither of these objectives proved to be successful and the OEEC strategy was reformulated in 1956 into a more constructive set of counter-proposals to the customs union. Plan G, as it was known, proposed a European industrial free trade area (FTA) that would preserve British Commonwealth trade and protect British agriculture while opening up the markets of the Six to British industry. Kaiser claims that the FTA proposals were indicative of different positions within the British government (1996: 73-74). For Thorneycroft and the Board of Trade the proposals represented a radical reorientation of British trade policy which involved removing Britain's protectionist trade legacy. It was conceived as a vital modernising strategy formulated in the context of an emerging understanding of the realities of

British decline. However, this has to seen in the context of a post-imperial internationalisation of the British economy that was characterised by two significant features. Firstly, the American penetration of the British economy as American investment into the UK increased by 151% between 1950 and 1958 (Overeek 1990: 105). Secondly, the EEC's share of British overseas investment began to increase dramatically (Overbeek 1990: 106). Membership of the EC particularly suited large British capital that was traditionally outward looking as well as American multinationals that were increasingly basing themselves in Britain. The growing significance attached to EC trade can be seen as part of an emerging post-imperial accumulation strategy that had a distinctly international focus. What was missing was the internalisation of Fordism without which a lot of British industry remained ill-equipped to face the demands of the increasingly competitive European and world economy (Gamble 1994: 115).

For Macmillan, EC membership was increasingly being viewed as part of a revision of the three circles policy designed to secure Britain's position as the mediator between the United States, the Commonwealth and Western Europe (ibid: 74). While there was support amongst economic interest groups for Plan G, there was however continued Cabinet opposition against a proposal that might weaken Commonwealth ties and weaken Britain's world role (ibid: 79-82). As we shall see, Cabinet opposition to the proposals only collapsed after the Suez debacle (ibid: 83).

The free trade negotiations went ahead but were viewed by the member states as not in their interests. Britain would be able to import relatively cheaply from outside of Europe because of its system of Commonwealth preferences, and still take advantage of the free trade area for exporting within Europe. A free trade area lacked the systems of bargains and sacrifices that characterised the EEC and ensured that everyone benefited. In short, it implied 'commercial advantage with fewer obligations' (Camps 1964: 167; Gowland and Turner 2000a: 108) and lacked the commitment to wider European unity that such obligations implied. Negotiations became polarised between the British and the French; the former being concerned with international free trade, the latter with European unity. Although it was de Gaulle who actually vetoed the free trade proposals, in the end the 'free trade area was

defeated by loyalty to the Treaty of Rome' (Camps 1964: 172). It appears that the negotiations never were likely to succeed even before since the Six had become suspicious of British motivations after the earlier attempts to sabotage the Mesina initiatives (Kaiser 1996: 91-92; Young 1993: 104). Despite the relaxation of domestic constraints, these suspicions of British motives were justified considering the continued ideological opposition that remained entrenched within the British state to the integrationist project. Ultimately, what divided the British from the rest was the level of regional integration that was being proposed. When FTA negotiations finally failed in 1958, Macmillan told a small meeting of colleagues that 'there were three groups who wanted supranationalism and who were playing no small part on the Commission....the Jews, the Planners and the old cosmopolitan elite' (cited in Young 1998: 118). What had emerged amongst the British governing elite was an 'increasingly desperate antagonism to the Six' (Young 1998: 116). It was viewed as an inward looking protectionist bloc that was antithetical to the kind of world order envisaged by the British governing elites.

3.6 Establishing a European civil society

While the European Economic Community was given the utilitarian label 'The Common Market', the Treaty of Rome in fact represented the constitution of the Community that provided the basis for Community rights and citizenship (Meehan 1993: 11-12, 30). Meehan argues that sociological arguments about nation-building and the universalisation of rights are applicable to the development of the Community and the Treaty of Rome (ibid: 31). She also points out that the decision of relatively autonomous powers to enter into the agreement with one another and the disagreements about the distribution of powers are analogous to the controversies over the establishment of the United States (ibid). This American model is arguably applicable to the process of integration because the founders of the European Union did not see power as rooted in an abstract conception of the 'nation' but on the 'reciprocity and mutuality' of consenting governments and peoples (Arendt 1963: 181). Rather than a Hobbesian conception of the international order in which states strive against one another for dominance, the bargains, compromises and package deals that characterised governmental negotiations on integration have been indicative

of a form of public power in which governments were prepared to make sacrifices of state autonomy for the greater goal of a closer union. However, while the Treaty of Rome was a clear break with the Westhphalian model of state sovereignty, it represented a confederal organisation of political authority rather than a true federation (Hirst and Thompson 1999: 233). This confederal system signified

> 'the operation of a complex of public bodies at the European level, subject to various forms of accountability and quasi-democratic control but lacking full constitutionalized establishment and rights, or full citizenship legitimation.' (ibid)

Initially, it was believed that full political integration would be achieved via the 'Monnet method' of technical and economic integration in specific areas that would ultimately 'spillover' and culminate in a distinct European political community (see Haas 1966, 1968). This functionalist approach to political integration heralded a form of European citizenship that avoided prioritising political citizenship in favour of a segmented citizenship that related to different parts of an individual's existence as consumer, worker, welfare claimant etc:

> 'The various possible items of functional citizenship have nothing more in common than commodities you put in your purchasing trolley in a supermarket.' (Neunreither 1995: 11)

In this respect, the Community reflected the problems of a post-war reconstruction that established citizenship on the technocratic grounds of economic planning and the extension of welfare bureaucracy. A further dilemma was that the political citizenship of the Community was largely indirect, via membership of a member-state. In this respect, it was defined in an even more passive way than in bureaucratised national welfare states. In effect, the Community established a highly truncated and elitist form of political community. Yet, despite these considerable limitations, it can be argued that the Treaty of Rome significantly extended the emergent civic supranationalism that had been established under the Treaty of Paris. It implied the construction of a European civil society as the mechanism to regulate transnational social and economic relations. This consolidated a novel form of organising public power at a European level that attempted to turn states into corporate citizens and established a set of

enforceable rights for citizens at the European level. It was this highly formalised political and economic reorganisation of Western Europe that the British objected to. This deeper project of integration was increasingly becoming the focus of the British governing elite's hostility, and their discourses and practices began to reflect the growing belief that integration was a serious threat to the British conception of the international order.

Significantly, the wider political debate appeared to be largely immune to these growing concerns and displayed the kind of imperious distance that had characterised much of the British attitude to European integration since the end of the war. During the formation of the EC, Moon (1995) concludes from the sequence of events in Britain that British political classes viewed the process as being of little importance. In 1957, the year in which the Treaty of Rome was signed, the Conservative party conference debated the issue but did not discuss the possibility of membership of the EEC. The emphasis at the conference was placed on how to stimulate Commonwealth trade and on the relationship with the United States and the Commonwealth in opposing the Soviet Union (ibid: 147). Moon points out that

> 'the depiction of the issue by the Cabinet, that British participation in
> European economic integration was really irrelevant to Britain's needs and
> commitments, also prevailed in Parliament and within the Conservative Party.'
> (ibid)

The European issue barely entered the British political agenda at this time. It was largely absent from parliamentary debate and the issue of membership was not taken up by the Labour party, business or the trade unions. It was, largely, ignored by the press who considered neither the possibility of British membership nor what was occurring on the continent (ibid: 154).

The failure of the FTA proposals therefore represented the defeat of British attempts to shift the continent towards association and cooperation and away from integration (Camps 1964: 505; George 1990: 28; Gowland and Turner 2000a: 109). The European Free Trade Association (EFTA) went ahead but without the Six members of the EEC. It consisted of Britain, the Nordic countries and Austria and Switzerland, the

'outer seven'. Yet, rather ominously, in trade terms the EEC continued to be of more significance to Britain. Indeed, it was increasingly recognised that EFTA would be a bridge to the EEC (Kaiser 1996: 102).

3.7 The post-imperial context: towards nation-statehood

The decision to apply for membership of the EC, as revealed by Foreign Office and Cabinet papers, can be viewed as a tactical shift in British policy. The decision was designed to secure fundamental geopolitical objectives in the context of imperial decline (Dobson 1991; George 1990, 1991; Warner and Deighton 1993; Young 1993). Indeed Lords argues that 'the 1961 application was in many ways grounded in traditionalist categories of foreign policy thought' (1996: 13). Largely without exception the analytic focus has been on the actions of elites intended to maintain Britain's strategic position by the pursuit of EC membership (Milward 1997: 7). However, the argument presented here is that to view the first application as a matter of geopolitical decision making is problematic unless this is located in the context of the pressures for a profound restructuring of the British state regime. In fact, Britain's decision to join the EC represented a move towards a peculiar kind of nation-state building in the context of the disintegration of Britain as an imperial state and not simply a readjustment to shifts in global strategic alliances.

The non-involvement in the process of European integration for both Labour and Conservative governments can be explained by the continued attempts by elites to secure the British state as an imperial state. To a large extent decisions were being made on the basis of an assessment of the short term disadvantages of membership to Britain's status as a world power and therefore not on any critical assessment of the chronic nature of British decline. However, it can be argued that even while the FTA negotiations were occurring it was becoming increasingly clear that imperial renewal was impossible and that the British political order was under threat. This is in line with many contemporary commentators of British decline who now consider the period between 1957 and 1960 to be central to understanding the sequence of British decline (Gallagher 1982; Tomlinson 1982; Holland 1984; Cain and Hopkins 1993b) The key event in this respect was the 1956 Suez crisis (Louis and Owen 1989; Cain

88

and Hopkins 1993b), which led directly to the first British application for membership of the Community (Young 1998: 99; Turner 2000: 51).

The decision by the British Conservative government, backed by France and Israel, to invade Egypt was in reaction to Colonel Nasser's nationalisation of the Suez canal. The grounds for this action were that Nasser wanted to block oil reaching Europe and was intent on invading Israel. The invasion of Egypt by the combined forces of the three powers was met with universal condemnation and, most importantly, was not supported by the USA. The failure of the attack led to an immediate sterling crisis in Britain, and American support for economic stabilisation was only agreed if Britain removed her troops. The impact of Suez on the Conservative party was dramatic and led to the resignation of Eden. The tensions in the party at the time were between the progressive One Nation Tories, who were increasingly anti-Empire and pro-Europe; and Empire Tories, such as the backbench Suez group, who pressurised Eden to take action over the Suez canal to restore 'Britain's imperial mission and destiny' (Amery cited in Turner 2000: 50). Harold Macmillan was successful in succeeding Eden as Prime Minister because he was seen to be a compromise candidate, able to unite the Conservative party. Yet, it was Macmillan who recognised that the Empire was largely over and that Britain's post-imperial future must include membership of the EC. In fact this was consistent with Macmillan's position as one of the leading corporate liberals within the Conservative party (Overbeek 1990: 64). These corporate Conservatives supported state intervention into the economy and emphasised science and technology as a national priority. Macmillan came to link EC membership with this modernisation project.

In the course of 1957, Macmillan became increasingly alarmed by developments on the continent and concerned that British plans for the FTA should succeed. There was no immediate change of policy regarding joining the EEC in the immediate aftermath of Suez, yet it undoubtedly resulted in a radical shift in thinking amongst the party elite; as Edward Heath, Chief Whip at the time, concludes in his account of the Suez crisis:

'...perhaps the greatest legacy of Suez was that it forced many of the British establishment to accept that the sun was setting on the British Empire and that America was the new superpower. This in turn forced many who had hitherto been sceptical about European unity to realise that our future lay in our own continent and not in distant lands which our forbears had coloured pink on the map. Even Eden, who had crucially kept our seat empty at Messina in 1955, acknowledged this fact in one of the last memos he circulated as Prime Minister. On 28 December 1956, he wrote that 'the consequences of this examination may be to determine us to work more closely with Europe.' '
(Heath 1998: 177-178)

The consequence of Suez was also to seriously tarnish Britain's reputation amongst members of the Commonwealth (Sanders 1990: 148). Many members began to support the movement amongst prominent third world leaders towards a position of non-alignment with either East or West (ibid). This reflected the growing anti-imperialism of both colonies and former colonies and the growing importance of nationalism. As the Empire came to an end, Britain's status as a global power declined. In the relationship between the superpowers, British diplomacy was proving limited. Britain had not established a tripolar world and, if any power was to emerge as a third force, it was more likely to be the EEC. It was becoming clear that America was taking the EEC very seriously and by the early 1960s viewed a United Europe as a potential junior partner (Grosser 1980: 200-201).

The economic benefits of Commonwealth and Empire were also becoming far less certain. With the decline in the prices of raw materials after the Korean war and their reduced import purchasing power, the export potential of these countries grew more slowly (Cain and Hopkins 1993b: 286). Commonwealth markets were also being penetrated by Japan, America and the EEC (Jessop 1980: 70). Furthermore, problems in the British economy were being made worse by money going out of the country into the Empire and this was combined with the high cost of defence to maintain a global role (Cain and Hopkins 1993b: 282-283). The new economic opportunities that began to open up were in Europe and Japan and, as a result, British trading and investment patterns began to shift towards the former (ibid: 287; Jessop 1980: 70; Sanders 1990: 151). The integrationist project had not proven to be the failure as had been predicted by the British. In fact tariff reductions were occurring earlier than had been envisaged and the Community was generally thriving (Gowland and Turner

2000a: 115). In comparison, the economic and political significance of EFTA was proving to be of 'marginal utility' (Wallace 1990a: 79). Yet, rather ironically, the British economy was actually performing better than at any time since before the 1880s, the problem, however, was the extent that it was being out performed by its rivals (Gamble 1994: 20). As Cain and Hopkins point out, Britain's decline as an imperial power became effective only when these relativities changed (1993b: 312). The real problem was that the economy was not growing sufficiently enough to sustain extensive external and domestic commitment. The consequence of this was recurring current account deficits that provoked currency speculation. This was exacerbated by colonies and other countries holding sterling assets that exceeded the value of foreign reserves and resulted in the so-called 'sterling balances problem' (Schenk 2002: 347). The only real solution was to prioritise the construction of a national Fordist economy.

The British crisis was therefore a crisis of a world state that was being forced into being a nation-state by external forces. It was being organised within a set of Western institutional arrangements, under American hegemony, that considered the nation-state to be the organising principle:

> 'these states were so united in their global interests, so similar in their capitalist and nation-state structures, and their trade and investment with each so dominated the world economy that a broad consensus underlay their negotiations over international arrangements.' (Mann 1995: 116)

The institutionalisation of the British state within these arrangements and the corresponding decline of Empire helped secure the end of the British state as a world state. The immediate problem for the political classes was how to adapt to the reality of global Fordism. Britain seemed unable to take advantage of these structural changes in the global situation in the way that countries such as Germany and Japan were successfully doing. By the end of the 1950s, the reality of decline was clearly apparent (Jessop 1980; Gamble 1994). The growing concern with 'what is wrong with Britain' focused on the lack of modernisation of the major institutions of the British political order, from the economy to the civil service and universities (Jessop 1980: 79; Gamble 1994: 24). The structural boundaries and parameters of the British state

appeared uncertain and the contestation over British nation-statehood became the organising principle of political strategies from the 1960s onwards.

These structural developments and shifts in the politico-economic order resulted in a range of policy developments and institutional reforms. In the aftermath of Suez a range of defence cuts were introduced and decolonisation was speeded up[34]. There was also a strong recognition that British policy had to be more firmly linked to that of the US, as Macmillan noted when reflecting on Suez:

> 'It was the action of the United States which really defeated us in attaining our object...This situation with the United States must at all costs be prevented from arising again.' (PRO, AIR 8/1940, COS (57) 220, 11 October 1957 cited in Hennessy 2000: 258)

This was eventually to give rise to Macmillan's 'grand design' which would see Britain as a bridge between the EC and America. By 1960 the newly elected Conservative government had committed itself to modernisation of which the grand design was a part (Hennessy 2000: 257). Meanwhile, the domestic response to the problems of relative economic decline included expansionist economic politics and a more interventionist approach that aspired to French economic planning as a model (Pollard 1980: 398; Jessop 1980: 39-40; Overbeek 1990: 131-132). This included the revival of a corporatist strategy with the setting up of the National Economic Development Council in 1962 as a common forum involving management, government and labour and some independents in an attempt to consider ways of encouraging economic growth (ibid). It also implied a new settlement between the classes in the form of a National Incomes Commission (Hennessey 2000: 260). Yet these attempts at economic modernisation were weak; overall economic control remained with a Treasury that avoided direct state intervention into production and continued to prioritise the international role of sterling. Thus, while the City and large multinationals were successfully adapting to global Fordism, much of British industry remained weak and uncompetitive. Neither did the Macmillan government tackle the problems of British industrial relations and establish effective corporatist structures.

Another plank of modernisation was the concern with defining a national citizenship as Empire was deconstructed. This was particularly evident with the increased

immigration from the New Commonwealth (occurring by the late 1950s) and the problems of 'assimilation' that this was perceived to imply. These developments culminated in the 1962 Commonwealth Immigration Act that attempted to control immigration and begin to determine criteria for nationality and residence[35]. It aimed to restrict non-white immigration and broke with Labour's earlier British Nationality Act (1948) that had conferred in law the status of British citizen on subjects of any Commonwealth country. Thus began a more concerted effort to define the boundaries of the national collectivity that has proved to be chronically contentious and complex (see Anthias and Yuval Davis 1992: chapter 2). As we shall see, the decision to join the EC became irretrievably caught up in these struggles to redefine the nation.

Alongside imperial decline and national restructuring, the move towards membership of the EC might be seen as part of a significant strategy of modernisation by repositioning Britain within the most significant economic and political reorganisation of nation-states that had emerged in post-war Europe. Undoubtedly, membership became associated with domestic modernisation for political elites but it remained a compromised strategy and, as we shall see, this was to be typical of its role in domestic politics. What emerged was a profoundly conservative strategy of truncated modernisation through membership of the EC. In effect, it became the dominant plank of the Conservative government's modernisation programme and an alternative strategy for an administration unable to carry out a more profound national Fordist reconstruction.

3.8 Modernisation without modernising

An effective analysis of the Britain's decision to join the EC must recognise that this was a conservative strategy desinged to secure core elements of the British state through selective modernisation. The aim was turn a declining imperial state into the leading capitalist state within an association of nation-states in order to renew the global authority of Britain and reinvigorate the domestic economy[36]. I propose here that the force of British membership of the EEC as a strategy of modernisation was inherently compromised in its initial conception. In effect, it confirmed British dependence on the US and the internationalisation of the British economy. This poses

particular problems for associating British membership of the EC with transformation and modernisation of the British politico-economic structure. Indeed, the European strategy seemed to offer the best of both worlds by implying continuity through change. In retrospect, this flawed Europeanism was evidence of a peculiar form of compromised, post-imperial nation-state building that was eventually to culminate in Thatcherism. As we shall see the dilemma was that the coherence of such a strategy was inherently fragile given the ambitious political objectives and structures that were inherent to the project of European integration.

The conservative nature of the British decision to apply for membership of the EC can be illustrated by the geopolitical objectives of the governing elite at the time. In particular, EC membership was viewed as necessary to maintain Britain's key strategic relationship with the United States; indeed, it was partly a consequence of pressure from the United State. The continuation of this key external relationship was viewed as fundamental to British security. In particular the continuation of the British power in the world became associated with maintaining an independent nuclear deterrent. However, by the late 1950s it was clear that Britain lacked both the resources and technological know-how to develop its own system. Any continuation of Britain as a nuclear power and thereby its world role, depended on American support for an independent national deterrent (Kaiser 1996:129). In return, the United States wanted to see British membership because it was believed the British would be more favourable to American interests and keep the Community from becoming an 'inward looking club' (George 1990: 31; Kaiser 1996: 130). Indeed, it was believed that Britain could help undermine de Gaulle's attempts to assume leadership of Western Europe and to make it more independent of American control (Grosser 1980: 183-190).

In 1961, Macmillan met President Kennedy in Washington and became convinced that America was even more strongly in favour of British membership than it had been in the past and that the continuation of the 'special relationship was dependent on membership' (ibid). The architect of this policy was George Ball appointed by Kennedy to Under Secretary for Economic Affairs. Ball was a European specialist, having been legal adviser to the West European unification movement. He was

committed to the EC and convinced Kennedy that British membership of this organisation was vital for Western unity. In a meeting with Edward Heath, he argued that outside of Europe, Britain would be a 'force for division rather than cohesion since she is a giant lodestar drawing with unequal degrees of force on each member state' (cited in Evans 1975: 144). The position of the US put British governing elites under pressure to join but it also seemed to reinforce an idea that Britain could be the leading nation-state in Europe. In these terms Britain's role within Europe was clearly to be that of a constraining force, controlling and directing European integration in ways that were in line with American interests. From such a point of view, membership of the EC was not seen as threatening to Anglo-American relations but in fact was a way of consolidating the 'special relationship' (Kaiser 1996: 130). This was not a British illusion but continued to reflect shared interests in relation to monetary policy.

From the end of the 1950s, the US joined the UK in persistent balance of payments deficits while the Six member-states accrued surpluses (Schenk 2002: 350). This was only possible because both countries had reserve currency status and their deficits were financed by trading partners holding their currencies as reserves (ibid: 351). It was a policy objected to by the Six because of its inflationary pressures. While the Six wanted to see a reduction in US and UK balance of payments, the Americans and the British sought ways to finance their deficits through changes in the international monetary policy (ibid: 353). The consequence of this was a 'series of secret meetings at official and ministerial level between the United States and the United Kingdom designed to develop joint positions on international monetary issues' (ibid). It was once again evidence of what Strange had referred to as the instinctive conjunction of financial interests that underpinned the 'special relationship' and reinforced the differences between Britain and mainland Europe (1971: 72-73).

In many respects, the Foreign Office and the Treasury were largely responsible for refining the European strategy (Young 1993: 102). By the end of the 1950s, the Foreign Office began to view Europe as a new arena for establishing British influence in the context of imperial decline and as a way of strengthening Anglo-American relations post-Suez (Beloff 1963: 89-90; Young 1998: 176; Gowland and Turner

2000a: 121). The European conversion of the Treasury was also occurring with appointment of Sir Frank Lee as Joint Permanent Under Secretary in January 1960. Lee believed that British economic success now depended on participation within the European Community. He chaired the influential Economic Steering Committee which recommended British entry[37]. The combined impact of Lee and the Economic Steering Committee was illustrated by the reaction of one Treasury official in which he stated:

> 'in 1959 the very idea caused him (as an advocate of EEC membership) to be written off as a long haired eccentric, in 1960 it was getting to be all right, and by 1961, you were a stick in the mud if you thought otherwise.' (cited in Moon 1985: 171)

The belief was that entry into the EC would reinvigorate the British economy by giving it 'a much needed dose of stiff competition' and end its excessive reliance on the Commonwealth and sterling area (Young 1998: 120; Gowland and Turner 2000a: 121). However, the concern with domestic modernisation has to be placed within the context of the multinationalisation of the British economy and, in particular, the penetration by American capital into Britain and its imperial backyard (Overbeek 1990: 105). This penetration of American capital had been reinforced in 1958 by the relaxation of foreign exchange controls and the consequent growth of the Eurodollar market (ibid: 109). In July 1961, the Federation of British Industry (FBI) dominated by big multi-national corporations came out in favour EEC membership (ibid: 101). The growing support within the Treasury for membership therefore reflected the continued trend of British investment to go abroad, a trend reinforced by American multinationals operating in Britain (ibid: 106).

With the declining economic importance of the Commonwealth, Britain was well placed to become a gateway to European markets. The outlook of an intensification of European competition for the less advanced sections of the British economy were, however, likely to be negative. The modernising implications of this European policy therefore had much in common with traditional approaches to the domestic economy that enforced greater domestic competition through the external sanction of free trade (Gamble 1994: 115). In addition, the Treasury believed that membership would

reinvigorate sterling's international role and that the City of London would become Europe's financial centre (Schenk 2002: 355). Evidently, they believed that this would be secured once the benefits of EC trade resolved Britain's balance of trade deficit. In effect, domestic economic modernisation and EC membership was imagined within a wider international post-imperial accumulation strategy. This was particularly noticeable in the continued commitment to sterling as a reserve currency which it believed was essential for the continuation of the City as a financial centre. After a return to convertibility in 1958, the City was once again provided with a medium of exchange that enabled a rapid revival (Strange 1971: 233). Government monetary policy until the late 1960s was then determined by the need uphold the value of sterling through international loans and high interest rates. The underlying weaknesses of the British economy and a comparatively de-regulated City meant this was difficult to sustain and there was intense speculation against sterling. Attempts to intervene only seemed to confirm that there were problems with the pound, and failed to quell market speculation (ibid: 238). Thus during the very period that governments were looking to modernise Britain through joining the EEC, there was the continued belief that the pound could be as strong as the dollar and this was essential to sustain the role of the City. Nowhere was the complete absence of a coherent project of political modernisation more evident:

> 'The truth was that most Britain policy towards the operations of the City in the crucial ten years between 1958 and 1968 had been based on instinctive reflexes inherited from the past or on pragmatic, unprepared and unthought-out response to the looming threat of the next sterling crisis. If there was any coherent strategy, it was based on a complete misconception of the parameters of feasibility.' (ibid: 242-243)

Nevertheless, what was occurring by the early years of the 1960s was a re-examination of relations with Europe and a questioning of the assumptions that had been governing European policy since the end of the war (Camps 1964: 280; Gowland and Turner 2000a: 120-123). For the Macmillan government, membership of the EEC was perceived to be a vital strategy of modernisation at a time of terminal decline. It implied the necessary modernisation of Britain's economy and external relations. Furthermore the adoption of a modernising European discourse was essential for revitalising the Conservative party and creating a new modern image (Kaiser 1996:

97

146). Evidently, it was a way of uniting both party and national interests. During 1960 Macmillan became increasingly convinced of the necessity of British membership and in July he made the significant appointment of two 'Europeans' in key positions in his government. Christopher Soames became Minister of Agriculture and Duncan Sandys was moved to the Ministry of Commonwealth Relations in order to deal with any potential opposition. Another key appointment was that of Edward Heath who was made Foreign Office Minister with responsibility for European affairs. In the domestic arena, the press were increasingly supportive of membership and there was also a strong European movement in the country which encouraged the government that a shift in policy would be conducive to public opinion (Camps 1964: 294; Gowland and Turner 2000a: 122).

In the negotiations over membership the international orientations of British policy making resurfaced in the concern to secure commitments to both the Commonwealth and to EFTA. Initially the government pushed ahead with the idea of a modified customs union that would link together the EEC and EFTA. Yet the Six were explicit that the only option open was full membership. It became clearer to the British government that the EEC was more than an economic arrangement and that any political influence Britain was to have could only be secured by full membership. The climate inside the EEC was seen to becoming more favourable to Britain. On the 31st July 1961 made the announcement to the House of Commons of British intention to seek membership of the European Community. In so doing, however, Macmillan emphasised the conservative elements of this strategy and played up its role in securing British world power status. Macmillan made it clear that the 'dominant considerations in his mind were political ones' 'our right place is in the vanguard of the movement of *greater unity of the free world, and that we can lead better from within than outside'* (cited in Camps 1964:359 emphasis mine). Inherent within the statement was also a degree of caution, emphasising the continued importance of the Commonwealth he noted that,

> 'If a close relationship between the United Kingdom and the countries of the EEC was to disrupt the long-standing and historic ties between the United Kingdom and the other nations of the Commonwealth the loss would be greater than the gain.' (cited in Evans 1975: 28)

98

In general, Macmillan and Cabinet Ministers presented the issue as a non-contentious one denying the Federal intentions of the Community and emphasising that membership would not undermine existing commitments and that national sovereignty would not be infringed (Young 1998:129; Turner 2000:56). Examining the political debates on the issue and the way it was presented by government spokesmen, Moon argues that a disproportionate amount of attention was given to dealing with subjects associated with criticism of entry (1985: 167). The tone of the debate was reflected in a Guardian editorial:

> 'The plunge is taken but, on yesterday's evidence, by a shivering Government.' (cited in George 1990: 33)

It is argued that Macmillan remained 'reticent about the full implications of membership of the Community' (Camps 1964: 513; also see Gowland and Turner 2000a: 123-124). A letter by the Lord Chancellor, Viscount Kilmuir, outlining the significant losses of sovereignty that would result from signing the Treaty of Rome received little attention from the Cabinet (Young 1998: 126-127, 129). In the debate in the House of Commons on the 2nd August 1961, Macmillan told MPs that moves towards a Federal Europe would be resisted (ibid: 129). Young argues that Macmillan chose to ignore the political nature of this venture; specifically that it would make Britain part of a European political order and would reduce the independence of both parliament and the courts (ibid: 129). The policy was therefore presented as a continuation rather than a reversal or change in direction from the past. What lay behind these ways of thinking was the belief that formal supranationalism could be undermined and that Britain could assume leadership role of the Community with the support of the smaller European countries and the backing of the United States. The formal supranationality of the Community had already been opposed by de Gaulle and this was reassuring to British politicians and officials (W. Wallace 1997: 27). The belief was that Britain could be transformed from being an imperial state into the leading European nation-state within an association of nation-states. By a sleight of hand, Empire was to be replaced by Europe (Turner 2000: 52). However, if there was a consensus emerging on membership it was a fragile one, particularly as the

government's own authority was in decline. Nevertheless, even this conservative European strategy met with strong opposition and the anomalies in the government's position gave them lots of ammunition.

Significant opposition was clearly evident during the negotiations over British membership which took place amid much publicity. In contrast to Messina and the Spaak Committee, Europe became a major public issue (Gowland and Tuner 2000: 134). A key feature of the negotiations became the protection of Commnowealth trade and the securing of Commonwealth links, particularly as the leaders of the Commonwealth had expressed their disapproval of British membership[38]. However, it can be argued that this was also necessary in order to diffuse opposition to what was increasingly being viewed as a threat to British institutions and identity [39]. On the right, there was an outburst of 'Empire loyalism', fuelled by the Beaverbrook press, which accused Macmillan of putting 'Europe ahead of the Commonwealth' (Young 1998: 141; George 1990: 34). The dissenters within the Conservative party were the imperialist right wing of the party who numbered between thirty and forty MPs and, although they did not threaten a government with a majority of one hundred, they proved themselves to be particularly vocal. The Conservative MP, Walker Smith, the first back-bencher to be called in a debate on pursuing membership, put into words the problem that, in due time, would tear the Conservative party apart (ibid: 154-155). Walker Smith's essential point concerned the distinctiveness of Britain compared to Europe, he noted that,

> 'their evolution has been continental and collective, ours has been insular and imperial.' (ibid)

The question of entry went beyond mere economics, he cautioned, it went to the heart of the British state's post-imperial future and the extent to which this implied a continuation with its past. As far as Walker Smith was concerned, membership implied an undesirable break with that past. This early Eurosceptic speech reflected the underlying unease within Conservative ranks about the decision to pursue membership and this was not restricted to the back benches but was also evident in the Cabinet[40] (Gowland and Turner 2000a: 124).

The government also faced the growing opposition of the Labour party; its leader, Hugh Gaitskell, issued a statement in September 1962 against entry on the current terms. The Labour party was divided over Europe between those who were strongly in favour as a matter of principle, including many on the right such as George Thomas, the Deputy Leader. The majority of Trade Unions were also firmly in support of membership by the early 1960s on pragmatic grounds (Kaiser 1996: 173). In contrast, opponents of membership viewed the EEC was as a 'capitalist club'. For the latter, membership would be a threat to the independent economic policy of a future Labour government. The opponents were mainly, although not exclusively, positioned on the left of the party. Gaitskell, however, was part of a section of the party that could be said to be agnostic on the issue. When faced with a divided party, his position proved to be extraordinarily erratic in attempting to oppose the Conservative government's position without fully objecting to British membership (ibid: 162). By the time Gaitskell came to deliver his speech to the Labour party conference in October 1962, he had chosen the course of opposition to the European project:

> 'After all, if we could carry the Commonwealth with us, safeguarded, flourishing prosperous; if we could safeguard our agriculture, and our EFTA friends were all in it, if we were secure in our employment policy, and if we were able to maintain our independent foreign policy and yet have this wider, looser association with Europe, it would be a great ideal. But if this should not prove to be possible; if the Six will not give it to us; if the British Government will not even ask for it, then we must stand firm by what we believe, for the sake of Britain, and the Commonwealth and the World; and we shall not flinch from our duty if that moment comes.' (Gaitskell 1962: 37)

To become a member of a Federal Europe would, he argued, mean 'the end of Britain as an independent European State' and 'the end of a thousand years of history' (ibid: 23). The speech was well received. In particular, it reflected the continued significance of the Commonwealth for many on the left and the right of the party as the main alternative to the Empire both as a source of renewed political identity and as a viable economic partner (Young 1998: 156-15). The Commonwealth, therefore, was a significant factor in the opposition to a European trajectory within both parties and, despite its limitations for the British economy, it seemed to offer a form of national renewal that was continuous with its imperial past. It was the Commonwealth

option that Dean Acheson, the former US Secretary for State, ridiculed for its lack of unity, political structure or strength when in 1962 he famously described Britain as having 'lost an Empire' without yet 'having found a role' (cited ibid: 171). By evoking the Commonwealth, the opponents of the government's European strategy demonstrated their inherent conservatism. The implication was that the British state was above the narrow nationalism of Europe because of its imperial history (Nairn 1973).

The opposition to membership gathered pace and began to influence the opinion polls; by 1962 they showed a decline in support for entry (Gowland and Turner 2000a: 131). National political projects continued to be attached to institutions and ideologies of the imperial state. The significant form of European political modernisation that the project of European integration represented was rejected. European integration was, therefore, becoming symbolically constituted across sections of the political class as a threat to British identity and interests and was proving to have potential as a political discourse around which electorates could be mobilised. It was represented as a threat to the reconstruction of the boundaries of the British state around the post-colonial Commonwealth. The government's response to these developments was a pamphlet defending the policy. It addressed more directly the political implications of membership, yet it remained 'cryptic' about political unity (Young 1998: 141). The emphasis was placed on the capacity of Britain to determine the nature of political unity once inside the Community and that 'in renouncing some of our own sovereignty, we would receive a share of sovereignty renounced by other members' (ibid: 142). Membership would neither alter the position of the Crown 'nor rob our Parliament of its essential powers, nor deprive our Law Courts of their authority in our domestic life' (ibid). This represented a defence of the government position and stated that membership of the Community was essential for Britain's post-imperial future which threatened neither British identity nor the political order on which it was founded. In effect, both anti-European and pro-European forces defended their position in terms of a belief in Britain as a global politico-economic order. This reinforced the extent to which the realities of European integration could not be incorporated into the British debate. Evidently, the Macmillan government reflected

the emerging tensions and contradictions in Britain's post-imperial transition to nation-statehood:

> 'Nowhere did the push and pull of past and the needs of the future exert their conflicting force during the Macmillan premierships more powerfully than along the ever widening fault line of Europe.' (Hennessy, 2000: 267)

The Conservative government was attempting to adapt to the realities of global Fordism by reproducing certain core elements of the British politico-economic system within a contemporary form and within the parameters of Pax Americana. Underlying this was the continued problem of political modernisation in the Britain. As, Hennessey argues, these problems were personified in the figure of Macmillan who despite an acute awareness of the problems facing Britain, retained a Whiggish attachment to traditional institutions (2000: 270-271).

Three years after Macmillan made his statement that Britain intended to seek membership of the Community, the European Court of Justice declared in a historic ruling that European law took precedence over national law (Meehan 1993: 57). This radical assertion of the Community as an independent legal order reinforced the constitutional nature of the Treaties, the formal supranationalism on which European integration was founded, and, thereby, further distanced this political order from the position of British political elites.

By applying for membership of the EEC, the Macmillan government recognised the need for modernisation. However, it was a strategy of flawed Europeanism that was not underpinned by a broader strategy of political and economic modernisation. Instead, Europe was to replace Empire and enable Britain to become a leading capitalist nation-state operating as 'junior partner' within a US dominated Western bloc. This possibility was abruptly ended by de Gualle's veto of the British application in January 1963 when he concluded that Britain had failed to prove its European credentials in the negotiations on membership. In particular, the strategic alliance with the United States and differences on agriculture and trade were cited as the main stumbling block (Kaiser 1996; Wilkes 1997).

3.9 Conclusion

In this Chapter I have argued that European integration was part of a range of Fordist processes of economic and political modernisation that occurred after the Second World War. It is against state led processes of political modernisation that the British opposition to European integration should be viewed. British opposition to domestic political modernisation had powerful regional and global dimensions. This was evident when considering the British post-war consensus that I proposed was primarily a social imperial consensus. This gave rise to an opposition to the formal and extensive institution building that was typical of post-war Europe and is associated with the Fordist mode of regulation in general.

The British governing elite developed an imperial strategy towards European integration that was continuous with the ideology of free trade imperialism that had been the basis of the British global hegemony for much of the modern period. It is clear that the governing elite's strategy towards European integration was part of a broader strategy that was concerned to re-establish the British state as a global power in alliance with the United States.

The shifts in global economic and political relations that were occurring in the 1950s left Britain relatively weak. From the late 1950s onwards, membership of the EC became viewed as a strategy of national renewal. As such, however, it was a conservative strategy of truncated modernisation that was pursued by a defensive government and took place as an alternative to more extensive internal reconstruction. Modernisation was typically associated with geopolitical adjustments. Yet, these adjustments occurred within an already established set of parameters; specifically, the continued British dependence on U.S. political and economic capital. This was not just a substantive fact but a normative position held by large sections of the political class.

What we see is that membership of the EC, as part of the solution to Britain's post-imperial trajectory, became implicated in the chronic tensions over the transition of the British state from an imperial to a nation-state. Ultimately, both as an imperial

104

and as an emergent nation-state, the relationship to the project of European integration was indicative of the structural constraints on political modernisation that have been persistently reasserted in Britain. The next chapter explores this further and views the relationship of the British state to European integration in the context of the chronic post-imperial crisis that afflicted the British state during the 1960s and 1970s.

Chapter Four

The British State and European Integration 1964-1979: The Post-Imperial Crisis and the Exclusion of Europe

In this Chapter I propose that we introduce the idea of a British *post-imperial crisis* in order to explain the problem of the British state and European integration. In Chapter 3, it was shown that the decision to apply for membership of the EC was part of a limited strategy of conservative modernisation that was primarily concerned with post-imperial reconstruction. Here, I examine the failure of this strategy to achieve legitimacy or retain its coherence in the context of a post-imperial crisis. The implication of this crisis was that fundamentally regressive features of the British political order were reasserted and reconfigured. The consequence of this for British European policies was profound. In particular, the *exclusion of Europe* becomes entrenched within the national political discourse and European integration is constructed as the 'other' of British identity. While European states begin to consider a revival of the integrationist project as a solution to the crisis of global Fordism, the consequence of the British post-imperial crisis is that governing elites increasingly distanced themselves from the political implications of membership. By the end of the 1970s, a British European trajectory becomes firmly subordinated to the idea of a strong British state enmeshed within an Atlantic dominated global economy. Thus, despite the achievement of membership in 1973, constraints and limitations on the British state's involvement in the integrationist project, reflecting the underlying structure and crisis of the state regime, become increasingly evident. What we see, therefore, is the shaping of the contours of Britain's relationship with the EC by a combination of domestic and international forces as a post-imperial British state attempts to reposition itself within the global order.

4.1 The crisis of Fordism and sustaining the project of European integration

Chapter 3 demonstrated that the formation and development of the European
Community was part of the rise of the post-war Fordist nation-state (Milward 1992).
This state regime was the basis for the reorganisation of state relations across Western
Europe and formed the bedrock of an emergent post-nationalisation of European
political authority. The starting point for this Chapter will be to demonstrate the
continued importance of locating the trajectory of the EC within the wider processes
of post-war European Fordist modernisation, albeit with different implications for the
integrationist project. This analysis of the state/integration relationship provides a
vital framework against which to continue to assess the uniqueness of the relationship
of the British state to the EC. In particular, it will become evident that during the
1960s and 1970s the British state remained structurally at odds with the complex
political modernisation that continued to underpin the increasingly critical project of
European integration. Despite the crisis conditions of the 1970s, European member-
states continued to articulate a vision of European integration that was actualised in
the projects and practices of elites. The fact that the project was sustained during this
difficult period illustrated its continued currency amongst European elites, in contrast
what stands out about the British case is the weakness of its European 'vision'.

From 1958 until 1968, the countries of the EC went through a period of sustained
economic growth that began to rival the United States (Wallace 1990a: 42-43). The
total GNP of the Six went from 37% of that of the United States in 1960 to 42% in
1965 (ibid). The significance of the establishment of a European customs union to
this growth cannot be underestimated:

> 'Once the great importance to national economic resurgence in western
> Europe of three things – trade with Western Germany, trade expansion in
> general and protection in specific areas - is understood, the common market
> can be seen as the best possible arrangement to combine these three elements
> in a new form of international commercial regime.' (Milward 1992: 120)

As Milward (1992) has shown, the rapid growth of the economies of the Six was centrally dependent on the increase of intra-West-European trade and, in particular, on the institutionalised expansion of the West German economy. The EC modernised international commercial policy and created a completely unique model of formalised state relations on which the new political economy could be founded (ibid: 223). These developments were encased within an emergent European political community that included the supranationalisation of political authority. However, despite its early successes, it is generally recognised that the drive for further integration was exhausted by 1965 (Marquand 1989: 18; Wallace 1990a: 76; 1997: 26-27; Ross 1992: 52-53; Anderson 1997: 57). A crucial figure here was the French President, Charles de Gaulle, and his reassertion of the concept of the nation-state:

> ' there can be no Europe other than a Europe of the States – except of course for myths, fictions and pageants' (cited in Pinder 1991: 11).

De Gaulle undermined the authority of the Community in such a way that it culminated in a crisis during 1966. The background to this was the package of proposals put forward by the Commission president of the time, Walter Hallstein, which were seen to represent a direct challenge to the authority of the member-states. The Commission proposed greater supranational control over the revenues and expenditure of the Community related to the completion of the Common Agricultural Policy. There were also proposals on extending majority voting in the Council of Ministers and on increasing the powers of the European parliament. De Gaulle directly challenged this expansion of powers when he withdrew French ministers from the Community in 1963. He only agreed that France should return to the Community when member-states were given a right of veto over matters where important national interests were seen to be at stake. Such a move seemed to limit the development of the Community as it meant all decisions effectively required unanimity thus undermining the efficacy of qualified majority voting, a more 'federal' component of the Community decision making process.

To focus solely on the actions of de Gaulle to explain why the integration project stalled during the 1960s is, however, to understate the structural factors involved

during this time. The causes of the institutional crisis of the 1960s had deeper roots and can be found in the nationally configured capitalist systems that dominated post-war Europe and which had achieved considerable economic success (Ross 1992: 52). The complex post-war reorganisation of patterns of interest within corporatist and formal democratic political structures had its basis in the monopoly of fiscal and monetary policy pursued by national governments (ibid). The member-states were less interested in transferring regulatory powers to a supranational authority than in ensuring that a set of arrangements were in place that allowed for international trading agreements and supported successful national arrangements (ibid). Wallace argues that the 1965 institutional crisis was a product of integrationists overselling the European idea to reinvigorated national governments (1990: 76). Ironically, the integrationist project that had supported and complemented the post-war establishment of Fordist nation-states appeared to be a victim of the success of this political and economic reconstruction.

The initiation of the so-called 'Luxembourg Compromise' certainly restricted the competency of the EC. However, French opposition to the expanded powers of the Community did not necessarily imply a reversal of the process of integration. In fact, it represented a wish to secure national control over further developments, not to reverse what was already in place (Milward and Sorenson 1995: 15). By the late 1960s this began to change and there was a revival of the integrationist project that was particularly evident in the decision to pursue the goal of Economic and Monetary Union (EMU)[41]. The decision was based on the growing inability of the Fordist nation-state to contain capitalism as the international economy headed towards a crisis of over accumulation and over capacity (Harvey 1989: 141-142; 185-186). Thus, the decision to expand the Community and move towards economic and monetary union was driven by the need to re-regulate markets as well as to expand markets. Alongside growing economic instability, the Fordist nation-state was facing an explosion of powerful interest group lobbies and increased problems of state legitimation (Harvey 1989: 139; O'Connor 1987: 41-45). Therefore, a shift towards European social and economic *regulation*[42] provided a way out of the problems of traditional forms of state intervention and the struggles over redistribution (Majone 1996: 56). It offered the possibility of responding to the diffuse interests of consumers, interest groups and

multinational companies while avoiding the chronic politicisation of policy making and implementation that was beginning to dog the Fordist nation-state[43]. Within the increasingly complex conditions of late modernity, the integrationist project was once again proving to be part of an emerging regional political response to state problems.

An extensive relaunch of the Community, however, was effectively stopped in its tracks by the economic crisis of the 1970s. The problems of over capacity and over accumulation were exacerbated by OPECs decision to raise oil prices five fold in 1973 and the Arab embargo on oil to the West during the Arab-Israeli war. By 1974 the annual growth rate of OECD countries was 2 % which compared to an average rate of 5 % between 1965 and 1973 (Pierson 1991: 145). There was also another oil increase in 1979 and growth between 1974 and 1984 remained at around two % (ibid). By 1975 unemployment had reached 15 million and OECD countries were running balance of trade deficits (ibid). Fordist strategies of crisis management – increased public spending, devaluations, government debt and the US decision to end the Bretton Woods system of fixed exchange rates – essentially reinforced existing crisis tendencies. By the mid 1970s, governments were failing to achieve the four goals of the post-war order: growth, low inflation, full employment and balance of trade and the Fordist compromise was being seriously undermined (Harvey 1989: 145).

During this period there was a resort to protectionism within the Common Market by the use of non-tariff barriers that led to a rapid decline in intra-EC trade (Ross 1992: 53). This was accompanied by a revival of national corporatism and the chronic failure to constitute European wide forms of concertation (Schmitter and Streeck 1991). The integrationist project appeared to be characterised by a lack of coherence and direction and this was reflected in the growing dominance of state-centric approaches to the Community (Hoffman 1966; Aron 1976; Waltz 1979). Aron captured this mood when he referred to *The Crisis in the European Idea*, noting that:

> 'Old nations, national states, do not sacrifice part of their sovereignty, the object of so much jealous care, for love of Europe. As yet no one loves Europe as he loves his village or his country or his Party' (1976: 12).

Nevertheless, it would be too simplistic to view European integration as ending with de Gaulle in 1963 and only beginning again with the adoption of the Single European Act by the Council of Ministers in 1986. In many respects the conditions and developments during the late 1960s and 1970s laid the basis for the second wave of integration that began in the mid 1980s. Significantly, during this period there were moves towards enlargement of the Community in 1973 initially to include Ireland, Denmark and the United Kingdom, and talks were opened with three further potential members (Greece, Spain, Portugal). The proposals put forward for economic and monetary union did result in modest attempts to establish specifically European exchange rate controls in the aftermath of the collapse of the Bretton Woods system. There were also institutional developments including the establishment of European political co-operation on foreign affairs and the formalisation of the European Council (regular meetings of heads of government). Many of these developments were outside of the structures set up by the Treaties, but they reinforced the continued institutionalisation of nation-state power and provided opportunities to revive the idea of EMU in 1978. From this broader perspective of the integrationist project, the intensification of intergovernmentalism cannot simply be seen as end in itself.

Furthermore, the continuation of the integration process was evident in the increasing regulatory power of the Community that was producing fifty directives and one thousand regulations by 1975 compared to twenty five and six hundred in 1970 respectively (Majone 1996: 57). Reflecting on these developments in the Community, Coombes commented that,

> 'there is a continuing and elaborate process involving thousands of representatives from Community institutions and from Member-states, sometimes preparing, sometimes actually making, decisions in implementation of common measures already agreed. The Commission itself is at the centre of a vast network of consultative bodies consisting of representatives from interest groups and national governments' (1974: 488).

This description of the Commission is more typical of that found in the literature on the European Commission during the 1980s and 1990s, and it indicated the extent to which the processes of integration were continuing despite, and in response to, the crisis of Fordism. In those areas where the Commission had not been successful it

had, however, accumulated 'a veritable parts bin of good ideas for European change which would turn out to be very useful in the 1980s'(Ross 1992: 54).

In broader terms, these developments were part of an emergent reorganisation and restructuring of European political space in the context of the crisis of the Fordist nation-state. From this viewpoint, realist and intergovernmentalist perspectives fail to capture the extent to which a new European political reality was beginning to take shape as part of a late modern reorganisation of political power. The conflicts over further European integration that were occurring from the 1960s onwards represented an intensification of struggles to re-regulate and re-organise political space in the context of the extended processes of social and economic rationalisation that were beginning to characterise advanced societies. These processes, generally associated with economic globalisation, were by the late 1960s and early 1970s materialising in Europe and destabilised the exclusive territoriality of the nation-state. The European Community then represented a key forum for a renegotiation of the institutional arrangements of those states and their post-war European settlement. It was an attempt to establish new political forms of regulation to accommodate capitalist restructuring via the extension of a European political community.

4.2 British exceptionalism continued: the post-imperial crisis

Of particular concern here is the relationship of these developments to the British state. It is important to remind ourselves that this relationship cannot be straightforwardly viewed from the perspective of the European Fordist nation-state or the crisis of Fordism. The world economic problems of the early 1970s only exacerbated existing problems within the British state. As Leys notes,

> 'What distinguishes the British experience, however, and underlies more clearly than anything else its 'endogenous' nature, is that in Britain the new crisis had already begun in the 1960s – a decade of unparalleled prosperity for the rest of the industrialized world. The worldwide accumulation of the 1970s did not cause the British crisis, it only made it worse' (Leys, 1983: 66).

The exogenous causes of Britain's problems had already materialised during the 1950s in the retreat from Empire and the relative decline of the British economy in the

face of international Fordism. Thus, during the 1960s and 1970s, the relationship of Britain to the Community is more accurately understood in terms of the British state's post-imperial crisis. This crisis was pushing the British state in a direction that was not convergent with its European partners and was in many respects diametrically opposed.

Crisis is generally associated with a disintegration of existing social and political structures (O'Connor 1987: 146). Yet, it is clearly not simply a systemic process but also a lived experience that implies struggle and conflict (ibid; Hay 1996). Furthermore, crisis implies transformation as new centres of power emerge and displace existing structures of domination. Yet, the post-imperial crisis in Britain does not follow this usual pattern. Indeed, those authors who have discussed the British crisis have emphasised both the dissolution of ruling ideas and the coming apart of the historic bloc that had dominated Britain since the nineteenth century, as well as the continuation of core elements of the British state and political culture (Nairn 1977; 1979; Jessop 1980; Leys 1983; Anderson 1992; Gamble 1994; Nairn 2001). In this Chapter I am interested in this distinctive British post-imperial crisis which combines intense forms of political struggle and the decay of existing structures but without their transformation. What we are concerned with is the ability of this regime to continue to reimpose itself through crisis.

This post-imperial crisis most clearly expressed itself in the failure of successive governments to carry out comprehensive economic and political modernisation[44]. As we have seen in Chapter 3, this was in many respects the legacy of the Macmillan government that had responded to the end of British imperialism by changing the *orientation rather than the structure* of British politico-economic institutions. The implication was that attempts to modernise the politico-economic settlement were systematically compromised. In particular, the essence of the crisis of British political modernisation during the period in question was demonstrated by two chronic failures of state-building[45]. Firstly, the failure to construct a national accumulation strategy and, secondly, by the failure to reconfigure national political identities. These two elements are the cornerstone of state building and their absence proved critical in the development of the post-imperial crisis. The consequence of these failures was the

113

continued internationalisation of the British economy at the expense of the national

economy, and the centralisation and concentration of existing political structures[46] in

an attempt to contain the intensification of political conflict. Political elites attempted

to pursue projects of national renewal yet without political modernisation and

alongside the reassertion of core elements of the politico-economic structure. This

was a regressive response to crisis conditions and the implications for the construction

of a coherent and transformatory European policy were profound.

The failure of national accumulation strategies during the 1960s and 1970s has been

explored in considerable depth (Bacon and Eltis 1978; Glyn and Harrison 1980;

Pollard 1980, 1992; Fine and Harris 1985; Coates and Hillard 1986; Overbeek 1990;

Gamble 1994). Jessop has usefully termed the crisis of the British economy that had

become chronic by the 1970s as a crisis of flawed Fordism. He notes:

> 'It involved a limited expansion of mass production, relatively poor
> productivity growth, union strength producing wage increases from 1960s
> onwards not justified by productivity growth, a precocious commitment to
> social welfare and jobs for all, growing import penetration from the 1960s to
> satisfy the mass consumer market, and from the mid-1970s, to meet demand
> for capital goods.' (1991: 138)

Jessop argues that liberal, corporatist and dirigiste strategies all failed to work in the

Britain and resulted in a chronically flawed Fordist economy and state (ibid: 140-

141). Liberal strategies were constrained by the lack of modernisation and poor

management within British industry. Corporatist strategies failed because both capital

and labour were fragmented and disorganised. Dirigiste solutions were limited

because of the state's incapacity to influence the economy at a micro level. A major

cause of these failures was the range of powerful and particularized producers groups

and organizations in Britain (Marquand 1981: 27). These groups acted in terms of

their own interests and lacked a conception of the wider general interest, thus they

behaved conservatively and inhibited change (ibid). Ultimately the state relied on the

blunt instruments of legal restraints (e.g. prices and incomes) and money (e.g.

subsidies) to coerce organizations to behave in the way they wanted (Jessop 1980). In

particular, a powerful and voluntarist labour movement, conditioned by a history of

operating inside an imperial regime, compounded the problem of constructing a class

compromise organised around a stable corporatist settlement. The implication of this was that 'conflict around the issue of the social wage remained central to problems of economic management and renewal' (Rhodes 2000: 168). Governments failed to appreciate the importance of securing the social wage and/or they were faced with a comparatively dysfunctional, and often militant, labour movement that asserted its independence in relation to the state.

From the perspective developed here, this flawed Fordism can also be seen as an expression of the extent to which the British politico-economic order continued to be rooted in a conception of the global market society. This is particularly evident when we consider the failure of the British state to address the international orientation of British multinational and financial capital. As we have seen in Chapter 3, the post-war politico-economic settlement reinforced the external outlook of British capital at the expense of the internalisation of Fordism. This was confirmed by the large proportion of the City's activity that was devoted to the Eurodollar and Eurobond business by the 1960s and which became central to the trade and investment needs of multi-national companies (Ingam 1984; Cain and Hopkins 1993b: 293). This helped to secure the City-Bank of England-Treasury nexus as a distinct source of power within the post-imperial conjuncture and the value of sterling continued to be the marker of British economic competency (Ingham 1984; Cain 1997). The various strategies to modernise the British economy were constrained by the continued influence of this nexus over economic policy. There was no consensus around Fordist modernisation and the state did not develop the necessary capacities that would allow it to engage in effective planning of the economy. In effect, successful Keynesian policies depended on a strong national economy and expansion of productive investment in order to avoid balance of trade deficits. This proved impossible to achieve in Britain because the state was incapable of reorganising industry or curtailing British commitments abroad. Therefore, expansion of the economy fuelled wage demands, sucked in imports and created balance of payments crises. The consequence of this was a loss of confidence in sterling, the threat of currency devaluation and the acceleration of the trend of large British capital to invest abroad. Governments therefore resorted to policies of retrenchment in order to restore the confidence of the financial markets which they believed depended on the continued status of sterling as a reserve currency. In effect,

governments continued to shore up the value of sterling through austerity measures and international loans in order to secure confidence in the City as a world financial centre and avoid a continued flight of capital. This was futile considering the inexorable decline of sterling and the globalised role of the City whose interests had increasingly become divorced from those of sterling. The sustained speculation on the pound culminated in the devaluation of crisis of 1967 which exhausted the official defences and in effect led to the acceptance that sterling was never going to rival the dollar. The adoption of floating exchange rates during the 1970s did not however prevent the intensification of speculation against the pound from financial markets that had little faith in the British economy. Inevitably, the politics of sterling had disastrous effects on programmes of reform designed to construct a national political order. They led to high interest rates, investment crises and inflationary pressures that proved disastrous for the domestic economy and persistent attacks on the welfare state that undermined wider social relations.

How far governments of the 1970s would have been able to reverse these trends remains debatable. However, they appeared naïve in their attitudes to the impact of financial markets on Britain and this was evident in their failure to actively advance a European solution. Any reform of the economy would therefore have required the state to ensure that the interests of financial and multinational capital were subordinated to the national interest, instead governments persisted in the illusion that the international priorities of the City-Bank-Treasury nexus were those of the nation. The financial markets were, therefore, effectively able to exercise a veto over key aspects of economic policy. This was exacerbated by the breakdown of the Bretton Woods agreements on regulated exchange rates and the increase in speculative attacks on currencies. In this context, the Labour government opted for an international solution to Britain's economic crisis in the form of a package of austerity measures imposed by the IMF in alliance with the Treasury-Bank axis (Jessop 1980: 80-82). It was a crisis measure that prioritised the interests of multinational companies and global financial interests and rejected a more fundamental programme of modernisation. It was instinctive support for a global market strategy and was indicative of the incapacity of British governing elites to fundamentally reorganise capitalist interests, nationally or internationally, and avoid dependence on the U.S.

In relation to the national political economy, the pursuit of membership of the EC was critical. It was a liberal strategy of economic modernisation aimed at improving the competitiveness of the British economy by exposing it to the market forces of a European common market. It appeared to provide the necessary stimulus to Britain's international Fordist companies that could be the basis to reinvigorate the British economy (Overbeek 1990: 100-101). However, it was a strategy that potentially replaced rather than complemented modernisation of the British economy. Crucially, it was a significant change that the state could bring with some autonomy from domestic constraints because it was within the realms of foreign policy decision making. Yet, without economic modernisation, it was a blunt economic strategy that proposed the revival of British economy by exposing it to European competition and giving the economy a 'short, sharp shock'. In this sense, it was a traditional free trade approach to British economic problems. It was already clear by the mid 1960s that this strategy would have a negative impact on British balance of payments because the inadequacies of British industry would be exposed by the intensification of foreign competition (Crossman 1979: 259-260;Young 1998: 195-196,). By the early 1970s, the European strategy became at best a short-term instrument of crisis management, aimed at shoring up dominant fractions of British capital in the context of the crisis in American hegemony and a global economic downturn. From a longer-term perspective, an economic relationship between Britain and the EC was being established in which the main rationale for British membership was in order to act as a gateway for international capital. In effect, Britain was potentially undermining the EC's capacity to defend itself against the growing competitive pressures within the world economy.

A predominantly political economy approach to understanding the British post-imperial crisis and problems of political modernisation does not, however, detail the extent to which this crisis is also a crisis of national political identities. This has specific implications for understanding the relationship between the British state and the project of European integration. This particular element of the post-imperial crisis suggests that Britain can only be considered to be a highly contested or emergent 'nation-state'. Two features of this standout. Firstly, there have been persistent

struggles over ethnicity, citizenship and the position within British society of minorities from former colonies and other Third World countries (Halsey 1986: 67-76; Gilroy 1987; Anthias and Yuval Davies 1992: 40-60). The general trend of immigration policies was to restrict and control the entry of non-whites into Britain and this can be seen as part of an attempt to construct a national citizenry. However, the formal construction of a distinctive British national citizenship was not created until the British Nationality Act of 1981 and, reflecting the legacy of Empire, British citizenship policy was extremely ambiguous and complex (Hansen 2000). Secondly, there have been conflicts over the internal boundaries of the United Kingdom and, in particular, over the status of the 'subordinate nations' of Scotland, Wales and Northern Ireland within the Union (Nairn 1977, 2000, Cochrane and Anderson 1989: 54-62, Anthias and Yuval Davies 1992: 42-45). Clearly, the most visibly violent of these struggles have occurred in Northern Ireland as a consequence of the historical subordination and subjugation of the sizeable Catholic minority (O'Dowd 1985). The various attempts to resolve the problems of a multi-national British state remained within the Westminster system and did not include full federation. This contrasted with other European states where power increasingly shifted to regional authorities[47]. In general, the post-imperial period was marked by a continued struggle to reconfigure British imperial subjects as citizens, and this indicated the extent to which Britain remained at a distinct variance from other modes state building and their particular but established routes to citizenship and nationality (Brubaker 1989, 1992).

This struggle to reconfigure political identities was especially evident in relation to British membership of the EC, which was consistently presented by governing elites as a continuation, rather than a transformation, of the political order. As I argued in Chapter 3, this was central to the conservative strategy put together by the Macmillan government and it will be demonstrated in this chapter that 'Europe' continued to be presented as a way of stabilising and strengthening pre-existing conceptions of British interests and identities. What also occurred during the 1960s and 1970s was the intensification of the exclusion of Europe as it became something to mobilise against in order to construct and assert conceptions of British national identity and alternative projects for national renewal. In reality what the debate about the EC offered was a false resolution of the post-imperial crisis by resurrecting and recreating British

imagined communities[48] (Anderson 1991) in the face of the project of European integration. In effect, a British anti-state nationalism re-asserted itself at a time of crisis over modernisation. Here it is evident that while the opportunity to reconstruct the British state as a European nation-state through membership of the EC arose, the realisation of this was fundamentally constrained by existing traditions and identities reasserted within the post-imperial crisis. Indeed, 'new' or modified forms of legitimation were emerging in this post-imperial situation that foresaw only a limited role for European initiatives and centred around populist conceptions of British exceptionalism. The national 'community' was increasingly constructed through the exclusionary practices of the coercive state and the free market (Hall 1979 [1983]: 30). Evidently, the British nation was being reimagined and the contestation over the relationship to the European Community was a fundamental part of that process.

The key feature of this crisis was the failure of various attempts to carry out modernisation and that attempts to transform national-political identities were characterised by contradictions and failure. This crisis was expressed in the intensification of political conflict and, in particular, the breaking out of virulent forms of factionalism within the main political parties. The 1960s and 1970s were characterised by the fierce contestation over projects of national renewal. The problem was that these struggles were often reactive and defensive rather than transformative, in the sense that they remained as concerned with the reproduction of old structures of domination as they did with bringing about change. At the heart of this failure to construct a consensus around a programme of real social and economic change, was the institutionalisation of the political class within a political structure that increasingly worked against change. Governments and parties then continued to support the semi-rational structures of imperial rule. However, as these structures declined in legitimacy and new forms of representation, such as corporatism, failed to replace them, the state resorted to forms of coercion and populism[49] (Jessop 1980: 54-65). The continued conservative belief in the established institutions and outlook of the British state, underpinned and held together both the Labour party and the Conservative party, despite the growing divisions that emerged during the 1960s and 1970s (Nairn 1977; Marquand 1988; Anderson 1992). Significantly, Nairn identified

the continuation during this post-imperial period of a moribund nationalist ideology that was incapable of enacting significant change:

> 'This is the country where a deep-laid strategy of class alliance achieved the highest degree of popular integration into the affairs of the state... ... ... The result was a particularly powerful inter-class nationalism – a sense of underlying insular identity and common fate, which both recognised and yet easily transcended marked class and regional divisions. However, far from being a model of politically effective nationalist ideology, this complex was to become useless outside imperial conditions.'
> (1977: 43)

Thus despite the unique historical conjuncture that the post-imperial crisis represented, British political forces responded in a traditional form. In particular, they liberated international economic interests and asserted the power of the state in order to secure a renewal of accumulation. The personalised visions of a European British trajectory that were articulated by pro-European politicians, were often compromised and confused and did not form the basis for a coherent reconstruction of either the economy or national-political identities. The deep institutionalised visions of the relationship between politics and the economy, that were identifiable in other European member states and drove integration forward, were absent in the British case. This became particularly evident once the EC was constituted negatively by sections of the political class in order to reassert the legitimacy of the British state. The British state's relationship to the European project unfolds towards an uncertain and crisis prone accommodation with the EC.

From this inherently weak and divided domestic position, we can begin to fully appreciate the emerging 'awkward partner' status (George 1990) of Britain within the EC and how governing elites floundered in their attempts to engage with the re-articulations of the integrationist project. That this was the case became immediately apparent once Britain had entered the Community. In 1974, only a year after entry, Coombes commented that,

> 'In Britain the Community is still widely seen as a threat, while in the rest of the Community the British role increasingly appears as the final straw for an already ailing camel' (1974: 487)

In 1977, reporting on the first British Presidency of the Council of Ministers, Edwards and Helen Wallace pointed to the 'low profile approach of the government' and noted that,

> '..the first six months of 1977 have seen the government retreating before a resurgence of anti-Community feeling within its own Party, and have left the future of Britain's relations with her European partners as troubled as ever.' (1977: 286)

As was shown in Chapter 3, the Macmillan government attempted to articulate a vision of post-imperial renewal through the establishment of a British hegemonic role within Europe. This seemed to offer a post-imperial alternative to Empire through British domination of the EC. However, profound structural constraints on the realisation of this project emerged in the context of the post-imperial crisis. As I have indicated, the economic rationale for membership was questionable considering the structure and problems of British capitalism. In addition, there emerged fierce opposition to membership which prevented Europeanism becoming fully institutionalised in the British state and the wider society. It was evident by the 1970s that the possibilities of Britain becoming a hegemonic European power were impossible considering the intensification of the crisis of the social and political order. While the external barriers to membership weakened, its realisation was not the basis for the post-imperial renewal that those of the Macmillan era had hoped for. Core elements of British exceptionalism were being reasserted and reconfigured through post-imperial social and political struggles that constrained a British European trajectory. The idea that the national political order could be constituted within the boundaries of an economic and political Europe remained fundamentally at odds with British developments.

My intention in the remainder of this Chapter is to look more directly at the European policies and strategies of British governments between 1964 and 1979 and to explore the contexts and conflicts within which elite actions on Europe took place. The aim, therefore, is to continue to establish a sociological analysis of the British state's European trajectory which is concerned with structural reproduction through political struggle.

4.3 Failed modernisation and the European remedy: the second application to join the EC

The processes outlined above are evidenced by the shifting position of the Labour government towards membership during the period from 1964-70. A key event during this period was the shift in party policy away from the Gaitskell line on membership and towards the decision to apply for membership in 1967. Here we can begin to understand how European strategies are conceived as a solution to crisis tendencies and as a reaction to the failure of national projects. In 1966, the Labour government adopted the conservative European strategy of the previous Macmillan administration to regain the political initiative 'as a last ditch way out for Britain' (Frey 1968: 197). What is clearly identifiable is the fragility and lack of coherence of a strategy that fails to command authority as a vision for national renewal. It was therefore a fundamentally constrained and flawed Europeanism.

In Chapter 3 it was demonstrated that the position of the Labour party under Hugh Gaitskell to membership of the Community had been one of hostility. It was highly critical of the terms of entry negotiated by the Conservatives and only considered the possibility of membership on terms that were never likely to be accepted by the Six[50]. The unifying impact of the position was illustrated by the general lack of opposition within the party to Gaitskell's speech to the 1961 conference. This speech, described by Nairn as 'tear jerking patriotism and invocation of the imperial relics' (1973: 46), was clearly concerned with using the prospect of British membership of the Community as a basis for party and public mobilisation. The death of Gaitskell and the election of Wilson did not seem to imply any change in policy, especially as Wilson had defeated the longstanding pro-European George Brown in the leadership contest. The 1964 election manifesto followed the Gaitskell line and stated that Britain's first priority was the Commonwealth (Frey 1968; Young 1998). This remained the official line when Wilson called an election in 1966 to improve Labour's slender 1964 majority.

The Gaitskell approach to Europe had been based on its secondary importance to the Commonwealth. It was a belief that Wilson shared (Gowland and Turner 2000a: 160). During the 1964 election he committed a Labour government to increasing the Commonwealth's share of British trade, which had been falling under the Conservatives. For the Labour party, the Commonwealth was part of national renewal and would help restore Britain to its historical role at the centre of world affairs. However, trade with the Commonwealth only grew at a slow rate and the Labour government became disillusioned with the possibilities of these economic relations. The European Community became an issue during the 1966 campaign as a consequence of the pro-European position of Edward Heath, Leader of the Opposition. In a significant election speech in Bristol, Wilson restated the Gaitskell conditions for membership and accused Heath of giving in to the French:

> 'One encouraging gesture from the French government and the Conservative leader rolls on his back like a spaniel.' (cited in Gowland and Turner 2000a: 157)

However, by this stage it could be argued that Wilson was already beginning to move away from the Gaitskell position. On entering office he was increasingly influenced by a pro-European Foreign Office (George 1990: 37). During 1965, those on the left were becoming increasingly concerned about a drift into the Common Market (ibid: 36, Castle 1984: 33). Early in 1966 Wilson approved the formation of a top-level committee to examine the implications of membership, a committee which only the Prime Minister and Foreign Secretary were to know about (Young 1998: 186). After the election victory of 1966 secured a Labour majority of 97, the shift in policy became more pronounced with the appointment of George Brown, who was in charge of economic relations with Europe and who went on to become Foreign Secretary (Frey 1968: 199-200). What was occurring was a shift in the Labour leadership towards what the Macmillan government had attempted to make the established position of the British state.

In October 1966 a meeting was held at Chequers on membership of the Community. Crossman reflected in his Diaries that after reading papers distributed by George Brown and Michael Stewart, who took over at the Department of Economic Affairs

from Brown, it was clear that they 'now wanted full backing from the Cabinet for a new European initiative and it was also clear that ideally they would have liked a declaration of intent to sign the treaty (of Rome)' (1979: 259). At this meeting, Wilson announced that he and George Brown would tour the European capitals to clarify the issues and sound out opinion; this initiative became known as the 'probe'. The Cabinet was split and Crossman recounts a discussion in which he spoke up for a position that placed domestic considerations first:

> 'I regard little England as the precondition for any successful socialist planning whether inside or outside the Common Market. Whatever happens, we need to cut back our overseas commitments and withdraw our troops from the Far East and the Middle East.' (ibid: 261)

Crossman went onto argue for devaluation, suggesting that his colleagues should not view going into Europe as a way of retaining world power status (ibid). He also regretted that a paper on joining the North Atlantic Free Trade Area was not taken seriously (ibid: 262). These views reflected the position of the opponents of integration on the left[51] of the party who primarily wanted to see Britain as a strong socialist nation-state that maintained its internationalist and Atlanticist outlook. Labour's internationalism was in fact a hangover from imperialism that fitted in with the national sentiment (Nairn 1973: 70). It legitimated the continuation of the pursuit of the British state's world power status and the state's 'outward-looking' orientation. In contrast, Europe was viewed as 'narrow' and nationalistic. At this time, however, the extent to which membership of the EC was a threat to this vision did vary across the left[52]. The same could be said for those in the centre and right of the party [53](Bilski 1977: 310). In general, however, the core of the anti-Europeans was on the left, while the core pro-Europeans were on the right [54](ibid).

It is essential that the change in policy that occurred in October 1966 is viewed in relation to the crisis of the Labour administration. The Wilson government of 1964 was elected on a platform of domestic modernisation. Warde describes the project as a form of technocratic collectivism that redefined socialism in terms of 'purposeful administration by a meritocratic elite' (1982: 97). The economic proposals included state directed industrial investment and state economic planning in order to address

the incompetence of private sector management. The Wilson government put in place a set of reforms that included a Department of Economic Affairs overseen by George Brown that was to produce a five year plan and promote long term growth. It was inspired by the post-war French planning system and was intended to be a counterweight to the powers of the Treasury (Leys 1983:71). The dilemma was that in order for this economic policy to succeed it required an expansion of the economy, but this in turn threatened the value of the pound. Leading members of the government, including Wilson, seemed oblivious to the economic realities of the British economy and the implications of the proposals for economic expansion contained within the National Plan (Hennessy 2000: 303-304). Only months after taking office in July 1966, a run on the pound led to pressure to deflate the economy and the extensive and expensive policy commitments that had been promised in the Labour manifesto had to be curtailed[55]. The overriding goal of the government then became the traditional one of restoring international confidence in the pound through deflationary policies. This occurred alongside inflationary wage rises negotiated by a fragmented labour movement. After 1966, there was a return to stop-go, compulsory wage restraint and legislation was proposed to restrict strikes (Warde 1982: 108). The government had failed to use demand management to secure the cooperation of the trade unions to long term incomes policy commitments (Rhodes 2000: 167).

This effectively meant the end of the government's National Plan and, as Crossman reflected, 'the destruction of the Wilson myth' (1979: 232). The rest of the Labour government's period in office was dominated by the sterling crisis. Despite a devaluation in 1967, by 1968 the pound was in the words of Roy Jenkins, the Chancellor at the time, 'staring over the precipice into the abyss' (cited in Hennessy 2000: 316). The weakness of sterling and fragility of the Bretton Woods system of exchange controls meant that the pound came under intense speculation and was only shored up by a 4 billion dollar line of credit (Jenkins 1989: 230). Neither was the government able to bring about wage restraint and wages exploded alongside a dramatic increase in strike activity during 1969-1970. Clearly, the Labour governments of the sixties were unable to challenge orthodox economic priorities and were overwhelmed by the problems of sterling and the balance of payments (Jessop

1980: 40; Warde 1982: 107). Membership of the EC came to fill the void in economic policy.

A shift in the orientation of foreign policy also became particularly urgent as political relations with the Commonwealth deteriorated. This was most clearly evident over the issue of Rhodesia. When the white Rhodesian government declared unilateral independence, Wilson announced economic sanctions that he predicted would bring down the regime, but they failed to do so. The failure to solve this problem affected the unity of the Commonwealth nations and British prestige amongst them. Further problems concerning Britain's world role emerged in its continued military commitments East of Suez, including patrolling the Indian Ocean and the Persian Gulf and maintaining a presence in Malaysia. The Labour government committed Britain to maintaining these costly symbols of world power status in order to secure American support for oil sanctions on Rhodesia (Crossman 1979: 165; Gowland and Turner 2000a: 155). These defence commitments, however, were to prove too expensive to sustain and by the beginning of 1968 the decision had been made to withdraw all forces East of Suez, apart from those in the Persian Gulf and Hong Kong, by the of 1971. These developments intensified the need for alternative international arenas within which the British state could continue to be a significant global power.

What we begin to see at this time is a worsening of the post-imperial crisis. Even before the economic crisis of 1966, and pre-empting the second application for membership, Benn was commenting in his Diaries that,

> ' This country is so decrepit and hidebound that only activities in a wider sphere can help us to escape from the myths that surround our politics.' (14th January 1965, Benn 1996: 121)

In more general terms, there was 'a steady deterioration in the authority of the state and the dominant ideas of the political order' (Leys 1983:63). This was precipitated by the deteriorating economic position of Britain relative to the rest of the industrialised world[56]. A diverse range of challenges to the social order were emerging, including a rise in the number of strikes, ethnic and racial tension, civil

rights movements and urban guerilla warfare in Northern Ireland. As Halsey points out these 'domestic discontents fanned by economic stagnation, class and status inequalities were less and less easily contained by the traditional remedies of political liberalism, gentlemanly culture and civic incorporation' (1986: 151). The breakdown of the old imperial order had reached a critical point by the mid sixties, a position that was exacerbated by the Labour government's failed programme of modernisation.

It is within this context that the second application for membership of the EC took place. For the Labour government, a primary feature of this policy was that it would secure the position of Britain as a great power. At the October 1966 meeting, it was presented by Brown and Stewart as the 'only way to make sure that Britain kept her place at the top table' (Crossman 1979: 259). Membership of the EC seemed to offer the possibility of a return to great power status combined with opportunities for economic renewal through a revised external policy. In this sense, it appeared to enable the Labour government to recapture its place as the party of post-imperial national reconstruction without having to engage with the chronic problems of the domestic politico-economic structure.

Crossman identified the European policy as the new project of significant members of the Labour leadership being pursued as a way out of crisis by deflecting from political realities as well as helping to outflank the left of the party (ibid: 349). However, he was also aware of its potency as a solution to this national crisis. Shortly after the announcement of the Probe, he referred to his decision to tell Wilson that if he intended to take the country into Europe to make it clear in order to give the government some 'strategic direction' (1979: 270-271). He went on to say that 'at present we're falling apart because we haven't got any central purpose in life' (ibid). Despite reservations, clearly Europe was seen as capable of providing this purpose for much of the party. By 1967, Tony Benn was commenting in his Diaries that the government was now looking for a solution to its problems from the outside and was persuaded that the Common Market was the solution (Benn 1996: 171). Pimlott argues that it was a 'gigantic attempt' to distract attention from domestic and foreign policy problems and to revive the government's 'fighting spirit' (1992: 435).

The key element in persuading the Labour government of the viability of reviving British membership of the Community as a solution to crisis was the Civil Service (Young 1998: 177-190). By 1963, a European 'elite regiment' had emerged and established itself within key administrative offices of government (1998: 177). A 'new orthodoxy' was identifiable in the Foreign Office amongst the diplomatic corps who saw both their own and their countries future as being inside Europe (ibid: 177-178). Young, in particular, refers to the role of John Robinson and Sir Con O'Neill and argues that their appointment to Brussels marked the point at which the Foreign Office European policy became dominated by men who believed Britain belonged in the Community (ibid: 179-180). In the preparatory documents for the October meeting of the Labour Cabinet, O'Neill referred to a country adrift and in decline for twenty years and that entry into Europe would provide 'a new goal and a new commitment' which would 'crystallise its hopes and energies' (ibid: 190). The European political vision was presented to the Labour government at a time when its own project was in ruin. Wilson attempted to reignite Labour's idea of the 'technological revolution' by linking it to entry to the Community in the form of a European Technological Community (ibid: 193). After what Wilson believed was an extremely successful meeting with de Gaulle, he returned from the tour of the capitals convinced of the necessity of membership[57]. While the Cabinet was split on the issue, when it came to endorsing the statement of intent to seek membership it was supported by all except Douglas Jay and Dennis Healey and there were no major battles or resignations (ibid: 194-195; Crossman 1979: 348; Gowland and Turner 2000a: 165-166). Furthermore, opposition within the party and the trade unions was effectively neutralised by the time of the annual conference in 1967 when the NEC statement favouring entry was accepted by a heavy majority (Bilski: 1977: 311), an outcome indicative of the control the leadership and the Centre-Right pro-marketeers had at the time (ibid: 309, 313).

The decision by the Labour party to support membership of the Community was a reaction to a crisis of government coming out of the ruins of the National Plan. As this failure to transform British economy and society became clear, the leadership embraced the Conservative idea of membership of the Community as a strategy of contained modernisation and attached the Wilsonian theme of a technological

revolution to it. The underlying tenets of this approach remained the same as they were under Macmillan (George 1990:40; Frey 1968: 205-206). There was no conversion to the project of European integration, the aims of membership were to stop British economic decline and guarantee world power status. The policy was firmly couched within the language of British high politics. In Wilson's speeches on the issue he underplayed the integrationist project and emphasised the Anglo-American partnership and Britain's more global ambitions for the Community (see Frey 1968: 203-204). The issue can be seen as part of the Wilson government's, and in particular Wilson's, attempt to recreate itself, after the failure of its modernisation programme, as the party of national responsibility and of a more traditional paternalistic rule (Nairn 1973: 50).

The distinct limitations of EC membership as a strategy of economic revival and modernisation, considering the weakness of the British economy, at the time were overshadowed by the need for political momentum and a continued belief in an external free trade solution to Britain's economic problems. Crossman's reflections on the deliberations about whether to apply for membership at the October 1966 meeting are pertinent in this respect:

> 'To my great surprise he [Sir William Armstrong, Joint Permanent Secretary at the Treasury] admitted under questioning that entry in 1968 (which all the papers took as a working assumption) was now a bit too early in view of the time it would take to restore the economy to state healthy enough for entry. This remarkable discussion stimulated a long discussion of the timetable. Some officials suggested it would take two years of the slow growth we must now expect before we got the economy right and then another two years to prove that when growth started we wouldn't have inflation. I could see George Brown getting angrier and angrier at this point. The trouble about the morning session was that the Ministers present were determined to use the officials mainly to supply information confirming their own personal point of view.'
> (Crossman 1979: 260-261)

Any doubts about a shift in economic strategy towards the EC had disappeared by spring 1967 when British industry in the shape of the CBI overwhelmingly came out in support of British membership despite the immediate effect it might have on the balance of payments (Frey 1968: 218). Many large multi-national companies came out in support of membership as did the City (ibid: 219). This support cannot be

separated from the intensification of capitalist internationalisation and, in particular, the continued penetration of American dominated international capital into the European market (Miliband 1973: 14-15). A trend that was noticeably extreme in the British case where by 1970 all the top 100 manufacturing companies were multinationals (Gamble 1994: 110). As a result Gamble notes that 'Britain's relationship to the world economy was more like that of the United States' (ibid). This was further reinforced by the continued interpenetration of British and American capital.

In the event, the second application for membership was once again vetoed by de Gaulle. The French continued to view Britain's interests as too close to those of the United States. In addition, Schenk argues that the continued international role of sterling, combined with its weakness on the foreign exchanges was a particular cause for concern amongst the Six, and in particular, the French (2002: 366). There was a genuine fear that the Community would be called on to bale out the British economy when it faced another Sterling crisis (ibid). Even if this was not the case, the volatility of sterling as an international currency left Britain extremely dependent on the United States (ibid). These concerns were significant barriers to British membership in 1967[58].

Nevertheless, there was support for membership across many of the member-states and when de Gualle was replaced by Pompidou in 1969 membership became a real possibility. Early in 1970 the Cabinet endorsed a paper favouring membership of the Community. However the Labour government were defeated in an election twelve days before negotiations were about to start. By this stage there was growth in anti-Community feeling within the country[59] and the divisions within the Labour party were beginning to show in aftermath of a crisis ridden period in office. In March 1970, Peter Shore, a Minister without Portfolio in the Wilson government, made a speech critical of entry, arguing that the decision should not simply be made by politicians but should become a matter of public debate (Crossman 1979: 699). Crossman describes it as a 'remarkable' speech particularly in the sense that Shore gave no prior warning to the Prime Minister or the Foreign Secretary of what he intended to say (ibid: 700). This was indicative of the continued undercurrents of

opposition to what was a right of centre leadership and a conservative European policy (Bilski 1977: 309). The growing opposition to membership pre-empted the shift to the left that was occurring within the party and was to become fully manifest once Labour entered opposition (ibid). This growing mobilisation of the Labour left around an anti-EC stance was a significant unintended consequence of the shift in policy of the leadership towards the European strategy of the British state, put in place by the Macmillan government.

Despite this emerging opposition, a number of factors combined to make it possible for the Labour government to pursue a European strategy. Crucially, what had occurred by the end of sixties was the establishment of considerable support across the political class for membership. It was the stated policy objective of both major parties and had strong support within business circles and across powerful sections of Whitehall. Frey argued that the move towards Europe seemed to reflect a real transformation in the consciousness of the political class (1968: 230). Entry into the EC was now held up as a long-term economic panacea and as a new arena for British leadership that would restore world power status. However, as with the Macmillan regime, the Labour government emphasised continuity through national renewal inside the EC, but failed to grasp 'the significance of the new international experiment', as had been the case during the first application (Beloff 1963: 177). This was a conservative strategy of flawed Europeanism that reflected the continuation of an imperial liberal ethos within the British state. The fragility of this strategy was evidenced by the opportunistic manner it was taken up by the Labour government, the divisions within the party and the volatility of public opinion (Durant 1968: 234). It therefore lacked a wider and deeper legitimacy. In short, it was a constrained and limited strategy that was not underpinned by a coherent vision of British renewal along the lines of a Fordist European nation-state. It was unsurprising that the left of the Labour party objected to what was in essence a reassertion of a British free trade strategy albeit one that particularly benefited multi-national companies and international financial capital.

4.4 Entry into the Community: the Heath government and flawed Europeanism

By the late 1960s and early 1970s, superficially, the economic and political climate
appeared ripe for the Europeanisation of the British state and society. These factors
included, firstly, the internationalisation of the European economy and the continued
direction of British overseas trade towards Europe (Northcott 1995: 200). Secondly,
with de Gaulle's resignation in 1969, a relaunch of the Community took place towards
the end of the sixties and British entry was seen to play a significant part in that.
Finally, in 1970 the Conservative party was back in power under the fiercely pro-
European leadership of Edward Heath, who viewed membership of the Community as
a defining plank of the government's programme (George 1990: 49; Morris 1996:
129; Gowland and Turner 2000a: 168-169; Turner 2000: 64). Indeed, it appeared that
the Heath government was finally able to implement the Macmillan strategy of
modernisation through membership of the EC. Heath articulated a British-European
vision that was clearly influenced by the Macmillan government within which he had
served and his leadership appeared to lay the basis for the renewal of a strong British
European policy. The fundamental aim was the same; membership would finally
secure Britain's place as a leading European capitalist nation-state. The argument
here, however, is that the Heath government failed to articulate or institutionalise a
coherent British European project. Alongside its failed domestic political agenda, its
European strategy was characterised by crisis management and legitimation problems.

Edward Heath then took office as Prime Minister at a key moment in Britain's
relations with the Community. Heath had led the negotiations on entry under
Macmillan and came to power when it was clear that the member-states were looking
favourably on British membership. In addition, much of the preparatory work had
already been undertaken by the previous administration. What distinguished the
Conservative administration from the previous Labour one was the apparent depth of
its commitment to European entry and this counted for much in achieving a positive
outcome. For Heath, British membership of the EC appeared to be a goal to be
achieved at almost any political price (Campbell 1993: 336; Morris 1996: 129;). This
reflected the fact that Heath's life story was that of a committed European (George
1990: 49; Young 1998: 216-222). He had been strongly influenced by Churchill's

powerful proclamations for a United States of Europe made in the aftermath of the war and, in his maiden speech in June 1950, he criticised the government's failure to become involved in the Schuman plan (Heath 1998:145-146). When the first bid for entry came to end with de Gaulle's veto, Heath's concluding speech restated in the clearest terms Britain's commitment to Europe:

> 'The end of the negotiations is a blow to the cause of the wider European unity for which we have been striving. We are a part of Europe, by geography, history, culture, tradition and civilisation... ...' (Heath 1998: 235)

In his Godkin lectures of 1967, Heath outlined his European vision (Heath 1970). He argued that the forms of international cooperation that took place in organisations such as the OECD was insufficient and argued for an active European Commission (Lord 1993:38). He put forward the possibility of a European defence system and suggested the pooling of French and British nuclear weapons (Young1998: 221; Heath 1998: 361). He evidently wanted to place Europe at the centre of British foreign policy, above either the Commonwealth or the United States (Heath 1998:361). It was a strategy that distinguished committed European politicians not only from the traditionalists, but also from the opportunists. However, it was a paradoxical vision of transformation in that it was also a vision of continuity. Heath argued that the Community was structured in a similar fashion to the British state. It had institutions that were pragmatic and open and in which there was no need to 'specify end states or theological principles of arrangement' (Lord 1993:39). On sovereignty, he said that effective state sovereignty would be increased as the membership of the Community increased the range of choices open to the British state (ibid: 37). This comment seemed to suggest that the British state could opt into what it liked and out of what it did not. What Heath was effectively doing was fashioning a vision of the Community that fitted with a British national ideology, the aim being to clear the ground for Britain to become a dominant power inside the Community once membership was achieved.

In order to secure Britain's leadership role inside the EC, modernisation and expansion of the economy was necessary. A second major feature of the Heathite strategy on Europe was the belief in its contribution to economic renewal. The

133

exposure of the British economy to European competition would, it was believed, keep down inflation, producing an influx of foreign capital which would help to finance new investment and eventually reduce the balance of payments deficits (Lord 1993:23). This was part of an overall economic strategy designed to increase the competitiveness of the British economy by removing some of the constraints on economic management and allowing industry to resolve its own problems[60] (Gamble 1994:123). Turner thus refers to membership of the EC 'as the external arm of the Party's domestic Selsdon strategy' (2000: 64). In general the aim was to end economic decline by increasing the exposure of British society to the discipline of market forces and providing new opportunities for revitalised British international companies. It was to lay the basis for a sustained expansion of the economy. In particular, the urgency of this new economic strategy was reinforced by the crisis in the American economy. By 1968 the American economy was running a running an overall deficit on its balance of payments. By 1971 there was a renewed dollar crisis and a shift towards more protectionist policies (George 1990: 43). These developments unleashed an international economic crisis as the United States appeared to withdrawing from its role as the world banker. For British large-scale capital dependent on the Eurodollar market and on overseas investment, the collapse of the international economy under American hegemony was particularly difficult (Nairn 1973: 25-26; Overbeek 1990: 127). In the context of the continued chronic problems of the domestic economy and the crisis of the American-led international order, outward-looking British capitalists opted for Europe (Nairn 1973: 26). While pro-European politicians saw in Europe the opportunity for a market led strategy of national economic modernisation, powerful elements of British transnationalised capital supported entry into the EC in order to secure their foothold within the international economy. These economic pre-conditions therefore reinforced the urgency of implementing the government's European policy.

Despite the force of economic conditions, the government's European policy was facing an intensification of legitimation problems. In March 1970, only 22 % of the electorate favoured entry compared to 64 % against (Butler 1979: 151). Clearly, this has to be seen in the context of the growing divisiveness of the policy, both within and across the main parties. Against the background of public scepticism, the European

policy of the Conservative party under Heath was in fact played down during the election campaign. The party only committed to negotiate with the Community, 'no more, no less' (The Conservative Manifesto 1970 in Craig 1990: 130). Yet it became clear that the main priority of the government was to secure entry first and then to sort out any difficulties once inside the Community (ibid: 226, George 1990:56). It was believed that this would deny the Six the weapon of refusing entry to Britain as a way of dictating terms in any negotiations (Young 1973: 211). Furthermore, there was a fear that another veto would reopen divisions within the party (Turner 2000: 65).

The negotiations on British membership lasted for eighteen months and concerned the position of sterling as an international reserve currency, Commonwealth trade, agriculture and the British budgetary contribution (George 1990:50). The issue of sterling was of particular concern for the French who wanted to see it brought into line with other currencies. However, it was agreed that this would not form part of the official negotiations for entry (ibid: 51). The British accepted the Common Agricultural Policy and negotiated special arrangements for Caribbean sugar and New Zealand dairy produce. In order to reach a successful deal on the latter, the British were forced to make concessions on their budgetary contribution (Young 1998: 231-232). When the negotiations reached a particularly difficult stage in spring 1971, it was unclear to the British whether the French were looking for a way of preventing British entry (George 1990:54). The situation was resolved by a summit between Pompidou and Heath, in which the British Prime Minister successfully reassured the President of Britain's commitment to a European future. What Pompidou wanted to see was a clear historic shift in the British attitude. Heath convinced him of this by claiming that the 'special relationship' with the United States was over and that Britain, like France, could only continue its 'world vocation' in partnership with its European partners (Heath 1998: 370). This prioritisation of Europe represented a decisive break with the position of previous governments and it secured Britain's entry into the Community. In particular, the government committed itself to running down the sterling balances with the implication that the world role of sterling would be ended (Gowland and Turner 2000a: 176). It was, however, made against a background of a general loss of confidence in the international hegemonic rule of the United States and, thus, a loss of confidence in the 'special relationship' (George

1990: 45). Nevertheless, considering the continued economic and military dependency of Britain on the United States, it could not be seen as anything more than a temporary readjustment, rather than a profound structural reorientation. In fact, membership secured an important strategic role for Britain *vis a vis* the US and the EC, as a gateway for American multi-national companies to enter the European market[61]. In addition it secured the City's position in the Eurodollar market, which itself had seen a dramatic invasion of American banks during the 1960s (Strange 1971: 234). This interdependence of American and British economic interests both necessitated and problematised Britain's role as an intermediary between America and the continent. Evidently, the formal breakdown of Bretton Woods in 1973 and the end of the sterling area lessened the importance of the pound as an international currency, so that it was no longer a significant barrier to British membership. However, it did not necessarily alter the underlying structural inter-relationship between the British and American economies and, in particular, financial capital. Nowhere was this more evident than in Britain's position as a chronic international debtor nation particularly dependent for credit directly from the US, as well as the US dominated IMF (Strange 1971).

The Heath government appeared to pursue entry into the European Community on the understanding that it represented a historical shift in the identity of the British political order. In fact it was a compromised and constrained position that reflected the tensions that had been evident in the earlier strategy of the Macmillan government, as well as a deepening of the problems of legitimation. The negotiations avoided the 'deep, existential meaning' of Britain's relationship to Europe, the relationship of Britain to the future of the integrationist project or the question of sovereignty (Young 1998: 238). They were effectively a technocratic exercise interrupted by some high politics designed to reassure the French. While still in opposition, Heath had made the claim that any enlargement of the Community could not occur without 'the full consent of the peoples and parliaments' (Heath 1998: 362). The issue, however, was not presented to the public in terms of fundamental shift in British political identity, but over 'whether it is in the interests of the country to go into the Common Market or not' (ibid). As Young points out, *'Heath was talking cost of living, not cost of nationhood'* (1998: 240 emphasis mine). The debate over membership had a

136

particular role to play and it was not to prepare the country for a radical transformation of the political order, as Nairn notes:

> 'No ideal debate really 'stands apart' from basic social antagonisms – least of all, surely, in an over-organic national unity like Great Britain. If it fails to give voice to them, the chances are it is functioning in some way to stifle them. In that case, the deadly inertia of the 'Great Debate' must have come from its role as obstacle, or diversion, in the play of social forces. Paraded as a noble expression of national dispute, it must have worked in reality as repression – as reaffirmation of the national consensus, the sacramental unity. *The aim of the national breast-heaving was only, in the end, to pull the national corsets tighter still.'* (1973: 8 emphasis mine)

This was a very conservative vision of national renewal through membership of the EC that emphasised continuity through change. This was evident in the Heath White Paper on membership. It claimed that sovereignty would not be eroded and what was being proposed was an 'enlargement and sharing' of sovereignty (ibid: 246). Young argues that in the Commons debate on the European Communities Bill to ratify membership, the political implications were disguised (ibid: 247-251). In bringing the debate to a close, he claims that Heath was 'as soporific as could be' referring to a commitment which '*involves* our sovereignty' but from which 'we are also gaining an opportunity' (ibid: 247). The focus was thus on the economic benefits and not on what would change but on what would stay the same (ibid: 250-251). The government failed to articulate its vision of the future of Europe (ibid: 254). Heath's view is predictably different. He argues that the 'public information campaign on the outcome of negotiations was the most comprehensive ever by a post-war government' and that this campaign focused on both the political and economic issues (Heath 1998: 378). In defence of the comprehensiveness of the political debate, he cites Lord Douglas Home's (Foreign Secretary) speech in 1971 to the Conservative Group for Europe which emphasised that the application for entry was of 'the utmost political significance' (ibid: 378). Heath claims this was 'perfectly clear' in his closing statement on the Commons debate:

> 'I want Britain as a member of a Europe which is *united politically*, and which will enjoy lasting peace and the greater security which will ensue.' (ibid:380 emphasis mine)

This was, however, a *secondary discourse* that was subordinated to a more depoliticised emphasis on economic benefits and on continuity and stability through membership. In fact, Heath's position on integration was not entirely coherent. Although he viewed the Community as a unique political entity, he had little time for supranationalism or Federalism, as is evident from his comments on the 1972 Paris summit commitment to the formation of a European Union:

> 'I had argued that European Union was an admirable objective which could only be achieved by pragmatic steps. The European Union has always developed *sui-generis*... ... ...When the European Union reaches the end of its development, it will remain *sui generis*. I believed, therefore, that there was little point in debating theoretical arguments about federalism. What we are concerned with was making a success of the European Community, and the word 'Union' allowed us to do just that.' (1998: 391-392)

What exactly 'sui-generis' meant in this context can only be assumed to be some notion of pooled sovereignty of states which Heath had referred to in his Godkin lectures and in other speeches and statements. If it is possible to identify the position of the Heath government, it saw the Community primarily as an intergovernmentalist arena for the pursuit of British interests (Morris 1996: 129). In the negotiations on entry the government defended the veto and was identifiably 'Gaullist' in its approach to the Community (Butler 1986: 118, 159). In general, entry into the Community was not part of a profound rearticulation of national interests and identities within a broader project of constituting a European political order, but was driven by the need to sustain some deeper conception of an existing national unity. In this sense, Heath's comment that the word 'Union' was 'useful' can be seen as a failure to appreciate the worldview that was rooted in the process of European integration. In short, for the Heath government membership of the EC was about replacing Empire with Europe, as it had been for Macmillan; a strategy that looked increasingly unrealistic against the political and economic problems of the early 1970s.

This conservatism became evident in the reluctance of the government to constructively engage with the attempts to renew the project of European integration that were occurring from 1969 onwards. The Conservative government was viewed as resistant to progress towards economic and monetary union when they refused to

138

allow sterling to re-enter the 'snake'[62] unless the German government was prepared to underwrite its value (George 1991: 52; Gowland and Turner 2000a: 179). This was not acceptable to the Germans without wider policy coordination (ibid). It was also evident that in a number of other areas, including technology and social policy, the Heath government was resistant to joint policies (ibid: 51 George 1990: 58). The exception was on the European development fund, although George claims that this was a 'pragmatic response' in order to offset the losses that would result from participation in the CAP (1991:51). In general, the Conservative government's position represented 'less a change of direction than a change of tactics' which could be attributed to America's abdication from the responsibility for managing the international economic system (ibid: 50-51). The government 'attempted to fill that gap by organising the EC as a strong actor in world affairs under British leadership, much as de Gaulle had tried to organise it under French leadership' (ibid: 53). In this sense, the Heath government failed to understand that in the process of integration, national interests were not so much antecedents but outcomes of European negotiations. Underlying this was the lack of any real conviction to resolve Britain's post-imperial crisis within a wider European framework. After membership, therefore, tensions inevitably emerged between Britain and its partners. In effect, the British government seemed unable to articulate a coherent and constructive approach to EC membership.

4. 5 Contexts and constraints: evaluating the British accession to the EC under Heath

In a clear irony, membership of the Community under the Heath government was a monumental event, but one deeply rooted in notions of the historical continuity of the British state, and not in its reconstitution as a leading state within an emergent European politico-economic order. It continued to be a strategy designed to rescue the British state from decline and crisis, without engaging in any substantial restructuring of the state regime. The Conservative government's commitment to EC membership was a consequence of Heath's own biography, the changing international circumstances and its continued usefulness as a political strategy at a time of crisis. Significantly, the Heathite 'vision' of the relationship between Britain and the

Community gained ascendancy in the context of the failure and exhaustion of alternative bases for renewal, including the special relationship with the United States. At a time of international economic crisis, class conflict and civil strife in Northern Ireland it became the 'essential instrument' for achieving a degree of unity across the political class (Nairn 1973:36). Nairn points out that 'it, and it alone, offered the way out from the pitfalls which seemed to dominate the political landscape of 1970' (ibid). In particular, it reflected the immediate interests of British internationalised capital. After 1972, it was the only element of the Selsdon strategy still in place and the only way the government could reassure British capital[63]. Membership was eventually achieved against the background of an unsustainable expansion of the economy, that resulted in a balance of payments crisis for the incoming Labour government, and growing trade union militancy due to the failure of the government to secure trade union reform and wage restraint. The latter was most clearly evident with a large miner's strike and pay claim that eventually led to the fall of the government. In effect, a European strategy of long-term modernisation became a contingent instrument of crisis management, associated with the reassertion of powerful economic interests and the failure of the government's reform programme. We can conclude that the Heath government failed to institutionalise a legitimate British-European project. While the European situation may not have been conducive to such a fundamental reorientation, it was clear that membership of the EC did not imply a serious confrontation with the problems of British exceptionalism. The basis for establishing Britain as a leading European nation-state within the EC had not been achieved and membership was contested and compromised.

The weakness of the Heath government's position was evident in the significant European splits emerging within the Conservative party. The passage of the European Communities Bill was only secured for the Heath government by support of the Jenkinsite faction within the Labour party[64]. Heath was faced with the extreme opposition to membership by a faction of Conservatives under the leadership of Enoch Powell. For Powell, membership of the Community was seen as the end of British independence and as a fundamental threat to the British way of life and national sovereignty (Powell 1971; 1975). From the late sixties the opposition within the Conservative party, influenced by Powellism, had entered a new phase and was

less concerned with empire and commonwealth than with Franco-German domination and its anti-free market policies (Turner 2000:62-63). These arguments were to be echoed during the right wing mobilisation against the EC/EU during the 1980s and 1990s (ibid). In his opposition to membership, Powell was supported by forty Conservative MPs and this obliterated the government's majority during the passage of the Bill on accession. Although Heath allowed a free vote on the passage of the Bill, the belief in 'loyalty to the leader' continued to dominate the party and the anti-marketeers were marginalised in the party[65] (Morris 1996: 128). Nevertheless, the seeds were sown for a right wing backlash against the European policy of the Conservative party. In general there was growing scepticism about Heath's enthusiasm for Europe once he retreated on his Selsdon strategy after 1972 (Turner: 2000: 65). This did not mean the Conservative party was to stop being the 'Party of Europe' and by 1975 this was the orthodox position (Grimmond and Neve 1975: 94, Morris 1996: 129), yet this position was unequivocally subordinated to a particular conception of *a strong British nation-state.*

Even as membership was being achieved, the link between British post-imperial renewal and modernisation and participation in the European Community, that had been central to the Macmillan, Wilson and Heath governments, was being fundamentally challenged. Indeed, the evidence suggests that the European modernisation strategy had become a strategy of last resort, a 'substitute' policy that lacked real depth and was played up during the various crises of projects of national renewal. The danger was that European policy became part of a 'crisis of crisis management' (Offe 1984) that only exacerbated the lack of a wider and deeper legitimacy across the public and the political class. The more these legitimation problems arose the more governing elites unsuccessfully attempted to depoliticise the European issue by re-emphasising its conservative role as a policy of stability and continuity. As we shall see this became particularly evident during the Labour administrations of 1974-1979.

4.6 The exclusion of Europe and the ascendancy of pragmatic nationalism

By the time entry into the European Community had been secured, cross party support for membership had fractured. The opposition to the EC on the Tory right was paralleled on the Labour left. This reflected the polarisation of the main political parties as more extreme political forces grew in significance (Leys 1983: 41). Increasingly, membership of the European Community became a battleground around which national political projects were contested (George 1990: 76-77). Clearly this was an unintended consequence of the decision to join the Community that governing elites had not forseen. As crisis conditions intensifed and were exacerbated by the growing divisions within the party, the Labour governments' approach to Europe was subordinated to the needs of party and national unity. Increasingly, the EC was being evoked by significant sections of the political class not as the saviour but as the 'other' of the British nation. Such a perception was to have significant implications for Britain's role as a member of the Community and on the construction of a British European vision. The objective of those members of the governing elite who continued to support membership was to *pragmatise* Britain's relationship with the EC and to establish it as a *depoliticised* feature of domestic statecraft. We may, therefore, characterise the emerging position of the British governments towards the EC in the early years of membership as *pragmatic nationalism*, i.e. to continue to engage with the EC but to do so in terms of exclusive conceptions of national interest and identity. In effect, this meant the assertion of policy objectives within which the EC had little importance. Thus the European Community had no place in the attempt and failure by the Wilson government to construct a stable corporatist regime under the aegis of a 'Social Contract'[66]. Furthermore when the international economic crisis deepened, the solution to the fiscal crisis of the Callaghan government was to be found in the form of the IMF and to emphasise an Atlanticist approach to the global downturn.

During the Labour party's time out of office, between 1970 and 1974, it became increasingly split on the issue of Europe as the party shifted to the left (Bilski 1977; Benn 1996: 249-250; Young 1998: 270-271). The debate on membership 'played a

decisive role in the reconstruction of power and ideological balance inside the Labour Party' (Bilski 1977: 316). The left opposed membership increasingly viewing it as a form of 'narrow regional integration' dominated by French nationalism and as a threat to British socialism and to the British nation (Nairn 1973: 63-67)[67]. On the other side, the Jenkinsite faction of pro-Europeans remained firmly committed to a brand of European social democracy. They were the strongest supporters of a European future for Britain to be found across political spectrum. In July 1971, a special conference was held on membership of the Community at which the irreconcilable divisions within the party were clearly visible (Bilski 1977: 319). The left then used the issue in a highly effective manner to mobilise support and increase their power in the party. Nairn argued that the issue became seen as a way out of the crisis of the Labour party after a disappointing period in office:

> 'In 1970-71 Labourism was suffering from defeat and deep disorientation, and coping very badly with the situation. And its ominous incapacity to find renewal ideologically was demonstrated against the background of rapidly falling membership and militancy, and the marked trend towards embourgeoisement... ... This was the state in which the Party confronted the great debate [on EC membership]: a declining empire of national socialism, lifeless at the top and increasingly unsure of its old social basis.' (1973: 81)

In an attempt to contain the splits within the party, in 1972 the Labour shadow Cabinet decided to support a proposed amendment to the European Communities Bill by Enoch Powell calling for a referendum, a proposal that Tony Benn had originally put forward in 1970 (Benn 1996: 255). It was an opportunistic stance taken to try and undermine the government in the context of domestic problems, but was also a way of uniting a party that had become fundamentally split on the European issue. Wilson dealt with this split by siding with the left and supporting the referendum but he was unable to do this without committing the party to a more oppositional stance. This led to the resignation of Roy Jenkins in April 1972 and was indicative of the strength of the left at the time. During 1972 and 1973, the party was just held together by a commitment to opposing the terms of entry negotiated by Heath and supporting a referendum on the issue. This then was the position of the party when it took office in 1974.

The re-negotiations the British government entered into have been characterised as a 'sham' with no suggestion of revising the Treaty of Rome or the Treaty of Accession (Greenwood 1992: 100)[68]. The German Chancellor Schmidt described them later as a face saving, cosmetic operation undertaken for the British government (Young 1998: 283). A number of concessions were made to the British on issues such as Commonwealth trade and the CAP. By the time of the Dublin Council in March 1975 the two outstanding issues were British budgetary contributions and New Zealand butter. Wilson approached the meeting as 'a St. George figure who knew how to stand up to foreign dragons and would never sell his country short' (George 1990:86). His defence of the interests of the white Commonwealth was popular with the British public and large sections of the Labour party. Wilson also rejected calls for increased harmonisation, falsely implying that the Commission was about to impose on the British people a 'Euro-loaf' and 'Euro-beer' (ibid: 87). Wilson was, therefore, able to sell the renegotiations, which only added up to a number of minor and qualified concessions by the Community, as a victory for the Labour government and the British people. Such tactics were designed to enable Wilson to move both his Cabinet and party in favour of continuing support for British membership. Wilson effectively used a strongly nationalist position to legitimise the continued membership of the Community on pragmatic grounds. Inevitably, it meant ditching any attempt to link membership of the Community with a broader project of British renewal and modernisation.

Even this position, however, was difficult to sustain. When Wilson publicly stated his continued support for a referendum in January 1975, he attracted considerable criticism from within a deeply divided party. He nevertheless succeeded in producing a Cabinet majority of 16-7 in favour of membership based on the renegotiated terms and a majority in parliament (Young 1998: 284, Benn 1996: 313). Divisions within the Labour party by this stage were particularly deep and so intense that a parliamentary victory was a only achieved with the support of the Conservatives. Six members of the Cabinet dissented from the Cabinet line, including Tony Benn, Barbara Castle, Michael Foot, Peter Shore, Willie Ross and Eric Varley. During the Cabinet debate on the impact of membership on national sovereignty, both the pro and anti-marketeers defended their positions as consistent with the continuation of British

144

parliamentary sovereignty (ibid: 343-345). Wilson at one point claimed that the British parliament had the power to come out at any time (ibid: 344). Both sides presented themselves as the guardians of the British constitution. These persistent divisions within the party were further exposed when the dissenters in the Cabinet began to mobilise the party against continued membership (Benn 1996: 313-315). By the time of a special Labour party conference in April 1975, a large majority voted against membership.

During the referendum campaign, it was the *Yes* campaign that galvanised the British political classes. The leading establishment figures from business, politics, the media and, even the church, lined up in support of Britain in Europe (George 1990: 94-95). Its endorsement by the Labour leadership was a key factor in the increased support for continued membership (Butler 1979: 154). The *Yes* campaign emphasised the economic case for membership[69] and considerable attention was given to the effects on the cost of withdrawal (George 1990: 94; Young 1998: 291). They presented their case for continued membership as a pragmatic economic necessity and emphasised the control of national governments over European decision making. (Young 1998: 293; Gowland and Turner 2000a: 211). It was fundamentally a conservative case for British membership that made no mention of any restrictions on British sovereignty as a consequence of membership. There was no engagement with the project of European integration as representing a fundamental transformation of the British state. As Young points out the *Yes* campaign,

> '..conformed to the old familiar rule, the golden thread of deceptive reassurance that runs through the history of Britain's relationship with the European Union up to the present day: our entry was essential, our membership is vital, our assistance in the consolidation is imperative – *but nothing you really care about will change.*' (1998: 293 emphasis mine)

All the confusions of the British European strategy that had been evident at the time of the Macmillan government, and reflected a fundamentally reoriented rather than restructured political order, were therefore being restated. Yet, the emphasis was more focused on the pragmatic economic necessity of membership rather than the revival of world power status that had been so central to the Macmillan approach.

The *No* campaign focused more directly on the issues of sovereignty and nationhood. This was the position of Powell and those Conservatives who opposed membership. They were joined in their concern over the nation with those on the Labour left such as Shore, Benn and Foot.   Shore proclaimed that membership of the EC meant that the 'long and famous history of the British nation and people has ended' (cited in Young 1998:292). In a letter in to his constituents in December 1974, Benn outlined what was to be his fundamental reason for opposing Britain's membership in the referendum campaign:

> 'Britain's continuing membership of the Community would mean the end of Britain as a completely *self-governing nation* and the end of our democratically elected Parliament as the supreme law-making body in the United Kingdom.' (Benn 1974: 38 emphasis mine)

Benn ,therefore, aligned himself with a simple and populist left wing nationalism and against the realities of an advanced international capitalism and its political reorganisation. Nairn points out that the left viewed the Common Market as a 'disease' of capitalism, like high imperialism or fascism, and not as a new post-national stage in bourgeois society, within which there was also the opportunity to strengthen the position of the working class and European socialism (1973: 145-146). Ignoring the realities of international capitalism[70], and the possibility of crafting a distinctive national-European accumulation strategy, those on the British left continued to perpetuate a socialist utopia of national economic autonomy. They envisaged a dilution of the possibilities for socialism in Britain as a consequence of membership of an entity that was seen as capitalist and driven by consensus politics (Castle 1980:404). In the Cabinet debate, reflecting the view of the left, Benn argued that membership meant 'Britain will be governed by a European coalition government that we cannot change, dedicated to a capitalist or market economy theology' (1989: 346). The left's defence of the nation meant they found themselves in an unlikely alliance with Powell and his supporters. Powell proclaimed that membership of the Community meant the end of the British parliament and with it national independence (Powell 1978: 35). During the battle over the passage of the European Communities Bill he had argued that membership of the EC would be bitterly opposed by the British people:

146

'If Brussels. Luxembourg and Paris are imagining that the 'English gentleman'
will now 'play the game', they will be rudely undeceived. These resentments
will intertwine with all the raw issues of British politics: inflation,
unemployment, balance of payments, the regions, even immigration, even
Northern Ireland: and every one of these issues will be sharpened to the
discomfiture of the European Party.' (Powell in Ritchie 1978: 43-44)

Thus on both the left and right 'Europe' was evoked as the 'other' of British freedom
and national identity in order to revive the old Westminster system and construct the
'imagined community' of the United Kingdom. These populist projects of national
renewal drew on a distinct British state nationalism that was realised in opposition to
a political 'Europe.'

In the event the final referendum vote was strongly in favour with 67.2% *Yes* vote on
a turnout of 64.6%. This was not, however, the endorsement of the British people for
the European project, but a vote for the status quo in support of the position outlined
by their leaders (Butler and Kitzinger 1976: 280, George 1990: 95, Greenwood 1992:
102). The public effectively endorsed the *conservativism* of the European strategy of
the British state. Membership of the Community came to represent a sense of
continuity and security at a time of British decline and crisis. However, the authority
of the vote was questionable and this was indicated by the fact that by 1978 there was
a majority telling Mori that they would vote against continued membership (Butler
1979: 151). One noticeable feature of the *Britain In Europe* campaign was the
distance kept by Wilson[71], Callaghan and Thatcher, who was newly elected as leader
of the Conservative party (Young 1998:298). Young judges that they 'recoiled from
the political implications of an issue which party could not accommodate' (ibid: 298-
299). Political leaders were attempting to neutralise the issue and in doing so they
moved away from fully endorsing the importance that the Heath-Macmillan
governments had attached to British participation in the EC for post-imperial renewal.

The domestic conflicts over Europe during the 1970s were particularly important in
establishing Britain as the 'awkward partner' in the EC (George 1994). The instability
of the legitimacy of British membership meant that there were fundamental
constraints on British governments adopting a more assertive European strategy and

147

fully engaging with the process of integration as a leading member-state. Evidently, in the context of a post-imperial crisis that now included an intensification of domestic Euroscepticism, to try and turn Britian into a hegemonic European state was unrealistic. That this was so became immediately evident after the referendum when the Wilson government blocked and disrupted a range of Community policies on energy, pollution controls, transport and the European Regional Development Fund[72]. It was, however, under the Callaghan administration that this shift away from the British-European modernisation 'vision' of Macmillan and Heath was finally confirmed. In order to contextualise this important development it is necessary to consider what was happening to the British economy at the time.

4. 7 The shifting balance of domestic forces and the further decline of Europeanism

The referendum campaign had taken place against the end of the government's 'Social Contract' as a strategy of national renewal and modernisation. There was a rise in inflation to 30% by the summer of 1974, a balance of trade deficit of £3,323 million by the end of 1974 and widespread structural unemployment that had reached over 1 million by October 1975 (Coates 1980: 12; George 1990: 75). The government could only handle the deficit by raising huge international loans that in turn added to the burden of public spending (Coates 1980: 19). The dilemma was that the 'Social Contract' that was designed to stimulate economic growth could only do so by shifting resources away from the greater social wage on which the contract had been constructed (ibid: 23). After 1975, therefore the government was forced to try and win trade union support for wage cuts and ending industrial disputes (ibid: 25). The capacity of the government to achieve a cooperative relationship with a hostile and fragmented labour movement was limited. In effect, the social contract became a mechanism for achieving wage controls and any consensus on the social wage that had been achieved began to break down. In March 1976, Wilson resigned and was replaced by Callaghan. The latter took office in the at a time of worsening economic conditions with continued high inflation, unemployment and a large balance of payments deficit. The record levels of public sector borrowing finally gave rise to a sterling crisis that consumed the Callaghan government for its first nine months[73]. A

148

run on the pound was ended by an IMF loan of £3.5 billion[74]. The main consequence of this loan was that the government's economic policy was subordinated by the deflationary goals demanded by the IMF. This resulted in the largest cut in public spending since 1945 (ibid: 39-41). However, by 1977 Britain's financial position had improved as a consequence of an increase in the value of sterling and there was a fall in the rate of inflation. During 1977, the government was able to reflate the economy. Economic conditions improved with unemployment levels stabilising and the economy growing by 3 % in 1978 (ibid: 48). However, the weaknesses in the British manufacturing base meant that imports began to rise and there was growing speculation on sterling (ibid: 48-49). The British economy remained trapped in a stop-go cycle which during anarchic nature of international capital of the 1970s was that much harder to escape from. Furthermore, the government had failed to achieve a productive relationship with the trade unions based on a social wage consensus and on which a more coordinated response to economic problems could have been based (Rhodes 2000: 170).

Whether these problems could have been eased in the short term by pursuing a European course of action remains debatable[75]. However, the government's approach to the global economic crisis was to move in the direction of an Atlanticist solution. As we have seen, such a position was entirely consistent with the direction of British international economic policy since the end of war. However, during the period 1975/1976 the implications of this position were particularly profound, due to the rejection of Keynesianism[76] by the Labour government and the subordination of fiscal and monetary policy to the rules imposed by the IMF. In effect, the British government had concluded that the only solution to Britain's problems was to allow the economy to be dictated by international market forces[77] and that domestic conditions had to be favourable to international capital accumulation[78]. Panitch emphasises the significance of the British case in the shift to flexible accumulation brought about under U.S. hegemony:

> 'The conditionality attached by the IMF to the British loan of 1976 was a momentous break with Bretton Woods protocol. For it amounted to nothing less than the imposition of financial capital's long-standing preferences for price stability and priviate investment as the pre-eminent goals of economic

policy, upon a major Western state whose people had just voted for public expenditure and full employment.' (2000: 12)

The Callaghan government rejected a European monetary policy in the form of the European Monetary System (EMS) in favour of solutions to be carried out under the surveillance of the IMF. The EMS was proposed by a German government that believed Washington's approach to international monetary policy, emphasising the role of stronger economies leading the world out of recession, resulted in increased speculation against the Deutschmark (Greenwood 1992: 105). Helmut Schmidt, German Chancellor of the time, stated that 'the whole management of the dollar by the American Administration was absolutely intolerable' (cited in Jenkins 1989: 247). The EMS proposed a system of exchange rates fixed to a common European parity, based on the Deutschmark, but with room for movement up and down. There would be substantial short and medium credit facilities available to governments who faced speculative attack. The British government's position in the negotiations on membership was extremely cautious and in some cases hostile to the whole idea (Jenkins 1991: 441-446). In the face of party opposition and American doubts about the system, the position of the government was to adopt informal membership. Greenwood comments that this approach to the EMS indicated 'Callaghan's standoffishness towards Europe and the old hankering for a more global approach to economic management' (1992: 106). It can be seen as another reassertion of a post-imperial British conception of a global market society within an Atlanticist framework and, *in opposition*, to the pursuit of a more substantial European policy. Panitch argues that the Labour government was not only 'managing the British crisis' but 'explicitly saw themselves as junior partners with the US in managing the international crisis, through policies to accelerate the free flow of capital' (2000: 13). This traditional response to another British financial crisis was out of step with a country that was a recent member of the Community and whose partners clearly had considerably more interest in British national economic regeneration than the US. It would have been unlikely that a more coordinated European response to Britain's crisis would have expected the shift towards a neo-liberal policy agenda.

The importance that had been attached to the EC membership for post-imperial renewal by previous administrations was being questioned during the second half of the 1970s. The emerging assault, not only on welfare spending, but also on the principles of collective social welfare (Hall 1979: 29) implied a recomposition of the balance of forces within the British politico-economic order (Jessop 1980: 82). The change was in favour of a new Anglo-American neo-liberal model of economic development that re-asserted the private political power of capital[79]. In a reversal of the principles on which the Keynesian-welfare state ideal had been based, an attack on social and industrial rights was viewed as a legitimate way to increase competitiveness and restore capitalist accumulation.

In this context, the Labour government was ill-prepared to pursue a more constructive European policy that would have exacerbated party divisions and undermined its ideological appeals for national unity[80]. What was notable about the 1974-1979 Labour government was the importance it attached to the concept of the nation in order to maintain public and party support[81]. By the late 1970s, Warde notes that all that was left to the Labour government was 'patriotic symbolism' (1982: 156). In effect, the move towards a more globalised domestic economy and a more coercive state was given legitimacy under the guise of national unity.

Ultimately, the entrenchment of Britain's 'awkward partner status' under the Callaghan regime has to be seen as part of the move towards a distinctly British conception of a strong state that was necessary to support the reorganisation by the forces of international capitalism. The dilemma was that the British government still had to engage with the business of the EC and this proved to be increasingly difficult. In January 1977 the British assumed Presidency of the Council of Ministers for the first time. By this time the government was embroiled in a number of difficulties with the EC over the common fisheries policies as well as the CAP. The approach of the British Presidency was outlined by Crosland, Foreign Secretary, at the European parliament. It was notably 'low-profile' and emphasised ' a cool and realistic appraisal of what was feasible, rather than by over-ambitious and misleading commitments to rapid integration' (Edwards and H. Wallace 1977: 284). The Presidency, therefore, was not used as an opportunity to pursue a more active and constructive approach to

the Community (ibid: 286; George 1990: 124). Nevertheless, an area the British government were more enthusiastic was the enlargement of the Community[82].

Further problems arose with the EC over the agreement to implement direct elections to the European parliament by May 1978. The proposal was inevitably met with considerable opposition within the Labour party. The Green Paper on this issue was initially debated in March 1976, but the eventual Bill was not passed until the government was forced to introduce a guillotine order in January 1978 (Broomhead and Shell 1977: 152; 1979: 127). This motion was passed by 314 votes to 147 with considerable cross voting, with nearly half of those voting against emanating from the backbenches (Broomhead and Shell 1979: 17). In the committee stage Dr David Owen, the Foreign Secretary, proposed that any further increase in the power of the European parliament would require a British Act of Parliament (ibid). The government's approach to the EC was constrained by the shift towards the left that had occurred within the party yet this only reinforced a more general scepticism across the political class. This was particularly evident in the attitude towards direct elections, which were considered to be 'at best irrelevant and at worst a threat to British democracy in the eyes of all but a minority' (H. Wallace 1981: 122). A compromise had been reached in the Labour party by 1977 on membership yet this was achieved because of the willingness of the leadership to take a more belligerent line within the Community (The Economist October 8th 1977: 18). Membership was to be tolerated as long as it was firmly subordinated to national interests. This was the clear intention of the position outlined by Callaghan in a letter to the Labour party Secretary, Ron Hayward (ibid: 60-62). He wrote that withdrawal was out of the question because of its impact on relations with the United States and he called for the maintenance of the authority of national governments and parliaments (ibid: 60). He also warned of the dangers of an 'over-bureaucratised, over-centralised and over-harmonised Community' (George 1990: 126). In effect, Callaghan was setting out the parameters of Britain's involvement within the Community and establishing a European strategy that emphasised the containment of membership and its subordination to the Washington Consensus[83].

4.8 Towards the strong state and the global economy

In their dealing with the EC post-referendum, the Wilson-Callaghan regimes did not demonstrate any serious commitment to the European project. They were not committed to membership on anything more than pragmatic grounds. They pursued a highly truncated European strategy and a belligerent approach to the Community that lacked even the limited vision of the Heath government. The pursuit of anything more than this was ruled out by the continued hostility of the large numbers of anti-Europeans within the party and the government's reliance on the unifying appeal of the concept of the nation. In this context, even the conservative strategy of Macmillan and Heath became suspect. There was, therefore, no coherent European strategy being pursued that was linked to a broader British project of integration. The pragmatic nationalist approach of the Labour governing elite implied the pursuit of exclusive and rigid conceptions of the national interest. It could be said that while other member-states were responding to crisis by beginning to contemplate further European integration, British governments were engaged in limiting the impact of membership. Particularly significant was the recomposition of the shift in the balance forces in favour of international capital that was achieved through the intervention of the American dominated IMF. Ironically, such a policy fitted with the anti-European sentiments within the Labour party at the time. From this perspective the attitude of the Labour governments to the EC can be viewed as opposition to the establishment of a European mode of regulation to re-introduce some sort of governance into the global economy. In effect, the crisis of global Fordism and the particularities of its British expression saw the Callaghan government resort to a neo-liberal Atlanticist strategy that had the objective of ensuring international accumulation despite its impact on the domestic social order. Thus, any European strategy was now firmly contained within the newly established parameters of the British politico-economic regime. If the possibility of establishing domestic Fordism within a European arena had been pursued in a contradictory and flawed manner since Macmillan, it was now being rejected as a possible basis for post-imperial reconstruction.

While the Conservatives were more united and viewed as the 'Party of Europe', the appeal of Powell had sensitised the party to the electoral possibilities of linking together economic liberalism and a populist nationalism. Powell was a consistent opponent of the Heath government and laid the ground for the rise of the New Right within the party with its emphasis on the free market and the strong state (Gamble 1994:141). For Powell, there was clear logic in his opposition to British membership of the EC and his political agenda. For him, joining Europe was a direct threat to the British state and a betrayal of the nation by the Conservative party. Powell persistently evoked the nation by his opposition to the Community. However, the Conservative party remained fiercely loyal to the leadership and Powell increasingly alienated himself from the wider party. He eventually refused to fight on a Conservative platform in 1974. In contrast, the election of Thatcher to the leadership of the party in 1975 was a victory for a nationalist neo-liberalism from inside of the party. Notably, when Thatcher won the leadership of the Conservative party in 1975, she reversed the European priority that Heath had imposed on the party (Young 1993: 143). She championed the moves towards a strong state and the relentless exposure to market forces that had already begun to occur under the Callaghan administration (Gamble 1994).

4.10 Conclusion

Despite the Heath government's actions in finally achieving British membership in 1973, the general direction of political forces during the 1970s was a downgrading of the significance of a European strategy for national renewal. This reflected the fact that membership of the EC had not become part of a new state directed capitalist accumulation strategy which was underpinned by the introduction of new regulatory political forms into the British state. It was not about restructuring but salvaging existing political and economic interests.

In the context of crisis and decline, the legitimacy of a European strategy remained suspect. The move towards the exclusion of Europe within the national political discourse became particularly apparent with the shift in the Labour party towards the left and the rise of a more populist nationalism in the Conservative party. Its

immediate impact was to reinforce an attitude to the Community that was already centred around traditional ideas of the national interest and national identity. But it went further than that, and even those politicians who accepted membership of the Community as an essential part of Britain's future, distanced themselves from the more contentious and ambiguous elements of the Macmillan-Heath strategy that emphasised national renewal through Europe. This reflected the extent to which the British state's post-imperial trajectory was being constructed in terms of an aggressive (and regressive) reassertion of British exceptionalism. This peculiar 'nationalism' was divorced from modernist associations with state building and constituted itself in opposition to political modernisation. By the late 1970s, it was only possible for British governments to engage with the Community on highly pragmatic grounds. They were resistant to moves towards further integration and negotiated with the EC on the basis of exclusive notions of British identity and interests. The idea that a post-imperial Britain was to be constructed as a leading European nation-state inside the EC proved less and less likely. The Callaghan government confirmed the subordination of Europeanism within British politico-economic thinking to that of Atlanticism and an emerging Anglo-American neo-liberal project.

With the crisis of global Fordism, the flawed attempts to internalise and Europeanise Fordism within the British politico-economic order came to an end. Instead there was an unequivocal move in the direction of international flexible accumulation that was concomitant with rearticulations of British exceptionalism. In liberating international economic forces and facilitating this through the assertion of state power, the British state was responding to crisis in its traditional form. By so doing, Britain was taking up a particular position in the context of globalisation that was not to prove entirely compatible with further moves towards European integration. As we shall see in Chapter 6, this trajectory was fully realised under the Thatcher administrations between 1979-1990 in a form that intensified the already difficult relationship between the British state and European integration.

155

Chapter Five

The Second Wave of European Integration: A Process
of Political Modernisation?

The discussion so far has examined the problem of the British state and European integration from the perspective of global Fordism and its emerging crisis. The problems of the British state's European policy have been shown to be a consequence of the failure of a post-imperial regime to establish a Europeanised project of domestic political modernisation. In this chapter, I suggest that the parameters for action by European political elites were fundamentally changed by the shift from Fordism to flexible accumulation (Harvey 1989). I explore the responses to these changes in the form of the second wave of European integration. The project of European integration as it was pursued between the mid 1980s and the1990s, can be seen as a form of political modernisation (Held 1995; Habermas 1994,1999; Walby 1999; Hutton 2002). From such a viewpoint, the European Union is best understood as a progressive, yet uncertain and contested, political response to the recent processes of globalisation encapsulated in the move to flexible accumulation. In particular, I want to emphasise how national and supranational elites came to make certain choices in favour of furthering European integration as a potential response to contemporary political and economic conditions. In doing so the Chapter will focus on the Single European Act (1986) and the Maastricht Treaty (1992).

Within this context, the continual problems of British political modernisation and its relationship to European integration are reconfigured. While the second wave of European integration was seen as the basis for the reform and modification of European regulated capitalism in the context of globalisation, in Britain an aggressive nationalist neo-liberal regime questioned many of its core assumptions. This forms the essential background to the rest of the thesis which explores the relationship between the contradictory Thatcherite restructuring of the British state and European integration between 1979-1994.

5.1 The second wave of European integration

The second wave of European integration may be considered to be initiated by the Single European Act (1986) and culminated in the Maastricht Treaty (1992)[84]. These two agreements represented the most significant steps taken towards an integrated Europe since the Treaty of Rome (1957). This revival of European integration has to be placed within the intensification of economic globalisation and the ending of the Cold War. These developments were part of the acceleration of processes of flexible accumulation and the emergence of risk societies while old assumptions about social organisation were increasingly undermined[85] (Beck 1992, 1999). The re-launch of the integrationist project was therefore a distinct political response to these new realities and uncertainties. However, it also reflected the specific problems of political action and, in particular, the struggle to legitimate political programmes at a time of political disenchantment. The problem that British governments had with the direction of European integration during the 1980s and 1990s has to be seen as a significant struggle within the broader parameters of the contestation, if not crisis, over an emerging European model of global governance. Given the importance of developments in the process of European integration, I want to begin by exploring the major agreements that formed the substance of the integration process during the period in question and then go on to examine how different theoretical frameworks can help us understand these events.

Although the global economic slowdown of 1970s effected the whole of the Western world, the European economy suffered particularly badly relative to its major competitors (Wise and Gibb 1993: 52). The EC's share of world manufactured goods fell from 45% in 1973 to 36% in 1985 (ibid). In particular, the Community was showing lack of competitiveness in the high technology sector and other areas of growing demand. This left them vulnerable to import penetration from Japan and the USA (ibid: 55-56). Furthermore, the response of many European countries to the economic recession had been to erect non-tariff barriers and subsidise loss making firms in order to protect national economies (ibid: 60). The negative effect on intra-Community trade was increasingly evident as the Community failed to provide the

underpinning for economic growth that was the basis for the European welfare state settlement[86]. The widespread perception was that the national Fordist welfare state was no longer the engine of European economic integration but had become the major barrier to its success. The problems with the European economy were confirmed by the Albert and Ball Report (1983), commissioned by the European parliament, which catalogued the demise of the European economy between 1973-1980. By the early 1980s it was clear to all member-states that the European economy was only going to regain its competitiveness by the completion of a single market and an increased coordination of economic and monetary policy (ibid: 61). A key factor in the eventual success of this policy was the commitment of the French government to a European economic policy.

In the early 1980s, a socialist government under Francois Mitterrand had to end an attempt to expand the French economy in the face of a financial crisis brought about by intense international speculation against the Franc. The French experiment proved that it was no longer possible for national governing elites to produce desired macro-economic outcomes, the pursuit of which could in fact undermine economic stability (Schmitter 1996b: 10). In France, the consequence was the *politique de rigeur* introduced by Jacques Delors[87]. The intensification of international competition and growing autonomy of financial markets indicated that by the early 1980s the European economy was becoming the victim of powerful forces of economic globalisation. In particular, the US was actively destabalising the international economy by implementing a tight monetary policy and increased government deficit spending, this raised interest rates and pulled investment away from Western Europe (Geyer 2000: 41). Ross notes that,

> 'The international financial blackmail tactics of the Reagan administration,
> coming after a decade of confusion caused by the collapse of the US-run
> Bretton Woods system, argued for a specifically European response in trade
> and monetary areas.' (1992: 56)

In 1983, the French government report explicitly put forward a European solution for the French economy, emphasising the growing inability of national governments to find national solutions to Europe's relative economic decline (Ziltener 1997: 18). The

report put forward proposals for a single market, social legislation and qualified majority voting (ibid: 18-19). It emphasised the importance of the French-German axis in pushing forward integration and raised the possibility of a two speed Europe if some countries were reluctant to proceed. This report was, therefore, central to the formulation of the objectives for the French Presidency of the European Council in the first half of 1984. At the European Council in Fontainebleau in June 1984, it was agreed to follow the Mitterrand line and an Ad Hoc Committee for Institutional Affairs (the so called Dooge Committee) was establish with a mandate to examine possibilities for political unity (Ziltener 1997: 22). The Dooge Committee Report was presented in 1985 and made a number of recommendations, foremost of which was the completion of a genuine internal market by the end of the decade (ibid: 29-30). It also called for the strengthening of the European monetary system and economic convergence. There were additional recommendations for a European social area that would include a dialogue between employers and employees over the harmonisation of social policy. Furthermore, it emphasised the need to promote common cultural values and the establishment of a unified approach to external affairs. The majority on the Committee concluded that institutional reform was necessary to achieve these goals (George 1990: 178).

The possibilities opened up by the European Council meetings were grasped by Lord Cockfield, vice-president of the Commission, who produced a White Paper on *Completing the internal market* (Commission 1985a). This highly technical document outlined a practical programme for the completion of a European single market and was approved by the member states at the Milan EC Council in 1985. The Dooge Report and Cockfield's paper formed the basis for the negotiations that took place at the European Council meeting in Luxembourg in December 1985. The terms of the Single European Act were agreed and came into force in July 1987 after ratification by each of the member states. It is evident that the SEA was a 'package solution based on barter' and inevitably consisted of a number of compromises between the various member-states (Ziltener 1997: 40). Despite this, it achieved its overriding objective, the liberalisation of European markets. The economic benefits of a single market were loudly trumpeted by the Commission which, under the powerful leadership of Delors, saw the single market programme as a basis on which to relaunch the Community

(Grant 1994: 66-67). However, the case for the single market was not fully outlined until the Cecchini Report 1988 which attempted to provide a 'solid body of scientifically-assembled evidence as a means of judging the extent of the market fragmentation confronting European business and Community policy makers alike' (1988: xviii). This outlined a free market solution to European economic problems arguing that the intensification of competition brought about by market integration would result in a lowering of costs, greater efficiencies and the consequent restructuring of European industry (Cecchini 1988). However, there was more to the SEA than simple market liberalisation; the Delors Commission successfully linked completion of the internal market to institutional change and an increase in the competencies of the Community (Ross 1992: 57; Ziltener 1997: 57). These other measures appealed in particular to those member-states who wanted to see an extension of the political and social dimensions of the Community. There was a range of political initiatives that extended the role of the Community in relation to areas such as cohesion, environmental and social policy. At the institutional level, the SEA extended qualified majority voting for most areas of the internal market programme and the power of the parliament was increased by the Cooperation Procedure that allowed it to amend proposals. Significantly, the SEA eroded the 'veto culture' that had been initiated by the Luxembourg Compromise (Ziltener 1997: 42; Howe 1994: 458). In general, the implication was that European re-regulation was to accompany national de-regulation.

The Delor's Commission considered the SEA to be the beginning of a new expansionist trajectory for the Community. At the centre of this was the Delorsian view that Europe had to construct itself as an organised space that had sufficient common identity to enable it to avoid becoming 'Japanified, Americanised or globalised' (Delors 1992, cited in Grant 1994: 163) The SEA was therefore part of a more ambitious project of transnational regulated capitalism that was designed to transform Western Europe and revive the 'European Social Model' in the context of the moves towards flexible accumulation (Delors 1992; Ross 1992; Hooghe and Marks 1997). Thus the principles of social solidarity, social protection and social partnership were to be pursued at the European level alongside the necessary liberalisation of the European economy. The aim was to construct a distinct European

political space that would be legitimised by the deepening of European formal democratic structures and would eventually lead to the establishment of a federated Citizen's Europe (Grant 1994: Chapter 7; Hooghe and Marks 1997: 11). Crucially, the Delor's Commission used the SEA as a basis for further spillover initiatives. It was indicative of the extent to which the Commission had become a policy entrepreneur, able to exert its bureaucratic pressure and '"soften up" the opposition of member-states, while waiting for a window of opportunity to open' (Majone 1996: 74). In the wake of the SEA, Ross describes the unfolding of this strategy:

> 'Delors was certain that the completion of the single market would place the Community on a new expansionist trajectory. The Commission's new political capital was thus quickly reinvested in what he and his staff called a *'Russian doll' strategy*. Commission leaders and their member-state allies had carefully included vague but potentially expansionist commitments – the 'new competences' – in the Single European Act, many of which were originally canvassed in the European Parliament's earlier ' Draft Treaty on Political Union', While various communiques from the European Council pointed in similar directions. EC heads of state and government were thus on public record as committed to moving ahead. President Delors was eager to remind them of their commitments. Hardly had the ink dried on the Single Act when the Commission and its leaders were prodding Europe towards newer and wider aspirations.' (Ross 1992: 58-59 emphasis mine)

Thus, the Commission had become the key player in the integration game, brokering deals that pushed the member states closer together and expanding the Community's supranational potential. Over six years the various 'Russian dolls' were uncovered and by the Maastricht European Council of 1991 it was evident that the construction of 'a new integrated and federalizing Europe had reached the point of no return' (ibid: 65).

The most ambitious proposals on the agenda were the plans for economic and monetary union (EMU). The proposals for EMU were put together by a committee of Central Bank Governors under the Chairmanship of Delors. As Chairman, Delors was able to move the governors towards a consensus on what he wanted (Ross 1995: 81). Indeed, a member of his team reflected that 'there wasn't a phrase in the final paper which he didn't author' (ibid: 82). The Delors Report was published in 1989 and supported the three stage architecture for EMU that had been outlined in the 1970

161

Werner Report. It was expected that the member-states would move from completion of the internal market and membership of the European exchange rate mechanism (ERM) to economic convergence based on agreed criteria. The conditions would then be in place for the implementation of the final stage that would involve the establishment of a European central bank (ECB) and a single currency.

There was, however, to be more to the Community's new trajectory than the EMU. Delors continued to emphasise the necessity of expanding the social dimension of the Community in order to complement economic integration. A key objective here was to deter the practice of social dumping whereby companies and countries would attempt to gain competitive advantage within the internal market on the basis of low social costs. The possibility of social dumping appeared to be increasingly likely as multinational companies developed a range of business strategies that cut across national boundaries (Wise and Gibb 1993: 153). In response to these fears, the Commission put forward the 'Community Charter of the Fundamental Social Rights of Workers' 1989; a non-legally binding declaration on which a programme of social policies was to be put forward by the Commission (ibid: 160).

As the member-states negotiated the Social Charter, the integration process was overtaken by events as state socialism collapsed in Eastern Europe and the Cold War came to an end. Delors and the Commission capitalised on these developments by supporting German unification and then outlining a programme of Community enlargement. This would firstly encompass the EFTA countries and subsequently reach out to the ex-socialist regimes. Crucially, in 1989 it was agreed with the US that the Community would co-ordinate aid, the bulk of which was European, to the East (Ross 1992: 60). The end of the Cold War and the expansion of its external policy had also confirmed the need for the Community to develop a more active and co-ordinated foreign policy.

At the Maastricht negotiations in December of 1991 the member-states, acting on a range of proposals from the Commission, began to re-draw the political architecture of the Community and rethink its range of responsibilities. Despite the limitations of the various policy preferences imposed by national governments, the member-states

went a long way to establishing Delors' concept of Europe as an 'organised space' between the nation-state and the global market. Some of the most important agreements were as follows:

- A timetable was agreed for the establishment of EMU that followed the essence of the 1989 Delors Report. EU responsibility was extended into new areas such as public health policy, transport and (except Britain) social policy.
- New arrangements were put in place for formalised intergovernmental cooperation over foreign policy and justice and home affairs.
- A new Committee for the Regions was established and the financial support for poorer regions was increased, almost doubling the overall size of the structural funds (Geyer 2000: 144-145).
- For the first time the concept of a distinct European citizenship was introduced and the citizens rights were formalised and extended.
- New powers were given to the European parliament including the right of veto over certain areas of legislation.

Schmitter notes that the Maastricht Treaty was the outcome of a 'hastily assembled compromise' and as such was 'an intrinsically incoherent document' (1996b: 131). In particular, it was rooted in the technocratic economism that had been characteristic of the Community since the 1950s (Marquand 1992). The main implication of this was that it failed to address the critical problems of legitimising the EU and the real political obstacles to further integration. Despite these limitations, it did point in the direction of a possible stable European political order that was neither straightforwardly intergovernmental nor supranational in character. Schmitter argues that we can only get to grips with the new political structure that Maastricht inaugurated if we imagine a polity that does not have the monopolising and centralising characteristics of a nation-state but does have,

> 'the capability to take decisions, resolve conflicts, produce public goods, coordinate private behaviour, regulate markets, hold elections, respond to interest group pressures, generate revenue, incorporate new members, allocate expenditures, send and receive diplomatic representation, conclude international agreements and even declare and wage war!' (1996b: 132)

Both theoretically and substantively, Maastricht seemed to confirm the development of the EC/EU as a unique form of multi-level governance (Peterson 1995; Marks and Macadam 1996; Schmitter 1996b; Cram 1997). The implication was not only that day-to-day policies, but history making decisions within the EU were increasingly the product of complex political interactions between national governments and supranational institutions as well sub-national authorities, social movements and interest groups. Indeed, as discussed in Chapter 2, it implied a revolution in the political architecture of modern governance.

The implicit implication of the multi-governance perspective is that, in the wake of the decline of the nation-state as an exclusive political organisation and without a European state, the dominant political category that defines European political society is that of *civil society*. There is an evident pluralisation and fragmentation of European societies and the emergent multi-level polity both reflects this process as much as it attempts to organise and regulate its progress. These developments are however uncertain and ambiguous as the integration process has yet to reach an end point[88]. The question arises of what kind of European economy has been constituted by political elites clearly motivated by the need to reconstruct some kind of distinct European civil society in the face of international threats. This debate frames the further discussion of theoretical approaches to the EU discussed in the next section. It also provides the focus for the discussion of the role of the British state in relation to the development of the EC/EU during the 1980s and early 1990s.

5.2 Europeanisation: an effective response to globalisation?

In recent years a profound critique has emerged of those features of globalisation associated with changes in work, consumption and technology (Bauman 1998, 2000; Gray 1998, 2000; Sennett 1998; Young 1998;). A global neo-liberalism has been seen to have brought about the naturalisation of inequality, the subordination of politics to 'uncontrollable' economic forces, the rise of individualism and exclusive identities and the intensification of the experience of insecurity and uncertainty. This has been driven by a *financialization* of the global economic order that has imposed policies of

164

fiscal constraint and low inflation onto governments while amplifying financial wealth (Arrighi 1994, 2003; Greider 1997). The debates concerning processes of Europeanisation raise fundamental questions about the reconfiguration of power in the face of globalisation (Wallace 2000; McGrew 2002). In particular, to what extent is the European Union primarily a vehicle for a regressive economic globalisation, of deregulation and deflation? Or, does it imply a genuine form of political transformation and modernisation? In the remainder of this Chapter, I will address these questions. This forms the basis by which the recent articulations of British exceptionalism are compared in the next two chapters.

That the processes of integration outlined in the previous section imply a progressive reorganisation of political and economic power in the context of globalisation remains contested (Schmitter and Streeck 1991; Scharpf 1994; Streeck 1995, 1996; Burham and Bonefield 1996a, 1996b; Mishra 1999). As we have seen, the SEA was concentrated on the liberalisation of European markets and reflected the renewed dominance of a market oriented policies. The Maastricht Treaty imposed strict monetary and fiscal constraints on those member-states participating in EMU, limiting public spending and forcing member-states to impose policies of welfare retrenchment (Mishra 2000: 40). In an important contribution to this debate Schmitter and Streeck argued that recent European developments favoured capitalist interests and that integration was fundamental to the deregulation of European corporatism (1991). The consequences represented a clear attempt to construct Europe as a coherent politico-economic space at the expense of social contracts[89]. The establishment of the single market, they argued, represented part of a shift from national corporatism to transnational pluralism:

> 'European-level relations between capital and labour, instead of constituting
> the core of the European political economy, will for the foreseeable future
> remain compartmentalized in the private sphere of large multinational
> enterprises and will thus be essentially non-political and voluntaristic in
> character.' (Streeck and Schmitter 1991: 158)

The reformed EC/EU resembled a pre-New Deal liberal state which exhibited 'a high level of civil rights.... a low level of political rights.... an even lower level of social

rights....[and] the almost complete absence of industrial citizenship' (Streeck and Schmitter 1991: 152). The key factor here was the decision by the member states to move towards 'mutual recognition' instead of harmonisation (ibid: 149). Streeck came to a similar conclusion regarding Maastricht which he argued failed to introduce meaningful market correcting measures or a system of European level neocorporatist governance (1995: 402). The implication was that states deregulated at the national level without re-regulating at the European level. In essence, the second wave of integration traded the break-up of the national Keynesian welfare state to maintain the integrity of a European economy in the face of the wider forces of globalisation (Schmitter and Streeck 1991). But the practical result represented a European variant of flexible accumulation that accepted the renewed ascendancy of market forces:

> 'Deregulation thus spread from the United States to Britain, the country with the most open capital markets, and from there to the European continent, meeting with declining resistance in changing domestic political economies.' (ibid: 148)

From this perspective, European integration is firmly located within the process of globalisation as part of the drive towards 'flexible accumulation'[90] (Harvey 1989). In essence, the EU can be placed alongside global institutions such as the IMF that have been the mechanisms for breaking up nationally regulated labour markets and undermining national welfare states. Burnham and Bonefield, for instance, have comprehensively argued, from the perspective of a Marxist class analysis that European monetary regimes and the establishment of a single currency have been driven by the need to impose fiscal discipline on the working class (1996a, 1996b). As Bonefield notes,

> 'EMU, then, inscribes the neo-liberal policy of market freedom associated with Hayek though the creation of European supranational institutional devices that check expansionary responses to labour conflict.' (2002: 132)

The clear limitations of the Maastricht Treaty in establishing political legitimacy and the wider problems of the democratic deficit reflect the underlying logic of contemporary European capitalist development (ibid: 132). The nation-state is incorporated within a 'European republic of the market' and monetary policy is

166

effectively shielded from national class conflict. Thus, the lack of a broader political Europe is therefore essential if the EU is to facilitate the functioning of the market. European multi-level governance implies the restructuring of political institutions in line with an intensification of global capitalist domination and the maintenance of the system of European nation-states in order to contain class conflict. Europe becomes a bounded economic space while the nation-state retains a central role as the instrument for securing social order within particular territorial compartments.

As a project of political modernisation, the above analysis suggests that the Delors projectwas fundamentally flawed in its belief that European markets could be liberalised while simultaneously constructing a Citizens Europe of regulated capitalism. Instead, European integration appears as a process designed to depoliticise the intensification of capital accumulation by those hegemonic and globalised fractions of capital. States primarily function as coercive entities and national political communities are undermined by market forces. Nevertheless, even those who are pessimistic about the European project acknowledge that it cannot be reduced to economic factors alone. Walby (1999) has questioned the analysis developed by Streeck and others and, in particular, claims that the regulatory potential of the European Union has been underestimated. Drawing on Majone's (1996) conception of the EU as a regulatory state with considerable juridical power, Walby concludes that,

> 'The European Union is a polity which has responded aggressively to the perceived threat of globalisation. It is no passive victim in the manner often postulated as the role for nation-states within globalisation theory. During this process the strength of this polity has grown considerably, becoming a fully fledged supra-state, developing new policy capabilities, sometimes at the expense of the capacity for action of its member states. The EU has demonstrated a response to globalisation in which a polity has been significantly reconfigured and aggrandized.' (Walby 1999: 134)

To substantiate this argument, Walby refers to the extensive regulatory role played by the EU in relation to gender relations which she argues represents a more progressive institutionalisation of gender equality than has been evident at the level of the nation-state (ibid: 130-133). For Walby, those who question the role of the European Union

167

as a progressive force have unduly focused on class relations. In support of her analysis, she cites other examples of this progressive policy regime including environmental regulation, health and safety, and consumer protection. In a similar vein, Falkner claims that the Delorsian social dimension has been partially institutionalised within the European Union (1998). In particular, it is evidenced by the construction of a corporatist policy community following the Maastricht social policy reforms and the agreements on a range of regulatory projects including works councils and rights for part-time workers (ibid). The main conclusions drawn from these assessments of the recent development of the European social dimension is that the European Union is not an *inherently* neo-liberal, deregulatory regime but that there are significant institutional developments re-organising and re-regulating political interests at the supranational level.

It is also possible to view EMU as a central part of the project to establish the European Union as an effective and extensive political order. EMU represented an attempt to contain the pressures imposed by the crisis of Fordism and enable a deeper and more coordinated response to the financial and monetary relations of the global economy (Grahl 1997: 244-245). As Grahl points out EMU was primarily a French project designed to make possible 'a fundamental challenge to existing world monetary relations and a move towards greater symmetry between Europe and North America' (ibid: 204). It was therefore conceived as an alternative to the limitations of the Washington consensus and European doubts concerning American management and mis-managementof the international monetary system[91]. As such, EMU is necessary for any progressive post-Fordist modernisation of European societies and represents a potential economic framework for constructing a European political community in opposition to the regressive strategies of economic globlalisation. As Hutton argues,

'The arrival of the euro cements the establishment of a continental-scale economy that will not be fractured by different currency regimes. It allows interest rates to be set for the benefit of the Europe-wide economy rather than to protect a particular national exchange rate or reflect the monetary conditions in the anchor currency. It is the friend, in short, of production, investment and employment, and is Europe's response to the currency regime established by the US in the early 1970s which has cost Europe so much. By marrying the

benefits of continental scale and cheap money with the already proven merits of Europe's economic and social model, over the medium to long term the growth of the EU with a single currency could not only be greater than without it – it could be startlingly dynamic. *The euro is a means of delivering to Europe's citizens.*' (2002: 331 italics mine)

Hutton suggests that monetary union can form the basis for a broader project of constructing a European civil society and a progressive process of political modernisation. If the major constraint on political action in the global society is the autonomy of financial capitalism then a successful and integrated European monetary system is a pre-requisite for the construction of a European political society.

From the broader perspective of political modernisation, the economic project of the European Union connects to the establishment of a European civil society. As Habermas notes with regards to the single market programme, 'the extensive contacts between members of different nationalities within Europe creates the conditions for communication networks of European-wide public spheres' (1994: 33). In respect to the latter, it is possible to identify a range of possibilities for the construction of an effective European civil society. As a number of authors have pointed out, the EU does provide the opportunities for delinking citizenship from nationality and to construct citizenship in terms of a conception of a European political community (Tassin 1992; Meehan 1993; Linklater 1998; Bellamy and Warleigh 2001). From this perspective, the European Union enables people to constitute themselves as 'European citizens' and pursue diverse collective projects and identities beyond those of individualised workers and consumers. Evidently, a European political community offers the possibility of breaking free from the passive and uniform status of citizenship imposed by nation-states. A process that is demonstrated by transnational social movement, regional mobilisation and interest group activity that encounters the European Union as a new opportunity structure (Meehan 1993; Marks and McAdam 1996). The implication of these developments is that the European Union combines various political projects and practices that together constitute a unique political society and challenge the depoliticisation of European integration. From this perspective, the integration process is characterised by a process of reflexive political modernisation, as Habermas notes:

'The politics that sets up markets is self-referential, to the extent that every step toward market deregulation entails a simultaneous disqualification or self-restriction of political authority qua medium for enacting binding collective decisions. *A 'catch-up' politics inverts this process; it is reflexive politics in its positive rather than negative version.*' (1999: 45-55 emphasis mine)

In considering the capacity of the European Union to re-regulate societies and to constitute a European civil society, we can conclude that it represents a distinct form of public power that represents an overtly *political* response to globalisation. It is a project of political modernisation designed to bring about new forms of social and political inclusion within a reconfigured set of territorial parameters. In the absence of any overt project of nation or state building at the European level, we can conclude that this is taking the form of a complex, network society organised in terms of circuits of knowledge and information and rooted in collective experiences of negotiating risk societies (Beck 1992; Castells 1996; Delanty 1995; 1998).

The extent to which these developments imply inclusive political communities depends on historical contingences and political struggle. These are evident in the tensions over monetary union. As we have seen, the process of monetary union did not pro-actively seek to bring about economic convergence through harmonisation and redistribution but through the imposition of fiscal discipline and deflationary measures. Member-states were forced to introduce austerity measures in order to qualify for EMU. The broader criticism is that states and regions are being forced to compete within the single market via cuts in wages and social costs as they have lost control over their exchange rates and were not supported by a more active European economic policy. High levels of unemployment during the 1990s reflected the extent to which the European economy was being rationalised and restructured without any corresponding programme of social and economic investment. The danger here is that without a strong move toward the convergence of European economies, the logic of territorial capitalist competition between states, and increasingly regions, reasserts itself in new and unpredictable ways. In relation to EMU, Grahl refers to 'a programme so blinkered and dogmatically conceived that it has already begun to disorganise the economic and political life of the Union'(1997: 225). At the heart of this problematic economic agenda, however, remains the fact that the European

economic institutions have been unwilling or unable to take on the financial markets in their search for a stable and strong currency (Hutton 2002: 338-339). If they were to do so, it would imply a broader Europeanisation of economic policy than has been enacted since Maastricht and would require the kinds of fiscal and political risks[92] implied by the original Delors project (Grahl 1997: 244-245; Hirst and Thompson 1999: 255; Hutton 2002: 339). The dilemma here is that the pursuit of economic policies centred on productive investment, employment and social cohesion go against the logic of contemporary global capitalism and the hegemony of financial capital.

In certain fundamental respects, the European Union has continued to defensively react to the wider forces of economic globalisation. This defensive economic agenda has been pursued alongside and been concomitant with the questioning by key sections of the European political elite of the capacity of the European Union to achieve a deeper political legitimation (Habermas 1999). These problems were evident in the immediate aftermath of the Maastricht Treaty as Europe entered recession and the legitimacy of the second wave of integration was increasingly questioned, most notably in the Danish and French referenda. In many respects, the commitment of national political elites to the European project has been tested by a range of problems increasingly facing advanced societies – unemployment, immigration, crime and nationalism. In diverse ways, the problem of 'otherness' has become intrinsic to European societies resulting in a politics of exclusion that demands the reinvention of the powers of the nation-state, however illusory they may be. This fundamentally undermines the project of integration as it aims to constitute a post-Hobbesian geopolitical order with boundaries, both of geography and identity, that are more negotiable than traditional power politics. This has inevitably left the identity of the European political order uncertain and easily undermined. Reflecting on recent developments, Habermas claims that Market Europeans 'have concluded a tacit alliance with Eurosceptics' against European Federalists (ibid: 56). The implication has been that political elites have focused on market integration and expansion, most notably to the countries of Eastern Europe[93], without a concomitant commitment to legitimising or extending a plural European political community[94]. Political modernisation is collapsed into economic modernisation removing, in the

words of a spokesman for the Deutsche Bank, 'any distinction between civic and economic activity' (ibid).

The nature of the political struggles within the European Union became increasingly explicit and critical during the 1990s and as we entered the new century. European integration has unleashed new forms of political modernisation that are evidently in tension with both a deregulated global economy and continued domination of the nation-state. This does not imply a return to international Fordism but the politicisation of flexible accumulation through regulation and active civil societies. In Europe, globalisation has to be viewed through the prism of political Europeanisation. The process of European integration suggests the development of a market economy embedded within a political society and not the construction of a market society. Clearly, this trajectory remains uncertain and a matter of intense political struggle and contestation. It is within this framework of globalised political struggles that we have to understand the relation of the British state to the project of European integration during the period in question. It is my contention that the constraints on British political modernisation reassert themselves within the context of flexible accumulation in the form of an aggressive Anglo-American neo-liberalism. This structures both the response of governing elites to globalisation and to the second wave of European integration. It reinforces the constraints on British engagement with integration as a distinct project of European political modernisation. In essence, the relationship between the British state and European integration during the period in question will now be explored in terms of the emergence, crisis and consolidation of the Thatcherite restructuring of the British state.

Chapter Six

Thatcherism, European Integration and the Politics

of Modernisation

In this chapter, I examine the relationship of the Thatcher governments to the second wave of European integration between 1979-1990. My central claim is that the defining elements of Thatcherism as a political project were fundamentally in contradiction to deeper processes of European integration. This became evident in the British opposition to the broader project of European integration that unfolded during the 1980s and early 1990s. Further, British European policy was subordinated to a wider Anglo-American project of flexible economic modernisation that was opposed to the re-organisation of a *specifically bounded European politico-economic space.*

Underpinning the Thatcherite approach to European integration was a continued and continuing opposition to the possibility of a distinctly European solution to problems of British post-imperial political modernisation. During the period in question, the primary purpose of EC membership for the Thatcher governments lay in the opportunities it provided for extending free market policies. As a corollary, there was a consistent opposition to European institution building. This reflected the extent to which Thatcherism as a political project combined economic modernisation with opposition to political modernisation. Thatcherism reasserted a form of British national identity that was historically constituted in opposition to European political modernisation. Nevertheless, this aggressively neo-liberal restructuring of British European policy could not contain an intense conflict within the Conservative party over the trajectory of the British state once its limitations became apparent. In essence, the British problem of political modernisation resurfaced in the shape of the European crisis of the Conservative party. It is my contention that these politics of modernisation were resolved in a distinctinctly Thatcherite direction. I focus on the unfolding of this European crisis in this chapter before exploring its full manifestation in Chapter 7.

173

6.1 Thatcherism and British exceptionalism

There is now a considerable body of literature exploring the political project of the post-1979 Conservative governments, loosely organised around a conceptualisation and analysis of the phenomena of Thatcherism (Hall 1979; Hall and Jacques 1983, 1989; Jessop 1984; Overbeek 1990; Marsh and Rhodes 1992; Hay 1996a, 1996b). These debates explore the coherence of Thatcherism as a set of ideas and ideologies and the extent to which it represented a fundamental restructuring and transformation of the British state. Such debates are most usefully understood in terms of the extent to which they focus on Thatcherism as *project* or as *process*. Hall (1979) for example conceptualised Thatcherism as a political project characterised by an 'authoritarian populism' able to win over the hearts and minds of ordinary people. It recast an authoritarian moral conservatism, appealing to nationalism, traditional values and law and order. This approach was criticised by Jessop et al who argued that the concept of 'authoritarian populism' ignored the complex and differential impact of Thatcherism and presented it as a monstrous monolith (1984: 73-74). From this perspective, Thatcherism should be located within wider complex political processes acting as constraints on its full realisation. While the concept of Thatcherism has become a shorthand for a range of developments and shifts in the post-imperial trajectory of the British state, we should not lose sight of the utility of the concept for capturing the re-configuration of the British state around a set of hegemonic neo-liberal principles. It is my contention that we can usefully employ the concept in order to understand a number of features of contemporary British political transformation and reproduction.

Thatcherism represented a clear ideological, economic and political break with the Keynesian-Beveridge settlement that had placed the extension of the welfare state, full employment and state intervention at the centre of British politics. The post-war settlement had restructured the parameters of the state in such a way that projects of modernisation and renewal had not significantly challenged or reformed what was a set of comparatively flawed Fordist arrangements. As we have seen in Chapter 4, the resulting crisis was particularly evident once Britain entered an uncertain post-imperial trajectory. Thatcherism was therefore able to capture the ideological terrain

174

in the context of the post-imperial crisis of British failed Fordism. Despite political constraints, it was a *successful* political project able to redraw the parameters of the British state enacting what Heffernan refers to as a new political consensus that reflected a new dominant political paradigm:

> 'The relative success of Thatcherism in helping to engineer a shift in the political landscape of the UK finds reflection in a reordered political agenda; one which lies at the heart of the political change from a social-democratic inspired political world view to one which owes more to neo-liberalism. This reordered political agenda provides almost a mock theory of governance, one which guides what governments (and, as importantly, respective governments) can and should do and what they consider themselves able to do. Political change, be it gradual or dramatic, is ultimately realised as the transition from one paradigm to another. A dominant political agenda is structured around a series of contestable political beliefs that have over time become translated into a set of assumptions, an implicit "agreement" on the role of public administration, one existing as a 'framework', which acknowledges a prevailing political orthodoxy.' (Heffernan 1999: 15)

We should be clear, however, that Thatcherism was an attack on Fordism from *within the British state* and not an attack on the state per se. Thus it is very important to conceive of Thatcherism as *structurally continuous* with some of the core principles of organisation that have underpinned the historical development of the British state (Leys 1990; Anderson 1992; Gamble 1993; Nairn 1994). As a political project, Thatcherism ideologically repackaged and reasserted elements of the British political order within a favourable international environment. It represented a reaction against Fordist initiatives that had failed to resolve the post-imperial British crisis but did so by re-formulating an already embedded system of flexible accumulation into an extensive neo-liberal project of economic modernisation.

Thatcherism can therefore be viewed as an aggressive post-imperial reassertion of the liberal conception of Britain as a globalised free market society. The problems of modernisation were resolved by economic reductionism:

> ' the market was reconstituted as a major ideological force and crucial distinctions between the productive and unproductive, private and public, wealth creating and wealth consuming came to be the yardsticks for judging policy' (Gamble 1988: 182).

The guiding principle of Thatcherism was the unleashing of individualism and market forces throughout British society. The underlying aim was to restore the confidence and security of the capitalist class by removing the destructive interference of a state no longer trusted by business and commerce (Leys 1990). This was to be achieved by removing the barriers between the British economy and the global market place. In particular, this meant attacking an inadequately corporatised and unpredictable national labour movement. The attempt to construct a viable national accumulation strategy was abandoned and an economy that was already far more transnationalised than most opened up its capital markets still further. The upshot of this was to continue the trend whereby Britain's stock of overseas investments was considerably higher than all Western economies, apart from the US, and at the same time Britain extended its role as a 'host country' for foreign investment and multinationals, particularly American and Japanese (Gamble 1988: 20). The full implications of this evident by the mid 1990s when it was clear that the British economy had become for more *globalised* than its competitors (Hirst and Thompson 2000: 343). An examination of Foreign Direct Investment (FDI) shows that these flows had become far more important for the level of domestic investment and capital formation than in most other large economies (ibid. see Figure 1). In this respect, 'it is more like a Malaysia or an Indonesia than it is an Italy or even a France' (ibid: 344). An accumulation strategy was put in place that further privileged rentier incomes from foreign investments, internationally tradable services and inward investment from foreign multinationals (ibid: 226). This neo-liberal economic project went hand in hand with the assertion of a strong state in order to ensure the social stability that would underpin a successful free market economy. This was now given a stronger ideological justification in terms of the necessity of upholding and restoring traditional values and standards of individual and family responsibility that underpin the free economy and, thereby, a free society. There was a unity between the belief in the force of the market, the assertion of state domination and a conservative conception of the good society. In terms of statecraft, the emphasis on individual and

Figure 1

Table 5 Measures of the internationalization of productive activity: the UK compared

	USA	Japan	Germany	France	UK	Italy	Canada	Netherlands	Belgium[1]	Denmark	Sweden
(A) FDI flows US$ billions: (1990–96)											
Outflows	423.4	173.7	166.1	189.0	186.4	45.4	48.8	111.1	50.3	16.9	45.9
Inflows	336.3	7.6	21.7	126.4	139.9	26.6	45.6	62.1	72.7	15.8	37.9
(B) FDI stocks as % of GNP (1997)											
Outward	11.8	6.0	14.1	14.9	38.9	10.8	23.6	52.9	35.9	15.0	32.2
Inward	9.3	0.7	5.9	11.4	22.5	6.8	23.4	31.7	53.3	15.2	18.9
(C) Share of inward FDI flows in gross fixed capital formation (1996)	7.0	0	−0.6	8.2	14.6	1.6	6.2	14.8[2]	28.3	2.7	14.8
(D) (i) Average gross expenditure on R&D as % of GDP (1988–95)	2.7	2.8	2.6	2.1	2.1	1.2	1.5	–	–	–	–
(ii) Foreign source of R&D as % of total expenditure (1995)	0	0.1	1.8	8.3	14.3	3.9	10.5				

Sources: compiled and derived from: (A) OECD (1998), UN (1996, 1997, 1998); (B) UN (1998: Annex Tables B.3, B.4); (C) UN (1998: Annex, Table B.5); (D) (i) Harley and Owen (1998: 69, Table 16); (ii) Duffus and Gooding (1997: 44, Table 17)
Notes
[1] Belgium and Luxembourg.
[2] 1995 (1996 = 9.9%; 1995 was more typical of previous years).

Source: Hirst and Thompson 2000: 342

market freedom justified the removal of the constraints on governing autonomy and the maximisation of the coercive functions of a fundamentally unreformed state structure. It represented a shift towards a form of populist politics in which there was to be a more direct relationship between the core leadership and the electorate (Mair 2002). There was a downplaying of the mediating role played by institutions such as parliament, Cabinet and party.

In a comprehensive sense, Thatcherism was a populist reassertion of a conception of the British state and society as a global market society that was profoundly rooted in a reactionary and authoritarian capitalist individualism.

6.2 Thatcherism and the financialisation of the global order

As an economic strategy, Thatcherism depended on the favourable external environment that had been created by the collapse of international Fordism that was initiated by the crisis in US hegemony. Its real significance lay in its recognition that 'the prospects for the successful modernisation along the lines previously attempted have vanished' (Gamble 1988: 230). Both in terms of outward and inward foreign investment, Britain benefited from the deregulation of capital markets initiated by the United States and the expansionist fiscal policy of the early Reagan era. Gamble argues that the recovery in the British economy between 1981-1987 was fuelled by the budget and trade deficits of the United States that followed from this policy shift (ibid: 98). In ideological terms, Thatcherism emerged as a particular British variant of an emerging US global project of neo-liberalism that was attempting to reconstitute the world order. During the 1970s, the American shift to the right and the growing hegemony of a free market philosophy helped provide the justification for a renaissance of a laissez-faire thinking in Britain and undermined those who continued to support projects of Fordist modernisation. Gray points out that this Utopia of the market was rooted in an Enlightenment thesis of Western superiority (1998: 2). From such a viewpoint, it was believed that the world would move inexorably towards a universal civilisation modelled on American free market capitalism (ibid: 3). The Thatcher governments signed up to this worldview and enthusiastically imported American policies on a range on issues including, labour market deregulation, health reforms and taxation. An Anglo-American nationalism was at the heart of the Thatcherite project, a doctrine which Thatcher articulated more fully in her writings once she left office (Thatcher 2002: 20-23). In essence, at the root of American success was a national character whose development was informed by English individualism.

> 'America is unique – in its power, its wealth, its outlook on the world. But its uniqueness has roots, and those roots are essentially English. Already at the time of their foundation, the settlements across the Atlantic were deeply affected by religious, moral and political beliefs.' (Thatcher 2002: 20)

These reactionary conceptions of individualism and national identity came to justify the rampant individualism that found its highest expressions in the autonomy of financial markets. As was discussed in Chapter 2, the key mechanism for the global shift to a system of flexible accumulation was the financialization of the global economy. Initially this had proved critical for a U.S. regime of accumulation that found its banks and corporations seeking out quick profits abroad in the face of domestic instability and over production (Arrighi 1994, 2003; Greider 1997). By the late 1970s and early 1980s, the U.S. had turned the situation to its advantage by a monetarist counter-revolution that ended its role as a world banker and re-routed capital back to the Unted States (Arrighi 2003: 66). Arrighi argues that there was nothing new in this and parallels can be drawn between the current period and the crisis of British hegemony at the end of the nineteenth century which culminated in the 'belle epoque' of British financial capitalism between 1896-1914 (2003). Towards the end of the twentieth century, the British declining rentier regime was therefore offered an opportunity for partial renewal on the back of another wave of financialization initiated by the crisis of United States hegemony. An already structurally embedded system of flexible accumulation was able to take advantage of the growing autonomy of finance by attracting and servicing free floating capital that accompanied the crisis of the US. This had initially been evident in the emerging Eurodollar market. By the late 1980s and 1990s the already high levels of mutual investment between Britain and the United States had increased dramatically. The degree of aggregate investment in the US by British firms climbed from £43 billion in 1988 to £122 billion in 1998 while the figures for the EU were £23 billion and £99 billion (Aspinwall 2003: 152; see figure 2). The evidence also suggests that American companies were larger and accounted for a larger proportion of UK employment (ibid: 152-153; see figure 3). This was driven by the deregulation of the City which opened the way for American investment banks such as Goldman Sachs and Morgan Stanley to penetrate the headquarters of British capital through their domination of integrated securities and corporate finance at the international level (Ingham 2002: 155).

Figure 2
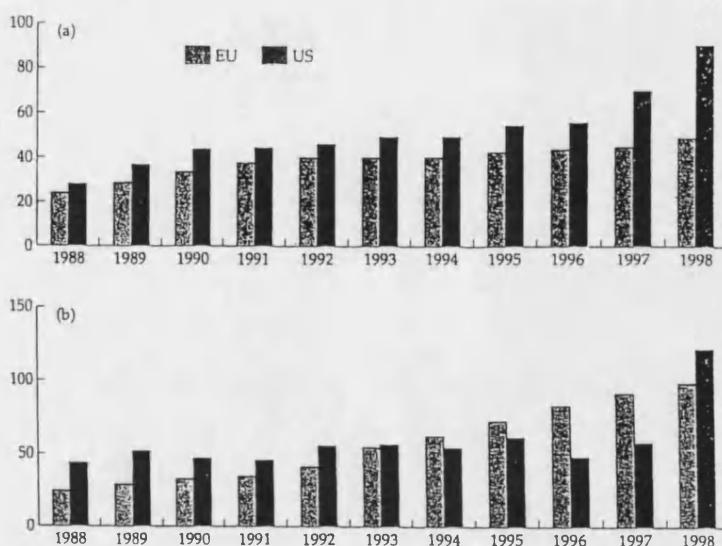
Figure 7: (a) Book value of inward direct investment by source, 1988–1998 (£bn); (b) book value of outward direct investment by destination, 1988–1998 (£bn)
Source: Office for National Statistics.

Source Aspinall 2003: 153

Figure 3
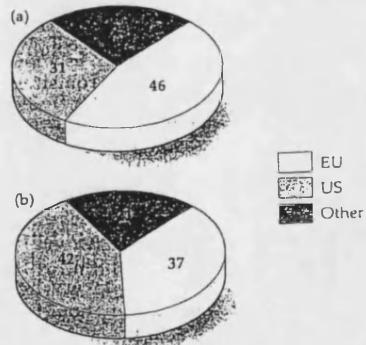
Figure 8: (a) Foreign-owned firms in the UK by region of ownership, 1997 (%); (b) UK domestic employment in foreign-owned firms, 1997 (%)
Source: Office for National Statistics

Source Aspinall 2003: 153

From this perspective, Thatcherism did not so much drive through the reconstruction of the British state and economy as adapt and revive elements of Britain's inherently flexible capitalist system to a new set of global economic realities. It was a distinctively British form of economic modernisation, but one that was ideologically compatibile with the ruling ethos in the struggling US Empire. A declining post-

imperial regime that was struggling to find its place in the post-war world of global Fordism suddenly found that the world had come to it in the form of a renaissance of financially driven flexible accumulation.

6.3 A struggle for hegemony

The Thatcherite restructuring of the British political order has to be seen as both uncertain and as a profoundly political process. Heffernan points out that this *process* of enacting a Thatcherite political transformation of the British political order has come about over time and was variously constrained by:

1) the dictates of political statecraft,

2) the obligations arising from electoral imperatives,

3) the demands of administrative realities,

4) public policy agendas inherited from previous administrations (2000: 40).

These are important realities but it must equally be recognised that they did not necessarily weaken the broader ideological agenda or purpose of Thatcherism as a political project (ibid). Thatcherism emerged through a series of struggles and conflicts not just against ideological opponents but also amongst believers. At its core the Thatcherite settlement unleashed a form of market led economic modernisation that had a number of problematic social and political consequences for which it had no remedy. Despite its success in reshaping political agendas it did not resolve British problems of political modernisation. The problem was that the commitment to low inflation, privatisation and globalisation of the economy intensified social and regional inequities and left the British economy particularly vulnerable to external forces. Further, the broader complexities of the post-imperial crisis concerning the constitution of the British national order and the politics of citizenship were largely dealt with by their exclusion from the political agenda. It was illustrative of the extent to which the state had relied on market mechanisms and coercion while the deeper problems of *governing* a post-imperial, multi-national, pluralist political order remained unresolved (Hirst 1989). This was indicative of the extent to which Thatcherism was a utopian project prepared to resist pressures to accommodate and adapt to the forces of social change in the pursuit of the higher ideal of a free market

individualism. Thus, despite its compromises and confusions, both the strength and weakness of Thatcherism was an ideological certainty that was consistently and ruthlessly realised in policy.

6.4 Thatcherism, the crisis in the Conservative party and European integration

There is now a considerable literature exploring the splits and crisis of the Conservative party over European integration during the 1980s and 1990s (Baker, Ludlum and Gamble 1993, 1994; Young 1998; Turner 2000). The aim of this chapter and the next is to analyse these conflicts from the perspective of the discussion of British exceptionalism and the politics of modernisation developed during the course of this thesis. A useful starting point for understanding these disputes within the Conservative party is the framework developed by Baker, Gamble and Ludlum (1993). Locating European splits and divisions within a broader historical context, they argue that they reflect continued tensions within the political class over Britain's strategic relationship to the world political economy (ibid: 422). Parallels are drawn with the splits that emerged over the repeal of the Corn Laws in 1846 and those over Tariff Reform in 1903. The advantage of such an approach, and of particular importance in the British case, is that it attempts to integrate external and domestic policy issues (ibid: 425). Baker et al map the divisions along two axes, of sovereignty and interdependence in terms of external policy and of limited and extended government in the domestic arena (ibid: 426-427; see figure 4).

Figure 4
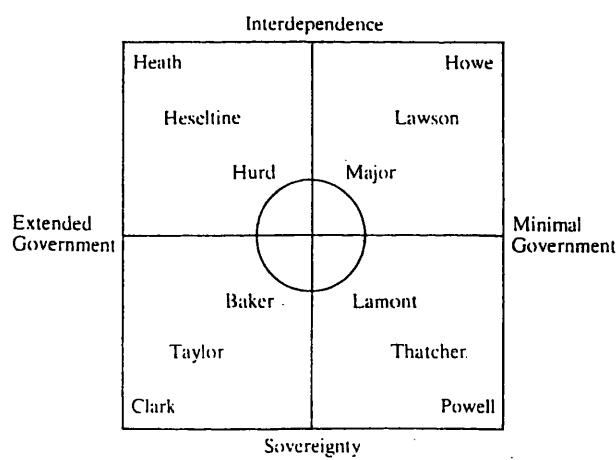
FIGURE I   Two-dimensional map of Conservative positions on the EC

Source: Baker, Gamble, Ludlum 1993: 426

The European split can therefore be understood as follows:

> 'Thatcher's stance was hard to sustain both because her position was not
> central and because she separated herself from many of the of those who had
> been part of her coalition on other interests. It seems likely that the bulk of
> Conservative M.P's would be placed in the two lower quadrants. But most of
> the Cabinet Ministers of both the Thatcher and Major governments belong in
> the two upper quadrants. This is the potential Peelite split.' (ibid: 425).

The European split can be understood as the unfolding of these two splits. Firstly, the
split within the governing elite between Thatcher, her supporters and other ministers
and, secondly, as a wider split in the political class between the governing elite and
the party during the Major premiership.

The Baker, Ludlum and Gamble ideological map should be developed and revised in
a number of directions. To begin with the sovereignty/interdependence divide was
more complicated than it seemed. The meaning of 'sovereignty' for a post-imperial
state, which had become chronically dependent on its relationship to the United States
both economically and politically, should be questioned. The real issue here is the
nature of British post-imperial dependence. At one level the Thatcherite position can
be veiwed as concerned with national-sovereignty, at another it was concerned with
consolidating Britain's Atlantic dependency. What distinguishes this from those who
favour interdependence was the extent it was firmly located within an Anglo-
American nationalism often at the expense of broader internationalism.

It is important to emphasise the divisions between those who have celebrated British
membership of the European Union from the perspective of interdependence and
extended government and those who have supported interdependence alongside
minimal government. The first group is committed to European integration as the
basis for a broader project of national modernisation and transformation. This project
was most clearly articulated by the likes of Heseltine and Chris Patten both of whom
have looked to move the Conservative party in a direction that is closer to European
Christian democracy. This group can be separated from the European pragmatists who
have primarily viewed further integration into Europe as a limited project that can
make a positive contribution to domestic statecraft. They have been primarily
reformist Thatcherites committed to the Thatcherite revolution but who also

183

recognised the utility of international governance. For political figures such as Howe and Lawson state heritage of conservative modernisation remained important and the European project was viewed as making a significant contribution to this.

In relation to the European issue, Thatcherism became an attack on both these forces of modernisation within the Conservative party in favour of a populist English neo-liberal idealism. Thatcherism in this sense was distinct in its opposition to a politics of accommodation and adaptation to modernity, i.e. conservative modernisation, and instead expressed 'the more radical futurity of reaction' and 'the fervour of a historically purified neo-liberalism' (Osborne 1996). From this perspective, splits in the Conservative party over European integration have been indicative of *chronically divergent positions on the politics of modernisation*. A further revision is that we have to take into consideration the broader context of these divisions and splits. If, as I have suggested, we take the hegemony of Thatcherism seriously its reactionary modernism and, concomittant Euroscepticism, keeps reasserting itself. In the European struggles within the governing elite Thatcher ultimately lost out, but Thatcherism was re-articulated. The implication was that the European power struggles within the Conservative party and the trajectory of this crisis were framed by the hegemony of Thatcherism.

This framework provides the basis on which to analyse the crisis of the Conservative party over European integration. The initial course of events established a Thatcherite approach to European policy at the expense of more committed Europeans. This was built on a coalition within the senior supporters of Thatcher, bringing together pragmatic Europeans, and more radical Thatcherites. It was this coalition that was destroyed by the second wave of integration, the shifts in geopolitical relations occurring during the 1980s and early 1990s and the emerging crisis in the Thatcherite project. There was a consequent opening up of strategic differences within the governing elite and a reaasertion within the British state of the politics of modernisaton. Most notably these conflicts over modernisation began to take shape around the issue of the European drive for EMU and the Maastricht agenda. As we

shall in Chapter 7, these were ultimately resolved in a distinctly Thatcherite, anti-European direction.

6. 5 A Thatcherite European policy: the budget dispute and the Westland affair

As we saw Chapter 4, under the Callaghan administration there was a clear move away from the priority that membership of the EC had achieved in British strategic thinking since the Macmillan government. This was particularly evident amongst those party leaders who recognised the problems of legitimating a more proactive European policy. It was however less evident amongst sections of Whitehall, notably the Foreign Office. The position of the first Thatcher administration towards the EC was therefore closer to that of the previous Labour government than that of the Heath era, in the sense that the EC did not play a fundamental role in its policy proposals for British renewal. Europe was to be conceived as a flexible international arena for the vigorous pursuit of national interest. This strategy was nevertheless pursued alongside a continued commitment to the EC and to the Conservative party as formally the party of Europe. Undoubtedly, however, a key feature of the leader's approach was to resist the constraints imposed by the EC as well as by Europeanists within the state and to begin to craft a distinctive Thatcherite approach to the Community and, to European cooperation in general, that represented a break with the past. This distinctive approach was evident in relation to two issues, the budget dispute and the Westland affair.

The issue of the Community budget came back onto the agenda because the initial renegotiation by Wilson had not actually produced any financial results. By 1979 the transitional period was coming to end so Britain would have to pay its full contributions (Butler 1986:94). In addition, Commission figures showed that Britain was likely to overtake Germany as the major net contributor (ibid). For a government committed to major cuts in public spending the idea of paying out to the Community an amount that was disproportionate to its economy was abhorrent. When the issue arose at the Dublin Conference in December 1979, Thatcher famously announced her

intention 'to get our money back.' The issue was not resolved until the Fontainebleu meeting in June 1984 when Britain received an ad hoc refund on its contributions and an annual rebate. It also put in place a new budgetary mechanism. During the budgetary negotiations, the British government had invoked the Luxembourg compromise and Thatcher was quite prepared to use the witholding of British contributions as a negotiating weapon (Butler 1986: 100; Heath 1998: 699). The impact of the British stance towards the budgetary issue on the other Community members should not be underestimated. In his examinations of the negotiations for the Single European Act, Ziltener points out:

> 'Whether justified or not - the battle cry 'I want my money back!' was traumatically imprinted on the memories of many persons who were active in the EC negotiation system at the time, as I could gather from practically all interviews.' (1997:12)

The budgetary issue both inaugurated and signalled the Thatcherite way of dealing with the Community. The idea of calling to account an overspending bureaucracy fitted neatly into the Thatcherite ideology. Domestically the dispute also enabled the leader to demonstrate her national credentials in a period before the Falklands war when they seemed less certain. The 'confrontational method' adopted meant approaching the Community as an arena in which British interests were either won or lost and in which Thatcher was determined to win (Young 1998: 345). Significantly the issue also demonstrated an underlying scepticism about the European project. Skildelsky argues that the Prime Minister was in reality questioning the very legitimacy of the Community,

> 'The quarrel was embittered by Mrs Thatcher's view that the Community did not need a budget at all (apart from one to support its staff) because no continuous cross-border transfers were necessary. Therefore, she concluded, the main function of the budget was political – to provide revenue for a European state.' (1994: 358)

There was evidence that this approach was exacerbated by some of the divisions within the Conservative party and the wider political class. The issue outraged Heath and led him to write to the Prime Minister outlining his total opposition to any 'act of illegality by HM Government affecting the European Community' (Heath 1998: 699).

Thatcher was not only at odds with sections of the party during the early period of her premiership but also with the pro-European Foreign Office. Owen, Foreign Secretary during the Callaghan administration, had found the Foreign Office to be seething with Europeanists who considered Britain's relationship to the Community as their number one priority (Owen 1991: 245-8). Lord Hunt of Tamworth expressed the view that Thatcher did not see the Foreign Office as 'one of us' and 'tended to feel that the Foreign Office was so committed (to Europe) that it wasn't on our side at all' (cited in Young 1998: 31). Thatcher therefore was pitting herself against those who since Macmillan had seen the European Community as central to the modernisation of the post-imperial British state.

These tensions within the political elite also reflected differences emerging over foreign policy, particularly over the relationship with an increasingly unilateralist United States. The rise to power of Reagan in the US reinforced the growing hegemony of a New Right conservatism. The implications of this for foreign policy were profound as the new administration adopted a unilateralist approach in order to re-establish US hegemony that advocated a policy of confrontation (Overbeek 1986: 20-21). The inclination of the Thatcher administration was to follow this lead was clearly demonstrated by the support Britain gave to America when it unilaterally decided to attack Libya. The strength of this support was particularly evident during the Westland Affair when the Prime Minister supported an American bid for the British Helicopter firm over a European consortium. Thatcher made a clear strategic choice to support those on the Westland Board whose primary orientations and connections were with American financial capital (ibid: 15). The struggles within the government over the support for the American bid led to the resignation of Michael Heseltine, the Defence Secretary, who later commented about the failed European bid,

> 'it is impossible to think of any other country on earth where a defence contractor would be sold to a foreign purchaser with the government refusing even to allow a discussion about the merits of an alternative solution, led by two of its own leading national companies.' (2000: 312)

The Westland decision was a further attack on those in the political elite who, since Macmillan, had believed in the possibility of an Atlantic partnership of equals

between Europe and the US and saw this as fundamental to the economic modernisation and renewal of the post-imperial British state. Such a strategy had been outlined by Heseltine as early as 1973 in a speech to the World Affairs Council in America:

> 'For many years I believed that for Britain and for Europe the arguments led overwhelmingly to the conclusion that such were the resources at the command of the world's major powers that we find it increasingly to maintain an advanced industrial base unless we moulded together a partnership of nations that in total would be the equal of the competition which the world will increasingly expose us.' (Heseltine 2000: 149)

Heseltine's position during the Westland affair reflected a longstanding commitment to a distinctive European accumulation strategy that would inevitably involve considerable political intervention by European states within the framework of the EC. In contrast, Thatcherism implied a profound rejection of such a strategy of overt political modernisation in favour of a global free market strategy in co-operation with the US. The aggressive pursuit of profit by international financial institutions and giant corporations was expressive of the new ascendancy of mobile capital and did not require a distinctly European political project. The relationship to the EC that the Thatcher governments sought to establish reflected the extent to which European policy was conceived as a subordinate part of the British state variant of the U.S. led global free market project. Such a position implied a rejection of any broader conception of European modernisation beyond economic liberalism. As will be shown below, this became particularly evident in the negotiations over the Single European Act.

6.6 The Single Market: Thatcherism in Europe?

The decision of the Prime Minister to sign the SEA in 1986 is often viewed as inconsistent with the virulence of her later Euroscepticism and opposition to the Maastricht Treaty in 1992. Yet the extension and liberalisation of the internal European market should be seen as entirely in line with the government's attempts to entrench neo-liberalism as a global hegemonic project. From the British perspective, the support for the SEA was part of an accumulation strategy that ended controls on

the free movement of capital within Europe so that large multinationals could increase their flexibility and restore their profits. British European policy was therefore linked to the drive to rejuvenate the British economy through a strategy of flexible economic modernisation.

In the run up to the negotiations on establishing the single market, national governments began to outline their vision of the new Europe, George identifies the priority of the Thatcher government as follows:

> 'The problem for Britain was to turn the direction of discussion towards *the practical achievement of a free internal market and away from discussion of institutional reform...*' (1990: 177 emphasis mine).

In June 1984 at the Fontainebleau summit, Britain put forward a discussion document entitled 'Europe-The Future' which outlined a distinctively minimalist and free market approach to further integration (ibid:175). It did call for closer political cooperation but made no concessions on the issue of institutional reform. It outlined a distinctively pragmatic British conception of Community development that emphasised flexibility and policy 'exits' (Europe – the Future 1984).

This British discussion paper received a lukewarm reception and the summit chose to pursue the Mitterrand line that had been outlined at the European parliament. Following Fontainebleau, the Dooge Committee was set up with a mandate to look into the possibility of political unity. The majority on the Committee concluded that institutional reform was necessary to achieve these goals (George 1990:178).

The response of the British government was to vigorously oppose the momentum that was growing for institutional reform. In particular, it sought to defend the veto and resist the expansion of the powers of the European parliament. In June 1985, Sir Geoffrey Howe put forward a paper outlining the British counter-position that suggested the creation of a secretariat for improving foreign policy co-operation and conceded the possibility of the introduction of majority voting (George 1990: 179). During this period the particular aim of the British government was to prevent an intergovernmental conference being held. The possibility of an IGC raised the stakes

of the game as it meant agreement had to be reached on the extent of political integration that in the normal running of the Community could be glided over (Ross 1995: 32). However, the British were out-manoeuvred when the Italian Prime-Minister Bettino Craxi called for a vote on an intergovernmental conference which he won by a majority of seven to three (George 1990: 181-182; Young 1998: 333).

Nevertheless, with the focus primarily on economic integration and with few concessions to those who had a more federalist agenda, the eventual outcome of the negotiations over the SEA was viewed as a British victory. In her memoirs Thatcher remarked that,

> 'I was pleased with what had been achieved. We were on course for the Single Market by 1992. I had to make relatively few compromises as regards wording; I had surrendered no important interest; I had to place a reservation on just one aspect of social policy in the Treaty.' (1993:555)

To an extent, these claims made by Thatcher were justified in that it was the drive for the free movement of capital put forward by Sir Geoffrey Howe that formed the basis of the single market project (Gowan 1997:100). The British government went so far as to trumpet the SEA as 'Thatcherism on a European scale' (Young 1998: 333 Howe 1995: 456). In particular, ministers stressed the benefits that would accrue to the City and Britain's financial service sector in general (Buller 2000a: 83-84). It was estimated that one third of GDP growth expected from the single market would be the consequence of the expansion of services and the liberalization of financial services was a key part of the case for the single market outlined in the Cecchini Report (ibid).

The Single European Act appeared to fit neatly into the Thatcherite free market ideology and its programme of flexible economic modernisation. Its was a further move in the direction of securing the internationalisation and mulinationalisation of the British economy. The limitations placed on political integration resonated with the pragmatic British approach to Europe. Moreover, there appeared to be an apparent convergence of economic policy across Europe with that of the British Conservative party, establishing the British government as a leading player in the Community.Wallace and Wallace commented that,

'By 1986 only a minority of the radicals of the new right retained their earlier suspicions of the European continent, still repeated with diminishing force in parliamentary debate after parliamentary debate. The Prime Minister herself had become the senior member of the European Council, inheriting the status and style of Helmut Schmidt and seeing herself as a central figure in European intergovernmental conversations. The confidence with which the British government approached these European conversations reflected not only its lost fears of the monsters of federalism and corporatism, but also its sense that it was carrying the ideological battle onto the European stage, its policies on privatization and deregulation being gradually emulated by its continental partners in France, in Spain, even in Germany.' (1990: 98)

Nevertheless, the idea that British elites were drifting towards Europe and letting go of an'instinctive Atlanticism' remained questionable. Despite the impact of globalisation and the continuation of different national trajectories, the states of Western Europe continued to embed market mechanisms within a diversity of national institutional arrangements that can be traced back to earlier phases of political modernisation (Crouch 1993; Hollingsworth and Streeck 1994; Crouch and Streeck 1997; Hasse and Leiulfsrud 2002). In particular, there was no drive to dismantle welfare state regimes or the underlying social contracts that underpinned them (Alber 1988: 463; Pierson 1991: 173-176; W. Wallace 1997: 38). In contrast, the attacks on organised labour undertaken by the Thatcher government indicated the extent to which the British economy was becoming globalised in far more extreme ways than on the continent. At its core, the approach of the Thatcher government remained influenced by developments in the US and, as the Westland affair demonstrated, were prepared to align British interests in that direction. The budget dispute, the Westland Affair and the SEA indicated a distinctive Thatcherite approach to dealing with the Community that reflected a British neo-liberal agenda centred on economic globalisation and policy exit. The aim was to employ a European market strategy in order to facilitate deregulation while avoiding re-regulation through the organisation of Europe as a political space. Thus, while the other member-states were moving towards agreement with Delors over the content of the second wave of European integration, Britain remained fundamentally at odds with many of its underlying principles and emphasis on a European led project of political modernisation.

In essence, the Delors strategy was to use the SEA to create the basis for future spillover initiatives and, by playing to Thatcherite neo-liberalism, the British guard was lowered sufficiently to enable suggestions of further integration to be put on the Community agenda. It is possible that Thatcher therefore underestimated the expansionist elements of the SEA because she so firmly believed that her free market agenda had been victorious. She says that 'it was only in the last days of office and under my successor that the true scale of the challenge has become clear.'(ibid). Yet at the same time she claims to have been aware of the shifts in power that were occurring in Europe around the time of the SEA:

> 'In the two years of European politicking that led up to the Single European Act, I had witnessed a profound shift in how European policy was conducted – and therefore in the kind of Europe that was taking shape. A Franco-German bloc with its own agenda had re-emerged to set the direction of the Community. The European Commission, which had always had a yen for centralized power, was now led by a tough, talented European federalist, whose philosophy justified centralism.' (1993: 559)

The underestimation of the extensive nature of the second wave of integration is best explained by the fact that European policy remained couched within a broader set of global economic and political objectives that obscured the real impact of integration (Bulmer 1992: 21). Such an approach followed the post-war Churchillian strategy of different spheres of British influence (the USA, the Commonwealth and Europe). This was constructed on the continued belief that Britain was able to maintain some kind of autonomy in relation to these different spheres and that the West remained interdependent. While Thatcherism was expressive of Anglo-Americanism within the British state, the danger was that any withdrawal from European developments meant losing out on the political resources and economic opportunities that were available in the EC and were not forthcoming from other areas (Bulmer 1992: 18-19). Not least of these was the continued attractiveness of Britain as a centre for international investment within the EC and its crucial role in the flexible economic modernisation of Britain. The British Europeans' case for continued and active engagement with the processes of European integration remained strong. The mid 1980s therefore reflected a large degree of consensus on European policy that reflected long standing

foreign policy commitments and an emerging neo-liberal hegemony. In this context the real tensions between the British state and the second wave of integration remained obscured.

These underlying conflicts of interest and identity began to open up as the full implications of the Delors project became explicit. In particular, for many hardline Thatcherites its emerging programme of political modernisation was viewed as fundamentally antithetical to its own programme of neo-liberal reform as well as representing a more fundamental attack on the British state and British political identity. This was exacerbated by the fracturing of the West as the U.S. began to pursue a more unilateralist and nationalist, foreign and economic policy agenda as the Cold War came to an end. The underlying and unresolved strategic dilemmas concerning the role of the post-imperial British state within the global order began to resurface in the form of acute divisions within the governing elite over the relationship to the European project. Thatcher herself was central to the emerging split in the Conservative party as she increasingly attacked Conservative Europeanism as complicit with the Delors project and fundamentally questioned Britain's post-imperial European trajectory. As Gamble notes,

> 'The depth of the split in the Party was a direct result of Thatcher's leadership.
> She legitimated opposition to Europe in a way which the leadership had
> hitherto successfully avoided. She suggested that there was an alternative –
> continuing to give priority to Britain's Atlantic over its European links,
> pursuing an open-seas, open-trade policy, which cultivated Britain's
> connections with all parts of the world economy, rather than being exclusively
> preoccupied with Europe. She pointed to the trade deficit Britain had with the
> EU and to the location of the bulk of Britain's overseas investments in
> countries outside the EU. True internationalism, she argued, meant avoiding
> entanglement with a protectionist, inward looking, interventionist, high-cost
> continental economy.' (Gamble 1995: 23)

Such a position may not have been fully worked out until Thatcher left office but it was being devised in collaboration with an inner circle of advisors and supporters during her time as Prime Minister. It was the logical extension of the Anglo variant of the New Right position that since the 1970s had developed in a symbiotic relationship with the conservatism of the Washington consensus. Her commitment to entrenching

this project within the British state led her into a collision course with other members of her government and to a rejection of the European compromises that had been central to the Conservative party since Macmillan. It was an attack on the forces of conservative modernisation that had viewed accommodation to the European project as central to post-imperial restructuring. Initially, these conflicts arose over Britain's participation within the European exchange rate mechanism (ERM) and the proposals for EMU.

6.7 'You can't buck the markets': Conservative conflicts over the ERM

As we have seen, since the breakdown of the Bretton Woods system, a major factor in economic instability had become fluctuating exchange rates and the considerable power that had accrued to the financial markets over monetary policy. The ERM had initially been established to counter these developments by locking European currencies into a system of exchange rates that were anchored to the Deutschmark. Chancellors, Sir Geoffrey Howe and Nigel Lawson, were convinced by the merits of the system and were concerned about the impact of fluctuating exchange rates was having on the British economy (Lawson1992: 647-657; Stephens 1996: 24-25; Howe 1998: 111, 448). Bonefield and Burnham argue that the increasing support for ERM membership during the 1980s represented Thatcherism by another means. In particular, 'membership of the ERM put pressure on employers to confront workers in order to achieve lower labour costs, while capping consumer spending through high interests rate' (1996: 5). It was therefore a way of securing low inflation by disciplining the working class while at the same shifting political responsibility onto the international arena (ibid: 6). The growing support for ERM membership may not have implied an alternative to Thatcherism however it did represent a more reformist Thatcherism that supported forms of international economic governance. It was not however a position shared by Thatcher herself and these tensions over monetary policy evolved into significant splits within the governing elites over the relationship between Britain and the world economy.

The significance of support for ERM membership by those of the governing elite within the Thatcher administrations was that it represented a clear break with monetarist doctrine. In the 1970s, Thatcher and her colleagues who were influenced by New Right ideas had become disciples of monetarism. They believed that the British disease of high inflation could be controlled by restricting the amount of money in circulation. This had an instinctive appeal to Thatcher who saw 'no reason why the nation's finances should not be managed on the same basis as those of a prudent household or corner shop' (Stephens 1996: 8). As Bonefield and Burnham note:

> 'Exchange rate problems and balance of payments deficits were seen as pseudo-problems, disguising the real problem of inefficient use of resources caused particularly be wage inflation and labour market inflexibility due to trade union distortion of labour market self-regulation.' (1996: 9)

Monetarists therefore believed that if governments concentrated on controlling the public spending and removing distortions within the labour market then exchange rates would reach an equilibrium. This translated into Conservative government policy in 1980 in the form of the Medium Term Financial Strategy drafted by Nigel Lawson. This set growth rates for the amount of money circulating in the economy known as Sterling M3. The overall aim was to decrease inflationary pressures for pay demands within the economy (Stephens 1996: 13). However, establishing a reliable relationship between the monetary supply and inflation proved unproductive (Buller 2000b: 321). In particular, this policy was at odds with the liberalisation of the financial markets that occurred in 1979 when the government removed the controls on foreign exchange transactions and the abolition of internal credit controls (Hutton 1995: 64-66, Stephens 1996: 13-14; Buller 2000b: 321). The impact was to lead to a dramatic increase of private debt and a rise in City incomes that precipitated the housing boom of the 1980s. The government's attempts to control public debt and to control the money supply made little sense alongside an economy that was being expanded by the contingent economic management of the financial sector. The value of sterling did not reflect the government's monetarist targets but the decisions of the financial markets. The main instrument available to government to control the exchange rate and influence inflation was control of interest rates. When Geoffrey

Howe raised interest rates in 1981 to counter the devaluation of the pound, it represented the beginning of the end for monetarism and a return to fiscal economic management (Stephens 1996:24). However, the government continued to set unsuccessful monetary targets. A change in direction only occurred in 1985 after sterling had been falling for four years. In September, at a meeting of the G5 there was an agreement to attempt to stabilise the financial markets. In October, Lawson dropped the M3 sterling target (ibid: 46). In a ministerial meeting on 13th November, Lawson made the case for membership of the ERM as now the best way of securing the government's anti-inflationary strategy (ibid: 49). This was strongly supported by those who attended the meeting (ibid: 49-50). It was a clear move in the direction of support for international economic governance as a solution to the problems of domestic economic management and was in line with historical preferences within the British state for strong and stable exchange rates (Gamble and Kelly 2000: 7). However, it was not supported by Thatcher who, with the advice of Alan Walters and Brian Griffiths (head of the No. 10 policy unit) listed a number of objections (ibid: 50). Thatcher regarded the policy as an abandonment of monetarism as it was no longer the control of the money supply that was being made central to maintaining economic stability but the exchange rate (1993: 689-690). For her, fixing the exchange rate would allow other economic indicators to be ignored for the goal of exchange rate stability and the economy could get out of control:

> '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 to a particular exchange rate you are steering by a different and potentially more wayward star.' (1993: 690)

This approach was consistent with a free market philosophy. As she noted, the realignments within the ERM were a matter of 'political horse rather than the workings of the market – and the market does a better job' (ibid: 693). This position not only reflected Thatcher's opposition to fixed exchange rates, but also her reluctance to become embroiled in European forms of economic governance.

Despite Thatcher's opposition, Lawson began to pursue informal membership of the ERM when he introduced a policy of shadowing the Deutschmark as a way out of the

sterling crisis of 1986 when the value of pound fell by 12.5% (Lawson 1992: 647). This crisis occurred as a consequence of the fall in the price of oil and the depreciation in the value of the pound because of the financial markets perception of it as a petrocurrency. Lawson's policy of shadowing the DM and securing the Bundesbank's support for sterling was therefore an attempt to find a European solution to this economic crisis. In effect, the underlying strength of the German economy and the Deutschmark were being used to stabilise sterling and a volatile British economy against the financial markets. The belief was that this could be sustained because of the improved competitiveness of the British economy that in turn would be helped by a stabilised exchange rate and low inflation. In effect, Lawson believed that the markets had got it wrong and exaggerated the continued dependency of the British economy on North Sea oil (Lawson 1992: 648-649). This policy of shadowing the DM worked and took some pressure off the pound. At this stage it was a short-term measure, however in March 1987, after the Louvre Accord when agreement was reached by finance ministers to stabilise international exchange rates it became policy. A policy shift that Thatcher claimed not to have known anything about (1993: 701).

Lawson was clearly pursuing an approach to monetary policy that favoured forms of international economic governance as part of the solution to domestic instability and can be viewed as a typical strategy of British conservative modernisation. His self styled approach to Europe was that of a pragmatist, 'I am neither a Europhobe, nor a Eurofanatic and no wish to ingratiate myself with either group' (ibid: 912). Yet this masks the fact that Lawson was clearly far more influenced by European models of political economic development than his leader. Lawson evidently believed that a new industrial competitiveness could replace the reliance on North Sea oil revenues and this would be underpinned by a stable and competitive exchange rate anchored inside the ERM. Stephens notes that,

> 'Lawson's model was West Germany: the Deutschmark had been strong
> throughout the postwar period, but remained competitive because of the
> country's strong inflation and productivity performance.' (Stephens 1996: 55)

197

It was a position that had been echoed in 1978 when the Conservative party in opposition had supported the setting up of the EMS. At the time, Shadow Chancellor, Geoffrey Howe told his leader that 'fundamentally we do believe in the German principles of economic management' (Howe 1998: 111). The dilemma, as we have seen in earlier chapters, is that the structure of the British economy was characterised by extensive international penetration and a weak domestic industrial base. Between 1973-92, the rate of growth of capital stock in Britain was lower than in any other European country (Northcott 1995: 203). Yet, Britain was also receiving more inward investment than any of the others with around 45 % of the total and twice as many new plants from the United States and Japan that any other country in Europe (ibid). In the context of an increasingly globalised economy, within which capital was relatively easily moving in and out of the national economy, the use of the exchange rate as a tool of economic management was fundamentally constrained and could not prevent currency speculation. Sterling was characterised by short-term fluctuations reflecting the volatility of the British economy and long-term decline as a consequence of the ending of its role as a world currency. The belief that these structural shifts could be resolved by an exchange rate policy was a British delusion. The pursuit of a stable pound simply recreated all the problems that governments had faced in the post-war period of having to borrow heavily to maintain its value. By the 1980s the extent of the autonomy of the financial markets made such a policy even more difficult [95]. The growing importance attached to ERM membership as a solution to exchange rate instability without a more fundamental restructuring of the British economy represented the continuation of a strategy of flawed Europeanism. In the wake of the failure of monetarism, it represented a short-term fix up for a rentier regime. The pursuit of ERM membership was therefore a return to more orthodox politics of economic management designed to accommodate Britain to changes in the global economy. It was in this sense a typical policy of conservative modernisation but one that could not be consolidated in the context of Thatcherism. For Thatcherites, ERM membership reprsented a return to a discredited politics of conservative accommodiation to forces that should be resisted in the pursuit of a purer form of neo-liberalism.

6.8 The ERM and the leadership crisis

The period from 1987 to 1990 saw an intensification of economic and political problems for the third Conservative administration under Margaret Thatcher's leadership. The expansion of demand that had occurred during 1987 was triggered by the deregulation of the financial markets that led to a massive reflation of the economy (Hutton 1995: 71). This was further fuelled by cuts in direct taxation. The economy quickly overheated and in 1989 it began to enter recession. There was a record balance of payments deficit, rising inflation and two million unemployed (ibid: 218). A consequent rise of interest rates to counter inflation saw them reach 15 % by May 1989. In effect the globalisation of the British economy had been pursued without any broader strategy designed to support the domestic economy and maintain long term stability. In summary, the tensions over the ERM not only represented the confusion at the heart of government economic policy as the underlying vulnerability of the economy was exposed, but also the deeper tensions surrounding the politics of modernisation in Britain.

Hay refers to the re-emerging crisis of the British state during this period as a crisis of 'under-load – of an under-extended, retrenched and debilitated state' (1999: 71). In particular, the intensification of the European struggle was evidence of an emerging Thatcherite revisionism within both the Conservative and Labour parties that was responding to the weaknesses apparent in Thatcherism's failure to address entrenched problems. Thus, the EC increasingly offered political opportunities, particularly as a new structure of economic governance, at a time when the weaknesses of Thatcherism as a strategy of political modernisation had been exposed. Even those sceptical about Europe found it hard to turn their back on the EU as Thatcher and her more ardent supporters were prepared to do.

Predictably, as the economic indicators worsened, Thatcher came under increasing pressure to join the ERM. By this time the Labour party had also dropped its opposition to the European Community and its European policy centred around membership of the ERM and emerging support for the Delors Report. With ERM

membership now linked to EMU, the conflict over European integration increasingly became the issue around which the parameters of the Thatcherite settlement were to be contested. Thatcher's opposition to ERM membership was hardened by the Delors Report that saw entry into the ERM as stage one of EMU. Signficantly, Thatcher linked British ERM membership to a broader European project designed to bring about political integration:

> 'The ERM was seen by the European Commission and others as a path to EMU – and this subtly changed the former's purpose. But EMU itself – which involves the loss of the power to issue your own currency and acceptance of one European currency, one central bank and one set of interest rates – means the end of a country's economic independence thus the increasing irrelevance of its parliamentary democracy. Control of its economy is transferred from the elected government answerable to Parliament and the electorate, to unaccountable supra-national institutions.' (1993: 691)

By linking ERM membership to participation in European political union, Thatcher set herself apart from the pragmatic Europeanism of Howe and Lawson and opened up a strategic split in the Thatcherite governing elite. Despite the fact that Lawson shared Thatcher's opposition to EMU[96] she believed that his policy of shadowing the DM had 'so undermined confidence in my government that EMU was brought so much nearer' (ibid). In May, Thatcher publicly blamed Lawson's policy of shadowing the DM for the rising inflation seen during the late 1980s (ibid: 919, Thatcher 1993: 710). After the June election in 1989, Lawson continued to press for membership of the ERM and responding to questions in a House of Commons Select Committee on the Delors Report responded that,

> 'It would reduce rate fluctuation and we would be able to use it to assist us in our anti-inflationary policy.' (Lawson 1992: 923)

The matter came to a head in the immediate run up to the Madrid Council in June 1989. During the weeks beforehand, Lawson and Howe attempted to get Thatcher to commit to a policy that would see British entry into the ERM by the end of 1992. They also wanted commitment on moves towards EMU while arguing that there would be no moves towards stage three 'until further work was done on what it entailed, including notably its political implications' (ibid: 929). Thatcher responded

with a number of reasons for delaying even further Britain's entry into the ERM for four years or more based on a number of conditions outlined to her by her economic advisor Alan Walters (Thatcher 1993:709). At their second meeting with Thatcher on 25th June, Thatcher again refused to adopt a specific date for entry to the ERM and instead said she would continue to pursue a policy of 'when the time is right' based on the Walter's conditions. The meeting ended with both Howe and Lawson threatening to resign (Lawson 1992:933). Clearly, a profound split had emerged in the governing elite that forced the Prime Minister to take a more conciliatory tone at the Madrid Council. However, the consequence of the deterioration in the relations between Thatcher and Howe in the run up to the Madrid summit led to his dismissal from the foreign office and to him becoming a detached Deputy Prime Minister and Leader of the House. Nor were the relations between Lawson and Thatcher to improve. When the pound began to fall during 1989, Lawson found that his policy of trying to hold its value against the 'psychologically important' DM3 level was undermined by the increasingly public pronoucements of Thatcher and Walter's that the pound 'should find its own level' (Lawson 1992: 949-950). Eventually, Lawson considered his position as being more and more undermined and eventually resigned when Thatcher refused to consider getting rid of Walters as her economic advisor.

Stephens points out that when Thatcher refused to consider entry into the ERM in 1985, it was the only time during her premiership when she stood alone against the will of her most senior ministers on a crucial aspect of policy (1996:51). She not only held out against the advice of her top ministers but undermined them by looking to personal advisors. It was a radical assertion of the powers of the Prime Minister's office and the clique of supporters and advisors who constituted it. Her position hardened further when the ERM became linked to EMU in the Delors Report. What this resolute approach of the Prime Minister represented was a defence of a particular model of the international economic order against those moves towards more European regulation. Nevertheless, outside of the ERM did not mean a British government could pursue an independent monetary policy but that its policy was to continue to be dictated by international financial markets and the Washington consensus. It was the global neo-liberalism of the latter that Thatcher was defending against the emerging European alternative to global governance. It led her into a

direct attack on the legitimacy of Europeanism within the Conservative party and the British state as a whole. It was powerful evidence of the continued fragility of the Europeanisation of the British state and further evidence of the failure to embed membership of the EC/EU as a project of post-imperial political modernisation.

6.9 Anti-Europeanism and renewing Thatcherism

For Thatcher, engagement with an increasingly organised European political order became diametrically opposed to a political project that was rooted in a neo-liberal Anglo-American nationalism. European integration was once again constituted as the 'other' of a British political order. This split the coalition within the Conservative party between radical and reformist Thatcherites. In Thatcher's critique of the second wave of integration during the period, lay the foundation for a revived Euroscepticism that became entrenched within the national political discourse. While it was criticised by the wider governing elite and led to Thatcher's eventual downfall, it can be seen as a profound attack on Europeanism from within the state that contributed to the consolidation of a neo-Thatcherite approach to European integration within the British state. The underlying opposition to European integration, that had been evident since the 1950s and reflected British 'exceptionalism', was powerfully reasserted as a populist ideological discourse. The strategy was to try and secure enough popular support to enable the break to be made with Europeanism and its supporters to be sidelined. This was particularly expressed in the increasingly public conflict between Thatcher and Delors.

Thatcher's concerns about the direction of the Community had been confirmed by the launching of proposals for a European social space to be formalised in a European Social Charter. This was rejected by Thatcher at the Madrid summit and the British government went on to obstruct any proposals coming out of the Community's Social Action Programme that followed the signing of the Charter. Delors had chosen the British TUC conference of 1988 to outline a vision of a social Europe:

> 'The internal market should be designed to benefit each and every citizen of
> the Community. It is therefore necessary to improve worker's living and

working conditions, and to provide better protection for their health and safety at work.' (cited in George 1990: 193)

Before this speech he told the European parliament that within ten years 80 % of economic and possibly fiscal and social legislation would be coming from Brussels. In her memoirs, Thatcher describes her growing distrust of Delors and his 'expansionist' aims and her belief that this would not be acceptable to the British people. In her memoirs she refers to her decision to oppose integration:

> 'By the summer of 1988 he (Delors) had altogether slipped his leash as a functionnaire and become a fully fledged political spokesman for federalism. The blurring of the roles of civil servants and elected representatives was more in the continental tradition than in ours. It proceeded from the widespread distrust which their voters had for politicians in countries like France and Italy. That same distrust also fuelled the federalist express. If you have no real confidence in the political system or political leaders of your own country you are bound to be more tolerant of foreigners of manifest intelligence, ability and integrity like M.Delors telling you how to run your affairs. Or to put it more bluntly, if I were Italian I might prefer rule from Brussels too. But the mood in Britain was different. I sensed it. More than that, I shared it and I decided that the time had come to strike out against what I saw as the erosion democracy by centralisation and bureaucracy, and to set out an alternative view of Europe's future' (1993: 742)

Here we see Thatcher appealing directly to public opinion and her sense of its mood to legitimate her growing opposition to European integration. In the summer of 1988, she commissioned a paper from an official which spelt out to her how the Commission was 'pushing forward the frontiers of its competence' and had 'misemployed treaty articles' in order to get directives past under qualified majority voting (1993:743). She went on to ask:

> '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 seen. Because Britain was the most stable and developed democracy in Europe we had perhaps the most to lose from these developments.' (1993: 743-44)

203

Thatcher rounded on Delors and his conception of the Community in a speech at Bruges delivered in September. This came only weeks after Delors had addressed the TUC and outlined an alternative vision of a Europe of nation-states:

> 'Let Europe be a family of nations, understanding each other better, approaching each other more, doing more together, but relishing our national identity no less than our common European endeavour. Let us have a Europe which plays its full part in the wider world, which looks outward not inward, and which preserves that Atlantic Community-that Europe on both sides of the Atlantic – which is our noblest inheritance and our greatest strength.' (ibid: 745)

This speech indicated that Thatcher believed that Europe was more than an economic area but she saw it as a defender of freedom *within* an 'Atlantic Community' (Young 1998: 357). This speech was not the basis for a new strategy towards European integration that could find favour across the member-states but was designed as an attack on those 'enemies of freedom' she had identified in the Community:

> 'We have not successfully rolled back the frontiers of the state in Britain only to see them reimposed at a European level, with a European super-state exercising a new dominance from Brussels.' (1993: 744-745)

This was a far from a veiled attack on the Commission and the centralising French socialist who headed it. But the Commission was not the only target. A draft of the speech, which the foreign office insisted was toned down, had also contained a reference to Britain having saved Europe from being united 'under Prussian domination' and Britain as the only successful European imperial power (Young 1998: 348). A strong element of Thatcher's growing Euro-scepticism and the basis for mobilising against the Community was to do with her distrust of Germany. During the Sterling crisis of 1986 when the Bundesbank had refused to directly support Sterling, Lawson recollected Thatcher's reaction as follows:

> 'She was furious that the Germans were not being more helpful, and went into her gut anti-German mode, which was never far from below the surface.' (Lawson 1992: 656)

In particular, it was the Bruges speech that marked the clear break with Europeanists within the party and the beginning of the public mobilisation of the Eurosceptics within the Conservative party. It was a powerful and populist reassertion of the strong state/free economy position and of Atlanticism. This speech contained a number of themes that were to be replayed by Eurosceptics in their opposition to further British involvement in the integrationist project in the 1990s and beyond. It was constructed around a number of oppositions between Britain and the EC/EU. They included European bureaucracy and political formalism versus British pragmatism and democracy; British free trade liberalism versus European protectionism; British globalism versus narrow Europeanism; British political stability versus European instability. By presenting the project of European integration as fundamentally antithetical to British national interests and identities, Thatcher had taken on the mantle of Powell. It was however an attack on the Delors project to reorganise Europe as a politico- economic space and a defence of Britain's own particular response to globalisation. It was a populist ideological expression of British exceptionalism directed against the forces of accommodation to European integration.

The combination of a Europe economically dominated by Germany and an expansionist Commission headed by a French Catholic socialist meant that for Thatcher and Eurosceptic forces the second wave of integration became seen as Fanco-German state building. These fears were exacerbated by proposals for German unification in the wake of the fall of the Berlin wall, a development that Thatcher opposed. The moves towards greater European integration were increasingly constituted as the most fundamental threat to the British state and British political identity. While the Heath government had seen Europe as the only way back to some sort of power in the world, Thatcher could claim to have achieved this by reasserting the Anglo-American alliance. She had put herself at the centre of super power relations and asserted a British commitment to a leadership role in the world system. George maintains that many of Thatcher's fears concerning the 1992 project reflected her belief in the importance of US leadership (1996: 35).

This attempt to forge a populist anti-Europeanism became obvious in the run up to the 1989 European elections:

205

'The overall strategy was simple. It was to bring Conservative voters – so many of whom were thoroughly disillusioned with the Community – out to vote.' (Thatcher 1993: 749)

Lawson described the campaign, under Thatcher's instructions, as a crude and embarrassing anti-Europeanism that was encapsulated in the poster 'Do you want to live on a diet of Brussels?' (Lawson 1992: 922). He records his growing awareness of Thatcher's strategy:

'I suddenly realised, 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.' (ibid)

The campaign further opened up the splits in the party, Thatcher complained of the 'Heathism' of many Conservative MEP's who were at odds with her anti-European line and undermined the campaign (Thatcher 1993: 749 Lawson 1992: 922). These splits were clearly evident with the formation of the Bruges Group and parliamentary 'Friends of Bruges' formed in February 1989 to support the Thatcherite line. The Conservative press and the pro-Labour Daily Mirror also supported a revival of anti-Europeanism that culminated in a series of attacks on Jacques Delors in The Sun during 1990 (Wilkes and Wring 1998: 197). Meanwhile, during the campaign Heath launched attacks on Thatcher in Brussels and in the media (George 1994: 215; Heath 1998: 710). The message was that Britain would be left behind and become a second-class member of the Community. A similar warning came from Michael Heseltine in his book on Britain and Europe published in May 1989 (George 1994: 215). The result of the election was that the Conservative share of the vote dropped from 40.8% to 34.7%. In contrast to the Conservatives, the Labour party pursued its most unified pro-European campaign in its history. The possibility seemed to emerge of a revisionist Thatcherism centred around a renewed coalition of committed and pragmatic Europeans within the governing elite. This implied a return to the politics of conservative modernisation and opposition to the reactionary fervour of Thatcherite neo-liberalism.

6.10 The end of Thatcher

As we have seen with the resignation of the Lawson and the demotion of Howe, Thatcher's position had been severely weakened and the alliance of Hurd and Major brought about ERM membership. Hurd, was a classic Tory European, he was as Young says 'a Foreign Office man to his roots: trained there as an embryonic mandarin, embraced there as Heath's private secretary when the 1971 negotiation took place' (1998:362). Major was 'to all appearances a Thatcherite' (ibid: 363) but his views on Europe took shape while Foreign Secretary and Chancellor. While at the Foreign Office he became more positive about the European Union and began to develop friendly relationships with European politicians (Seldon 1998:95). In a speech to the Conservative party conference in October 1989 he restated Britain's commitment to membership of the Community and in private he expressed reservations about Thatcher's oppositional line (ibid). As Chancellor, he was committed to membership of the ERM as the only way of countering inflation (Major 1999:138). A more traditional conservative position on Europe was therefore being re-asserted within the governing elite contra the Thatcherite attack.

When, in summer of 1990, Thatcher lost Nicholas Ridley from the Cabinet because of his anti-German comments in the Spectator magazine[97] she lost what she referred to as 'almost my only ally in the Cabinet' (Thatcher 1993: 722). When John Major replaced Lawson as Chancellor her position was so weakened that she was unable to hold out any longer against membership and Britain eventually joined on the 5th October 1990:

> 'Although the terms that I had laid down had not been met, I had too few allies
> to continue to resist and win the day.' (Thatcher 1993:722)

However, Thatcher's Euro-scepticism had not abated and was on display at the Rome summit in the same month. She attacked the plans for economic and monetary union as 'cloud-cuckoo land' and promised to block things that were not in British interest (Young 1998: 367). On her statement to the Commons she rouded on Delors and the

Commission referring to it as trying to 'extinguish democracy' and create a federal Europe:

> 'No ... no ... no,' she bawled, her eye seemingly directed to the fields and seas, the hills and the landing grounds, where the island people would never surrender.' (ibid: 368)

It was at this point that Geoffrey Howe made his decision to resign, and his resignation speech that followed secured Thatcher's downfall. This speech was a powerful defence of the Tory Europeanism of Macmillan and Heath. He referred to the necessity of facing the 'realities of power' as Macmillan had done and not to 'retreat into a ghetto of sentimentality about our past.' (House of Commons Debate [H.C.Deb.] Vol. 180. Col. 2, 461-465 13th November 1990). It succintly defended this political project and portrayed Thatcher as its enemy:

> 'The tragedy is – as it is for me personally, for my party, for our whole people and for my right hon. Friend herself a very real tragedy – that the Prime Minister's perceived attitude towards Europe is running an increasingly serious risk for the future of our nation. It risks minimising our influence and maximising our chance of being once again shut out. We have paid heavily in the past for late starts and squandered opportunities in Europe. We dare not let it happen again. If we detach ourselves completely, as a party or a nation, from the middle ground of Europe, the effects will be incalculable and very hard to correct.' (ibid)

Howe argued that the Community should be seen 'as an active process which we can shape, often decisively, provided that we allow ourselves to be fully engaged in it with confidence, with enthusiasm and in good faith' (ibid). In contrast he referred to Thatcher as viewing the continent as 'teeming with ill-intentioned people, scheming, in her words to 'extinguish democracy' (ibid).

Howe's speech was a powerful reassertion of Conservative Europeanism that emphasised the negative consequences of becoming marginalized from European developments. Howe defended the 'middle way' which was neither a Federal Europe nor a Europe of sovereign nation-states (ibid). Thatcher's view that there were only these polar opposite positions, he termed 'a false antithesis, a bogus dilemma' (ibid).

It was a characteristic expression of British pragmatic conservative modernisation through engagement with European integration. While it harked back to the past, it was also suggestive of the continuation of the Thatcherite policy developed in relation to the single market that Howe had played such a crucial part in negotiating. For Howe, the EC was arena in which Britain could pursue its neo-liberal agenda and 'maximise its sovereign power' (Howe 1990: 687) within an increasingly interdependent world. It was an attack on Thatcher's ideologically populist and aggressive assertion of British exceptionalism in relation to European integration. However, from the perspective of Thatcherite Euroscepticism it was clearly viewed as complicit with the Delors agenda.

Howe's speech confirmed to many Tory MPs that Thatcher was now too out of step with the mainstream. While many publicly supported her nationalistic stance at time of economic and political uncertainty, they were not prepared to support her (Young 1998: 369). The first challenge to her leadership came from Sir Anthony Meyer in 1989 whose motivations were directly related to Thatcher's anti-Europeanism (ibid: 370). He received sixty votes indicating that her leadership was weakened. However, it was Michael Heseltine's challenge that emerged after Howe's resignation speech that finally brought her downfall. At this stage, as John Major recalls, 'the backbench rats began to desert the Prime Minister' and 'malcontents stalked the parliamentary lobbies' (1999: 179). Heseltine succeeded in achieving 152 votes to Thatcher's 204 forcing a second ballot. This was to be the fatal wound that destroyed her political authority and led to her resignation.

The question arises of what were the implications of Thatcher's defeat at the hands of Conservative Europeans? How far did it imply a fundamental shift in a post-Thatcherite direction?

6.11 What kind of a victory?

The splits in the leadership and the party over the ERM and EMU represented fundamental strategic divisions within the Conservative party (Baker et al 1993). Since the end of the 1970s, Britain had been on a particular trajectory that emphasised

the defence of the traditional unitary state as well as a particular form of flexible economic modernisation that prioritised a global free market strategy. European policy had been subordinated within these wider objectives of a reactionary neo-liberalism. In contrast, continuing to engage with the process of integration, as many pro-Europeans claimed was essential, potentially compromised this trajectory as the British political order became further integrated within a European regulatory regime.

The choices regarding the nature of post-imperial dependence determined the overall trajectory and structure of the British political order. The question arises as to whether the downfall of Thatcher represented a fundamental shift away from a neo-liberal Anglo-American trajectory in favour of a politically integrated Europe. Were these strategic choices clearly articulated within the factions of the Conservative party? It is my contention that to answer this question in the affirmative is to understate the significance of the Thatcherite settlement and the complexity of the divisions within the political class over European integration and politics of modernisation. The Thatcher years had entrenched British dependence on the United States and partially resolved the problems of economic modernisation through the assertion of a strategy of flexible globalisation. In so doing, 'a rentier class was born again through rebuilding very large portfolio investments in North America and in other parts of the non-European world' (Gowan 1997: 102). These economic arguments were becoming central to the emerging anti-European Thatcherite position and were articulated by Thatcher herself, once out of office:

> '.....the European Community's relative importance as regards both world trade and Britain's global trading opportunities is diminishing and will continue to diminish. Our politicians should become less concerned with European markets, whose most dramatic expansion has probably been achieved and more interested in the new opportunities emerging in the Far East, Latin America and the North American Free Trade Area. The disposition of Britain's massive portfolio of overseas assets – over £1,300 billion in 1993 – provides an insight into the judegement of the private sector on this question: over 80% % are held in countries outside the EC, and the proportion in the merging markets is expanding vigorously. The share of our total trade with countries outside the EC, and particularly with the Pacific Rim, is increasing and will continue to do so.' (Thatcher 1995: 498)

The assertion of flexible accumulation in Britain provided the basis for a populist renewal of a reactionary British exceptionalism. Thatcherites therefore felt increasingly justified in defining and constituting the British politico-economic order as distinct from much of continental Europe. Further moves in the direction of an integrated Europe were therefore considered to have major domestic political costs. This was made explicit in the attempts to renew Thatcherism by an anti-European campaign of political mobilisation. The dilemma, as key sections of the political class recognised, was that for a post-imperial politico-economic order dependent on its wider regional and global relations and with a volatile economy, the opportunities opened up by European integration could not be ignored. The dilemma was that this implied a return to the politics of conservative modernisation that Thatcherism had rejected.

While the removal of Thatcher indicated that a new cross party consensus appeared possible on European policy, the election of the right wing pragmatist, John Major, to the leadership of the Conservative party instead of Michael Heseltine reflected the support within the party for the Thatcherite settlement. Major was viewed as a party manager whose role was clearly to unite the various factions and constitute a viable European policy. A Heseltine victory would have brought the party 'much nearer to a fatal split on Europe' (Turner 2000: 136). However, with the support of a pro-European Labour party and in the context of a less sceptical public opinion, it may also have resulted in the most significant shift towards the EC and European integration that had been seen since the Heath government. Indeed, in combination with a radicalised regional and industrial policy, it may have been the basis for a more profound British Europeanisation. In contrast, the election of Major was therefore primarily about the consolidation of the Thatcherite settlement and with it the reproduction of the contemporary form of British exceptionalism that this implied. This was most clearly seen in Major's strategic decision to try and keep the right of the party on board in key policy decisions. As we will see in Chapter 7, the attempt to square this with a viable European policy that could positively engage with the second wave of European integration created a distinctive and unresolved European crisis for the Conservative party and British state. The differences over Europe opened up across the political class and became a source of political mobilisation, creating

divisions and splits that could not be contained by the governing elite. This represented the full manifestation of the chronic divisions within the Conservative party over the politics of modernisation.

6.12 Conclusion: the emerging European crisis of the British state

We have seen that Thatcherism fundamentally challenged the idea of conservative modernisation that surrounded Britain's relationship to the EC/EU. This represented a populist reassertion of a reactionary British exceptionalism that located British interests and identity in a purified conception of the global market society. Consequently, European policy was conceived in terms of economic liberalisation and the negotiation of policy exits became the defining feature of a British European strategy. Thatcherism, however, reduced political problems to those of the market and state domination. The chronic instability of such a project for establishing stable government in the complexity of late modernity suggested that European 'options' and 'opportunities' could not be erased completely from British political agendas. However, any constructive engagement with European integration was compromised by Thatcherism and the underlying British opposition to political modernisation. In Chapter 7 it is clear that the Major governments could only adopt contradictory and unstable positions on European integration that gave rise to attacks on the governing elite and resulted in a significant European crisis for the British state.

Chapter Seven

The European Crisis of the British State 1990-1994

John Major was elected to the leadership of the Conservative party to resolve the crisis of Thatcherism. This crisis was evidenced by an economic recession, growing electoral unpopularity for the Conservatives and the unease within the party over European integration. In forging a post-Thatcher agenda, the government set itself the task of rebuilding relationships on the continent and re-engaging with the second wave of integration. A new constructive European policy, including a commitment to ERM membership, was to be a central plank of the Major administration's governing agenda. Nevertheless, this new approach remained distinctly Thatcherite in terms of its commitment to neo-liberal policies and a strong, centralised state. The attempt to incorporate Europeanism into what was primarily a neo-Thatcherite agenda proved fundamentally flawed and completely derailed the Major government. It soon became clear that such a course of action was disastrous for the government and triggered a distinct *European crisis* for the British state. This crisis emerged in the form of the humiliating ejection of sterling from the ERM. In addition there was an extraordinary attack on the governing elite by Eurosceptic forces during the attempts to ratify the Maastricht Treaty. In this chapter I explore the unfolding of this crisis, its aftermath and its implications for the arguments developed in the course of this thesis. I shall show that these events are central to understanding the problematic trajectory of the British state, demonstrating as they do the chronic continuation of the structural constraints on the development British European policy in the early 1990s.

7.1 Majorism: the missing political strategy

'Majorism' did not exist as a distinct political project but was primarily an attempt to consolidate the Thatcher legacy (Marquand 1991: 41; Riddell 1992: 428-429; Hay 1996a: 163; Seldon 1998: 742-743). Nevertheless, a key reason for the electoral success of the Conservative party in 1992 was that it presented itself as less ideologically doctrinaire than it had been during the 1980s. It was more in line with

the One Nation tradition that had served the party so well under mass democracy. Indeed, a key feature of the Major administration was a commitment to protecting and improving public service provision and this justified increases in public expenditure. The intellectual force behind this new focus was Chris Patten, Chairman of the Conservative party (1990-1992), who advocated a social market philosophy along the lines of the German Christian Democrats (Riddell 1992: 427). Alongside Patten, David Willetts attempted to articulate modern conservatism as a combination of Thatcherite free trade radicalism and a belief in community that was rooted in a long tradition of conservative nation building:

> 'This preoccupation with linking communities and markets is part of a continuing Conservative concern with national integration. Disraeli's two nations, Salisbury's fears of national disintegration, the One Nation Group, John Major's opportunity society – all address the question of how to ensure that all British citizens feel that they participate in national life' (1992: 420)

Initially, therefore the Major administration looked to a more inclusive conservatism in order to distinguish its policy agenda. Major's apparently emollient and conciliatory nature seemed to fit with this mood and was important in securing his leadership bid. Nevertheless, this was clearly not a radical agenda for political modernisation but a pragmatic Thatcherism tempered by English social liberalism. Noting the underlying vacuity of this strategy, Marquand commented:

> 'The end of Thatcherism has, however, left a vacuum which nobody had yet rushed in to fill. Majorism is not a project in the sense that Thatcherism was a project. It is a sort of ragout of old style Tory paternalism and new-style Thatcherite entrepreneurialism, laced with upward social mobility and palpable personal decency of its author. It may suffice to win the Conservatives the next election, though that looks less likely that it did a year ago. There is no evidence that it offers any solution whatever – good, bad or indifferent – to the long-drawn-out crisis of maladaptation which grips the British state.' (1991: 41)

Thus, none of the modernisation deficits of the British state were being addressed by the emerging post-Thatcher political agenda. The ideological dominance of Thatcherism left little room for creative political agency. This became increasingly evident once the Major governments became preoccupied with party unity and

abandoned attempts to construct an intellectually coherent project along the lines that Patten had envisaged.

In particular, the Major government remained strongly attached to a traditional conception of British parliamentary sovereignty and it did not consider redrawing the existing constitutional settlement. Apart from Northern Ireland, the sensitive and contentious position of the non-English nations were ignored. Crucially, the decentralisation of state functions that was evident in other European states, and the devolution of power to other political authorities remained problematic with a governing consensus that continued to support centralised state power. There was no resolution of what Hirst had referred to as the 'constitutional crisis' that continued to challenge Britain's homogeneity as a nation-state (1989: 40).

While the organisation of political authority across European states became more decentralised and neo-corporatist (Crook et al 199: 97-104; Offe 1996: 65), what was notable about the British case was the extent to which this was primarily associated with privatisation and marketisation of state functions (Crook et al: 99). The emphasis the strong state remained but was combined with an extensive application of free market principles across a range of sectors. A programme of privatisation was continued in the areas of coal (1994) and rail (1996-7). There was a radical shake up of Whitehall with the extension of compulsory competitive tendering and contracting out to central government (Riddell 1992: 428). Thatcherite welfare reforms were continued such as the opting out of schools from local authority control and the extension of the quasi-market in the health sector. While the government began to grapple with the politics of the welfare state, it did so by reinforcing the status of the individual consumer in the shape of proposals such as the Citizens Charter. Increasingly, the power of centralised government combined with the language of consumerism was used to justify increased surveillance over public services and the intensification of the 'audit culture'. The key focus here was on finding performance indicators for the producers of public goods and to maximise efficiency and competitiveness. The Major governments extended the strategy of economic modernisation to cover a range of state functions and agencies.

This programme was underpinned after 1993 by economic policies designed to ensure British economic stability once ERM membership and EMU membership had been ruled out. Kenneth Clarke, as Chancellor, put in place a more transparent process of decision making which gave increased power to the Bank of England in the setting of interest rates (Stephens 1996: 292-293). This underlined a shift towards a more general focus on domestic economic stability, over any artificial focus on the exchange rates. As such, it represented a significant modernisation of the institutional infrastructure of domestic policy and laid the basis for the impressive macro-economic performance between 1993-1999[98] (Gamble and Kelly 2000:19). These were, however, national reforms occurring in the absence of participation in EMU.

In the wake of the crisis of Thatcherism at the beginning of the 1990s which was generated by the rapid processes of deregulation (or market based re-regulation) and the conflicts over European policy, the Major government began to look for primarily national ways of securing economic stability. These developments however continued to imply an exceptional trajectory for the British state during the 1990s. The losses of power faced by organised labour in Britain during the 1980s and 1990s meant that Britain was not going to engage in the kinds of modification of institutionalised class compromises that other European states began to embark on (Grote and Schmitter 1999; Rhodes 2000: 162-163). Despite the reform of the institutions of monetary policy, the emphasis on economic stability did not represent any commitment to a longer term industrial strategy. Indeed fixed investment per year in manufacturing in Britain in 1992-94 as lower than in 1961-73 while imports had reached 33 % by 1990 compared to 21 % in 1970 (Northcott 1995: 202-203). In comparison, by 1994 London accounted for 44 % of European equity markets which represented three times as much as Paris or Frankfurt (ibid: 202). The emphasis continued to be conceived in terms of the stability and attractiveness of Britain for mobile capital and largely at the expense of social cohesion and long term economic stability (Hirst and Thompson 2000: 354).

It was in the area of European policy that the Major government faced its severest test when it attempted to move beyond the increasingly Eurosceptic agenda set out by the former Prime Minister. Initially, the Major government saw its commitment to the

ERM and to a more constructive European policy as the basis for distinguishing it from the later Thatcher governments and as part of a bid to revive electoral fortunes and outflank an increasingly pro-European Labour party. Yet, Major's attempt to stake the national prestige of the government on a revived Europeanism proved to be an unmitigated disaster that split the Conservative party, possibly with fatal consequences, and destroyed the credibility of the government. While it might be argued that this was a product of a particular set of circumstances, it was the way in which these events reinforced and made manifest underlying structural contradictions between the British state and European integration that concerns us here. It was a continued manifestation of the post-imperial rearticulation of British exceptionalism, in terms of both political interests and identities.

The three key factors that emerged during the period of 1990-1993 which undermined the government's policy, were indicative of the British state's inability to engage with European political modernisation and, for that matter, political modernisation per se. Firstly, the government's policy proved completely at odds with the extensive nature of the second wave of European integration. Bulpitt notes that from1988 the Community could no longer be confined to,

> 'a common external tariff, the CAP, and internal tariff reductions – EFTA with knobs on. On this level the Community threatened to become an 'association' possessing that capacity for continuous, comprehensive and public penetration of British governing, which, Conservative leaders had always tried to avoid.'
> (1992: 266)

The government's claim that the Maastricht negotiations were a British victory and the extensiveness of integration could be contained, proved completely unsustainable. Additionally, the emerging problems of legitimating Maastricht meant that the British government was faced with publicly defending a project in which they were reluctant participants. Secondly, the government's attempt to craft a European monetary policy based on membership of the ERM proved unsustainable in the context of a classic British recession that demonstrated continued weaknesses in the domestic economy. Furthermore, the government's reaction after ERM withdrawal was to further undermine the possibility of participation in EMU and to advocate national solutions to monetary problems. Finally, and most significantly, these two developments

exacerbated and provoked a comprehensive Eurosceptic mobilisation, particularly on the right of the Conservative party, that launched one of the most devastating attacks on a British government in the twentieth century. The combination of these three factors was to further distance the government from European developments and push it towards developing a more explicitly neo-Thatcherite approach to the European Union. Thus, the unfolding of events within a powerful structural logic led to a profound reassertion of the ideological, political and economic tensions in British state's relationship to the European Union. It is to the history of this European crisis of the British state between 1990-1993 that I now turn.

7.2 'At the heart of Europe'

The conditions in the country in 1990-1991 appeared favourable to a more pro-European stance. The Eurosceptic forces in the Conservative parliamentary party had been temporarily muted by the downfall of Thatcher. There was growing public support for a pro-European position with a two to one majority believing Europe was good thing for Britain in 1991, the highest level of support since the 1975 referendum (Northcott 1995: 330-331). The continued membership of the ERM had become the central plank of the Major administration's economic policy. Europe appeared to be fundamental to the government's attempts to revise the Thatcher settlement and symbolised a modification of some of its less palatable elements. In this context, Major proposed to place Britain at the 'heart of Europe'.

A key feature of the initial approach of the Major government to the European Community was to rebuild relations and secure those alliances with European politicians and governments that had been alienated by Mrs Thatcher. The main figures behind this strategy were Chris Patten and, the Foreign Secretary, Douglas Hurd (Forster 1999: 32-33). A central aim of the Hurd-Patten strategy was to place British Conservatives in the mainstream of European politics. Patten already had considerable contacts with European Christian Democratic parties from the time when he was Head of the Conservative Research Department (ibid). When he became Party Chairman, he aimed to have British Conservative MEPs join the Christian Democratic centre-right group in the European parliament. He believed this would lead to Major

attending Christian Democratic leaders' meetings where many European bargains were struck (ibid). The main focus, however, was to improve relations with Germany and Major set about building a strong alliance with the Christian Democratic government in Bonn. Forster argues that behind this was the aim of exploiting German concerns over the Delors proposals for monetary union (ibid: 32). The close relationship built up between Major and Kohl was in marked contrast to Thatcher's lukewarm meetings with the German Chancellor. In his memoirs Major emphasised his friendship with Kohl, as well as with other leaders, and claims that 'he had no hang ups about Germany' (1999: 265-267). Unsurprisingly, therefore, Bonn was chosen for a keynote speech by Major in March 1991 in which he emphasised the differences between his government and that of his predecessor to the European Community. In the speech Major stated that,

'My aim for Britain in the Community can be simply stated. I want us to be where we belong. At the very heart of Europe. Working with our partners building the future.' (cited in Major 1999: 269)

This new cooperative approach within the Community was concomitant with an economic policy that placed ERM membership at its centre. Nevertheless, despite being received by domestic Eurosceptic forces as a cryptic statement of Federalist intentions, Major's speech was a classic example of British Conservative Europeanism, as the summary by his advisors at the time demonstrates:

'Europe, John Major said, should develop by evolution, not some treaty-based revolution provoking disunity in the cause of unity. It must keep its Atlantic ties strong. Britain had not, by playing its part in the transformation of Europe, 'abandoned our history or our ties with the Commonwealth and the United States'. But there were limits to the notion of a common foreign and security policy for European countries; NATO must remain paramount. So far as monetary union was concerned, 'we think it best to reserve judgement', and 'we accept its imposition.' Co-operation – already a code word for a way of doing business outside of the Brussels institutions – was the way forward for members of the Community.' (Hogg and Hill 1995: 78)

Above all, Major emphasised that 'Europe was made up of nation-states' and that a right balance had to be found between 'closer cooperation and a proper respect for national institutions and traditions' (cited ibid). Moreover, this was to proceed

219

alongside the overarching aim of advancing a free trade Europe. Major therefore re-emphasised what he saw as the limitations of the European project.

From the outset the government's position was unconvincing. It combined a clear statement of constructive engagement with the second wave of integration even reviving the idea of a leadership role for Britain in that process, yet re-affirming a fundamentally Thatcherite set of principles based around neo-liberalism and state power. The consequence of the latter was that the government increasingly looked for policy exits and appeared sceptical about the new multi-level institutional architecture that was taking shape. The Commission and many member-states were moving towards an overtly federal agenda, thus the idea that the Community could be reduced to a common market firmly under the control of states appeared out of date and out of step with the direction of the integrationist project. As the largely negative and obstructive goals of the British government for the Maastricht Council began to emerge, the ambition to put Britain at the heart of Europe looked increasingly devoid of content.

7. 3 The Maastricht negotiations: a Roman triumph?

The position of the British government during the Maastricht negotiations has been comprehensively documented (Blair 1999; Forster 1999). The government's objectives during the negotiations were to pursue selective opt outs in the areas of monetary union and social policy and to put forward proposals designed to obstruct the more ambitious objectives of the other member-states. Both Blair and Forster emphasise that this negotiating strategy was largely determined by domestic circumstances and, in particular, the need to maintain Conservative party unity (Blair 1999: 219; Forster 1999: 177). Forster notes that by September 1991, 'the problem of Eurosceptic dissent was an increasing preoccupation for John Major' and he was forced 'to abandon his Party Chairman's attempt to chart a new intellectual path for the party' (Forster 1999: 88). Yet, at the same time, the government was committed to continuing to engage with European developments and, as Major later protested, 'engage in the argument' and 'argue the British case' (cited in Seldon 1998:167). The central argument here is that developments within domestic politics were in fact

reinforcing the underlying structural trajectory of Britain's relationship with the Community.

The bargaining position of the Major government during the Maastricht negotiations reflected 'Britain's European dilemma' (Forster 1999: 178). More specifically, it reflected the impossibility that a government operating within the paradigm of Thatcherism could engage with a process of European political modernisation. Therefore, it proved increasingly difficult for the government to defend its policy against the Eurosceptic right of the party.

The attacks on Major's policy emerged immediately following his 'heart of Europe' speech. In an interview in the US, Thatcher railed against German domination of Europe and the idea of European unity. In June of 1991, the Daily Telegraph gave prominent coverage to a publication by the Bruges Group which effectively accused Major of supporting a federal Europe (Major 1999: 269). This right wing pressure group had become the 'rallying point' for sceptics and opponents of further integration across the party and by 1990 had 132 Tory backbenchers as members as well as prominent right wing academics such as Patrick Minford, Norman Stone and Kenneth Minogue (Seldon 1999: 164). However, arguably more significant in shaping the direction of the government's approach to Europe during the run up to the Maastricht negotiations was the influence of Eurosceptic ministers (Blair 1999: 203-204). Major's consensual style of leadership, and Thatcherite sympathies, increased the power of these ministers who held portfolios directly relevant to the IGC (ibid). As Blair notes,

> 'The Eurosceptic quartet of Baker, Howard, Lamont and to a lesser extent Lilley, led government departments influential in the formation of British European policy.' (ibid: 204)

In effect what Major did was to successfully buy off the support of these ministers while still putting together a realistic bargaining position. He did this by holding firm on the opt outs over EMU and the Social Chapter. This was evident in the Commons debate that took place before the IGC. Major recalls that,

'The debate worked well. I set out our negotiating aims with great care. No federalism. No commitment to a single currency. No social chapter. No Community competence on foreign and home affairs or defence.' (Major 1999: 274)

By emphasising these negative goals and objectives, the Major government was able to resist Eurosceptic pressure for a British veto to be exercised over economic and monetary union and new Treaty agreements on political integration. In effect, the British government's position at the Maastricht Council (December 1991) was to try and prevent moves towards further integration without having to veto the Treaty. It indicated the extent to which the structure of British politics prevented any British European strategy becoming part of a broader European Christian Democratic project, as politicians such as Patten and Hurd may have wanted. The overriding concerns at the Maastricht Council were increasingly those of domestic politics and Conservative party unity (Forster 1999; Blair 1999). Once Major had won over Eurosceptics to his negotiating position it became possible for the government to make concessions, such as strengthening the European parliament to include co-decision making powers. Such areas remained under the tight control of the foreign policy executive (Hurd and Major) and it was made difficult for more Eurosceptical ministers to challenge such decisions (Blair 1999: 204). On EMU the government's negotiating position was to seek a general opt out for all governments and to continue to pursue the alternative of a hard European Currency Unit (ECU) as a parallel European currency. The latter was designed to halt the move towards monetary union. This was pursued alongside attempts to separate the French from the Germans by playing on differences over the speed towards monetary union (Forster 1999: 59). The British government failed to achieve these objectives and underestimated the momentum for EMU amongst the other member states:

'London was left to determine the terms and conditions of its own self exclusion and negotiators concentrated on securing a UK opt out and the important right to reverse the initial position at a later date.' (ibid: 72)

The opt out over the single currency was relatively easy to achieve as it allowed the other member states to negotiate the details of EMU without the risk of a British veto. In contrast, the British opt out of the Social Chapter was a matter of intense political

222

bargaining during the final stages of the negotiations. A compromise agreement on social policy circulated by the Ruud Lubbers, President of the European Council, was rejected by Major when Michael Howard, Employment Secretary, threatened to resign (Forster 1999: 92; Blair 1999: 113). The conclusion to this was the negotiation of a separate protocol by the other 11 member states that inevitably weakened the development of the social dimensions that had been so central to the Delors' project.

The pursuit of selective opt outs and the negative negotiating position adopted by the Major government was the only viable position that the government could hold in the face of divided party and Cabinet. It enabled Major to avoid political ramifications of the moves towards EMU and the Social Chapter without having to veto the entire Treaty. However, the degree to which the government had been pressured into adopting a hardline and negative stance towards the Treaty, meant that the attempt to place Britain and the Conservative party at the 'heart of Europe' was shattered. In effect, the British government had contributed to the emergence of a two speed Europe in which Britain would be in the second lane, the very thing it had argued against. Clearly, at Maastricht the Major government was pragmatically reacting to domestic political events and was not actively engaged in crafting a strategy of European political modernisation that could be fully incorporated into the British political order. Underlying this pragmatism was an unwillingness and inability to challenge the core features of the political order. The Major government's revival of a strategy of conservative Europeanism hardenned into a crisis prone neo-Thatcherite position as the extensiveness of the second wave of European integration unfolded.

An increasinlgy sceptical Europeanism contrasted with the government's continued support for American global power, most clearly evident in the extent of British support for the Gulf War. In marked contrast to the divisions over European policy, Major reflected in his autobiography on the cross party support for the War and British involvement,:

> 'Here was a nation working together. It was an enriching experience.' (Major 1999: 237)

Thus, behind the rhetoric of the new relationship with European partners remained a strong attachment to an Anglo-Saxon conception of the unity of the English speaking world, under American hegemony. As Wallace noted, the Gulf War was welcomed by commentators of the right as the re-emergence of an Anglo-Saxon partnership:

> 'Pride in the past, pride in Britain as a military power, seeking to regain and reassert a status which marked us off form the defeated nations across the Channel; contrasting – to use Peregrine Worsthorne's graphic revealing language – the 'selfless even self-sacrificing idealism' of Britain's response with the flabbiness of a European Community dominated by a lobotomised German economic giant, psychologically unable to spill blood even in a good cause.' ' (1991: 30)

This re-asserted Anglo-American nationalism, combined with the Thatcherite attachment to the free market, remained at the heart of the Conservative party and the Major government. Patten's attempt to construct a project of British Christian Democracy that fitted with mainstream European developments was an exceptional attempt to shift the trajectory of the Conservative party and the British state. However, the undermining of the Maastricht Treaty and Britain's marginalisation from the integration process was viewed as a success for Major both in the party and sections of the press. Major described it as the 'modern equivalent of a Roman triumph' (1999: 288). Nevertheless, it was hollow victory, as Major had signed up to a Treaty that involved institutional developments that could not be ideologically incorporated into the British state. This was the dangerous consequence of the salvage operation on European policy carried by pro-European politicians such as Hurd, Heseltine and Clarke, who remained at the core of the governing elite.

For a short period Major had united the party and helped secure the election victory of 1992. In retrospect, however, the truce within the Conservative party was inherently fragile because the Maastricht Treaty had moved the European Community in the direction of further integration, to an extent that it was never going to be acceptable to Eurosceptic forces. In early 1992, Delors told the European parliament that the Maastricht Treaty was a significant move in the direction of further integration (Turner 2000: 155). Despite the limitations of the Treaty, this was certainly the case and it contradicted Major's claim that he had halted the drive for further integration at

Maastricht. Thus, the Major government entered into a highly dangerous political game with its own party as it attempted to ratify the Treaty in parliament and secure legitimacy for its Maastricht deal. What stood out however, was the extent to which loyalty to both party and leader began to breakdown during the ratification process of the Treaty in parliament. For an administration already weakened by a small majority of 21 after the 1992 election, the European issue was to result in a crisis that derailed the government to such an extent that it was unable to recover. Yet, before exploring more fully the Maastricht rebellion, we should note that the ferocity of this attack on the government became increasingly evident with the failure to Europeanise economic policy. I want to turn to the events surrounding British withdrawal of the ERM.

7.4 'Black' or 'white' Wednesday, according to taste

As we have seen, a central plank of the Major government's economic policy was membership of the ERM. As Chancellor, Major had persuaded Mrs Thatcher to enter the system. As shown in Chapter 6, this was part of an attempt to modernise monetary policy and move away from Thatcher's outright acceptance of the autonomy of financial markets. At a time of recession, ERM membership was viewed as fundamental to keeping inflation under control and bringing interest rates down (Hogg and Hill 1995). In particular, membership was seen to give the government's economic policy credibility in the eyes of the financial markets and thereby avoid destabilising speculations on the pound. It was a policy designed to break the stop-go cycle of the British economy by facilitating stable growth alongside low inflation (Stephens 1996: 198). The value of sterling once again became the guiding principle of British economic policy. A questionable form of financial management was equated with a broader project of modernisation.

The difficulty for the government was the nature and depth of the recession of the early 1990s. The bank base rate had risen to 15% in 1989 to take the heat out of the housing market with the result that house prices collapsed in 1990. Between the first and second halves of the same year GDP fell by 2% cent and manufacturing output fell by 9% in nine months. Both consumers and companies faced problems of debt and stopped spending. Unemployment began to rise and had increased by a million in

early 1992 (Hogg and Hill 1995: 186). Underlying these problems was the continued structural weakness of the British economy already evidenced by a current account deficit of twenty billion pounds in 1989 (ibid: 175). Therefore, the concern was that 'unless demands for higher pay could be resisted, and productivity increased, then rising inflation would lead to sustained pressure on the pound' (Bonefield and Burnham 1996: 14). The government entered the ERM at the relatively high rate of DM 2.95 in order to help bring down inflation and believed this rate could be sustained by the underlying competitiveness of the British economy rather than devaluation (ibid: 175). This strategy was thought to form the basis for a sustained recovery and ward off speculative pressure. However, the British economy nose-dived into a recession characterised by low output and disinflation, alongside an overvalued currency.

The real problems for the overvalued pound began to emerge once the ERM was discredited in the aftermath of the Danish no vote on the Maastricht Treaty. The result of the Danish poll had shaken confidence in the project of monetary union, and financial markets began to question the existing ERM parities. Furthermore, these problems were exacerbated by a German refusal to cut its interest rates, as Stephens notes:

> 'The Deutschmark was the anchor for the system, but Germany was sailing in the opposite direction to its European partners. Its domestic economy demanded high interest rates to stifle inflationary pressures caused by reunification; elsewhere in Europe governments were struggling to pull their economies from recession and inflation was subdued. As long as interest rates in Germany remained high, its partners could not cut their own borrowing costs to stimulate economic expansion.' (ibid: 194)

The ERM increasingly became the target for those attacking the government's economic policy. The government, however, stuck to its chosen course and in a speech to the European Policy Forum on 10th July 1992, Norman Lamont ruled out either a cut in interest rates or leaving the mechanism (Seldon 1998: 298). Although the economy required lower interest rates, it was believed that these were more likely to be delivered inside the ERM and that devaluation would ultimately lead to higher borrowing costs (Stephens 1996: 209-210). The argument was that a devaluation of

the pound would undermine confidence in sterling and lead to depreciations which could only be halted by high interest rates (ibid). The Treasury believed that the consequence of a devalued pound would be similar to the 1980s when a weak currency had resulted in rising inflation (ibid: 210-211). Following Lamont's speech, Major told the House of Commons that the government's commitment to the ERM was '100%'(ibid: 214). In late July, Major went so far as to state at a dinner hosted by the Sunday Times that he believed that sterling would become one of the world's strongest currencies, possibly, stronger than the Deutschmark (Stephens 1996: 219; Seldon 1998: 298; Major 1999: 317). This led to headlines in the Sunday Times that emphasised the extent to which the ERM policy had now become a symbol of 'national pride' for the Major government (Stephens 1998: 219). Indeed, the policy had come to represent the reversal of post-war decline by claiming to have halted the continued fall of sterling and the problem of high inflation (ibid). It was, however, a rather limited strategy considering the continued weakness of the British economy. In addition, without being linked to the broader project of monetary union the British commitment to membership appeared uncertain. Indeed, it was unfathomable why there was a return to a policy of strong and stable currency in the context of a deep recession that exposed continued problems in the British economy. As Bonefield and Burnham suggest, it could only be seen as a rather blunt instrument of economic management designed to impose low inflation discipline on wage demand (1996: 18). In effect it was a short term instrument for renewing capitalist accumulation:

> 'The discipline meant a prolonged period not merely of living on less but also of working harder in the face of declining conditions.' (ibid: 19)

The problem was that the 1980s had seen an attack on the Keynesian nexus between wages and public expenditure without any 'breakthrough in levels of productivity, productive investment or a reduction in average wages relative to other European states' (ibid: 24). The expansion of the economy had been built on deregulation of credit and the financial markets and not on any fundamental restructuring of the industrial base. This left the British economy particularly exposed to external shocks. Without a more sustained economic recovery the capacity to maintain confidence in the pound inside the ERM was impossible and could only be sustained in the short

term with high interest rates. As the government defended its ERM policy, the extent of the British recession became clearly visible. Between 1990 and 1991, unemployment increased by 700,000 over the 1990 figure, business failures ran at 930 a week, and house repossessions climbed continuously (Bonefield and Burnham 1996: 20-21). The second quarter of 1992 saw Britain's GDP fall 3.6% from its 1990 level whilst other EC nations experienced a rise of 2.8% and industrial production began to fall culminating a balance of payments deficit of £13,680 million in 1992 (ibid).

In effect, the British economy remained too weak to ride out a global recession. It was compounded by the depth of the American downturn and a weak dollar which made British exports uncompetitive. The continued appreciation of the Deutschmark in 1992, to compensate for German reunification, left the government in a straitjacket as it was unable to lower interest rates to provide a stimulus to the economy. The pound continued to fall against the Deutschmark during 1992 while it rose against the falling dollar (Stephens 1996: 221). Meanwhile, at a meeting of European finance ministers at the beginning of September, Lamont criticised German economic policy for the growing turmoil within the exchange markets. This outraged the Bundesbank President, Helmut Shclesinger, and was indicative of the extent to which the Treasury had not become Europeanised. As Stephens argues:

> 'Britain's membership of the ERM was not followed by a coordinated attempt to make friends among those upon whom the government might well have to rely. In the summer of 1992 an imperious manner could not disguise the absence of reliable allies. As one Treasury official was to lament, "We were never much good with foreigners".' (1996: 233)

When Schlesinger announced only a small cut in German interest rates of 0.25% in response to an Italian devaluation, the markets began to put increased pressure on sterling. On Tuesday 15th September 1992, the Governor of the Bank of England sought approval to step up the scale of intervention to stabilise the value of the pound. The following day saw sterling driven out of the ERM by financial speculators. The extent of the speculation on sterling meant that intervention by central banks was ineffective. Indeed, the Bank of England's holdings on foreign exchange amounted to just over 10% of the average £300 billion in the average daily turnover of the London

markets (ibid: 249). Despite what was evidently the largest intervention into the currency markets ever seen by the Bank of England (exhausting the reserves see Stephens 1996: 254), and raising interest rates to 15 %, the government was unable to halt the massive speculation and by the end of the day the pound was forced to leave the ERM.

The government was overwhelmed by the events of black Wednesday, which it considered to be largely out of its control. In the Commons debate that followed, Major reported that sterling was forced out of the mechanism by events world wide and the severity of the attack by the markets (H.C. Deb. Vol. 212. Col. 2 24th September 1992). He implied that if responsibility lay anywhere it was with the Bundesbank which had encouraged the markets with 'injudicious comments about realignment that should never have been made' (ibid). There was no official apology or acceptance of responsibility by the government and no inquiry followed (Stephens 1996: 255-256; Seldon 1998: 323).

Certainly, there were flaws with a system that depended so heavily on one anchor currency and this was evident once the Germany economy diverged from the rest of Europe as a consequence of unification. The British difficulties with the ERM, however, also reflected deeper political and institutional problems that were primarily of a domestic nature. The economic policy was inherently paradoxical. On the one hand, it was believed that an economic policy that focused on a stable exchange rate would secure stable growth without leading to high inflation. In this sense, it was viewed as an essential political instrument for the economic modernisation of a weak economy. On the other hand, this policy was only viable because a strong and stable exchange rate reflected the supposed underlying strength and competitiveness of the British economy. In this sense, it was considered to be symbolic of the new found strength of the British economy. The exchange rate became both a cause and an effect of British economic renewal. When the extent of the recession was evident in 1992, it was clear that maintaining a high exchange rate was damaging the economy and the eventual fall in the pound reflected the reality of the British economy. As Stephens notes:

'Sterling's steady depreciation over several decades had been a symptom as much as a cause of economic failure. Fixing the exchange rate would not solve the more fundamental structural problems besetting the economy – a weak manufacturing base, a large current-account deficit, low investment, poor education and training among them.' (1996: 259)

In a similar vein, Bonefield and Burnham point out that 'the continued comparative decline of British competitiveness made an eventual devaluation of the pound inevitable, in spite of the ERM' (1996: 29). What compounded the problem for Major was the fact that the exchange rate had been made into a symbol of national pride, particularly evident when he claimed that sterling would come to rival the Deutschmark. In effect, ERM membership and an exchange rate policy had been presented as a strategy of modernisation for the British economy by governing elites that would place Britain in the first division of European economic powers. According to an editorial in the Independent on Sunday, the failure of this policy represented an end of another British delusion akin to the Suez crisis of 1956 (Comment 20th September 1992). It was a typical British policy of financial (mis)management employed as an alternative to any more fundamental process of politico-economic restructuring. While it aimed to secure sustainable growth and low inflation there was no evidence that it was underpinned by a broader strategy designed to tackle the continued problems of poor productivity, social inequality and decaying public services. Increasingly the policy came to reflect the chronic absence of a coherent strategy of politico-economic modernisation. This was particularly evident in the fact that the Major government did not link its ERM policy to participation in monetary union. Equally the government seemed to lack any economic policy once blown of course by forced withdrawal from the ERM. This was highlighted by John Smith as opposition leader who picked up on Major's previous comments that sterling could rival the Deutschmark:

'To claim that the German economic miracle had been surpassed and then in the middle of the recession, to go on to foresee the pound replacing the Deutschmark takes a certain detachment from reality of which Walter Mitty would have been proud. The real lesson to be drawn from a comparison between the British and German economies is that, before one can have strong economy we need consistent investment, a recognition of the vital importance of manufacturing as the basic wealth creator, a strategy of training, for

230

innovation and technology and for regional development. In short, an
industrial strategy.' (H.C. Deb. Vol. 212. Col. 13 24th September 1992).

In a devastating attack, Smith stated that with its ERM policy blown apart, any claim
to economic competence by the Conservative party had been destroyed (H.C. Deb.
Vol. 212. Col. 22 24th September 1992). Smith was right but it was not simply a
verdict on the government. The ERM crisis reflected the general vulnerability of a
globalised British economy and the underlying weakness of British economic
governance. The Labour party did not call for the end of the pound which was the
logical conclusion of the events of the black Wednesday.

The withdrawal from the ERM allowed the Major government to rethink its European
strategy in the light of wider European developments and domestic political problems.
The role of ERM membership was reduced to a policy designed to curb inflation and
was no longer part of a broader 'heart of Europe' strategy (Major 1999: 340). The
withdrawal from the ERM was re-written as an opportunity to push Europe further in
a British direction, as Major told the Commons during the ERM debate:

> 'We have the chance to build in our time, in our generation, the sort of Europe
> for which we have always longed for; the sort of Europe I believe its citizens
> want; a secure Europe of nation-states co-operating freely for the common
> good ; a prosperous Europe, generating new wealth within the biggest free
> trade area in the world; a free trade Europe in which Brussels is kept off
> industry's back.' (H.C. Deb. Vol. 212. Col. 11 24th September 1992).

In many of the member states, the problems and eventual collapse of the ERM only
highlighted the weaknesses of the current arrangements and the need to press ahead
with full EMU. It had proved the case for more extensive forms of economic
governance beyond the nation-state to resist the autonomy of the financial markets.
However, the British government and the Eurosceptics began to see the crisis over the
European project as a validation of their different positions. For the Major
administration, the viability of the whole EMU project was considered to be even
more problematic and the government's focus shifted further away from European
monetary arrangements towards domestic reform of monetary policy. In effect, the
capacity of the global financial markets to judge economic policy by speculating on a

currency was accepted and the possibility of long term stability within a European set of arrangements was questioned[99]. More specifically the possibility of getting rid of a debased currency chronically exposed to financial speculation was clearly not on the agenda. For Eurosceptics 'White Wednesday', as they called it, was validation of the crisis of legitimation at the heart of the European project and had proved that the Maastricht Treaty was fundamentally flawed and had to be defeated. Thus, the ERM debacle fuelled the emerging crisis over Maastricht ratification that was facing the Major government.

7.5 Eurosceptic mobilisation and the Danish no-vote

The Maastricht revolt can be seen as part of the continued failure to legitimise a European trajectory for the British state. As we have seen, the full manifestation of this crisis was kept at bay by the ability of the presentation of the issue in highly conservative terms, as one of continuity and stability alongside national renewal. It was presented as conservative modernisation or simply as a limited extension of national policies. The Major government attempted to revive this strategy. From this perspective, deeper processes of European integration were considered to be unrealistic and could be contained by a strong British presence the Community. However, the extensive nature of the second wave of integration, the withdrawal from the ERM and Eurosceptic mobilisation meant it was untenable. In effect, the depolitisation of the European issue within British politics could not be maintained. Initially, this was evident when a wider European legitimation crisis emerged over the Maastricht process with the Danish no vote on Maastricht in June 1992. It is at this point that the extent of Euroscepticism within, and beyond, the Conservative party became manifest.

As a number of commentators have shown, the Eurosceptical groupings that emerged during the Maastricht ratification crossed the party divide and often consisted of disparate political positions and motives (Norton 1996; Berrington and Hague 1998; Seldon 1998: 341; Buller 2000a; Forster 2002: 109). As a starting point a chronological distinction can be made between those implacable marketeers who had been opposed to Britain's initial membership of the Community under Heath in 1972

and those who became later converts to the cause. In the first group were politicians such Teddy Taylor, John Biffen and Richard Body. This group consistently attacked the Community as primarily a political project that represented a profound attack on the British nation. As we saw in Chapter 4, the exemplar of this tradition had been Enoch Powell. Young refers to a second small group who came to prominence during the Thatcher years and who opposed the Single European Act. Notably, this group included Enoch Powell's successor in Wolverhampton, Nicholas Budgen, but also the former party Chairman, Edward Du Cann. The Single European Act separates the latter two groups from those politicians who, with the departure of Mrs Thatcher, were no longer prepared to support the official party line (Young 1998: 384). Young notes that these conversions came in 'many times and shapes' and there is 'a variety of motive and explanation' (ibid: 385). This group included Bill Cash, a leading Eurosceptic politician during the Major government, who had been a supporter of both British entry in 1972 and the SEA in 1986. Young describes Conservative Eurosceptics as a,

> 'confederacy of zealots and lurchers, with the latter amply outnumbering, often outreaching, the former. One might venture some conclusions from their history. Some were moved by disappointment born of failed ambition. They resented their exclusion from office sufficiently to allow an embryonic scepticism, hitherto suppressed, to prepare them for full rebellion. Others were pushed by personal loyalty to Mrs Thatcher, over an edge they had already spent some time looking across.' (ibid: 387)

However, what was distinctive about this group was that together they articulated a particular discourse of British nationalism constituted in opposition to the process of European integration. There were different variants of this that further separated out the various groupings. As Baker et al note (1994), some could be described as constitutionalists whose primary concern were the federalist intentions of the Community and its impact on parliamentary sovereignty. Others were English nationalists motivated by anti-German and anti-French sentiment. Nevertheless, the extent to which Eurosceptics were essentially inward looking was challenged by those who regarded themselves as internationalists opposing a regional European nationalism (Holmes 1996: 1).

Despite these differences, for the purposes of our discussion the key division within the political elite is between Eurosceptic Thatcherite 'purists' and those revisionist Thatcherites, as well as non Thatcherites, who continued to believe in the accommodation of the British state to the trajectory of European integration. As shown in Chapter 6, leading members of the political elite, such as Howe and Lawson, continued to see Europe as an essential part of British post-imperial renewal. What the European crisis indicated was the inability of the Major government, and its pro-European governing elite, to bring about this more revisionist Thatcherism that would allow for a positive European strategy. In particular, the problems that emerged over Maastricht indicated 'the nature and depth of penetration of the 'Thatcherite' revolution in the party' (Baker et al 1994: 57). As we shall see, what became strikingly evident was the extent to which Thatcherite Eurosceptics organised and dominated the campaign against the Maastricht Treaty.

Thatcher herself became a prominent spokesperson for the Eurosceptic cause and, out of office, she began to articulate an alternative free market vision of the European integration. In May 1992 she made a speech in The Hague where she called for a decentralised Community in 'which the model should be a market – not only a market of individuals and companies, but also a market in which the players are governments' (1995: 489). In this scenario, governments would compete with each other for foreign investment, top management and high earners through lower taxes and lower regulation' (ibid). She went on to call for a multi-track Europe and argued that 'we have to face up to the fact that a united Germany was a problem' (ibid: 489-491). The extent of Thatcher's personal involvement in supporting the Eurosceptic cause was recalled by Major:

> 'It was a unique occurrence in our party's history: a former prime minister openly encouraging backbenchers in her own party, many of whom revered her, to overturn the policy of her successor – a policy that had been a manifesto commitment in an election held less that six months before. It was Margarets's support for the defeat of the Maastricht legislation which helped turn a difficult task for our whips into an almost impossible one. Beyond this she began to cast around to see how the party could be moved to a more Euro-sceptic position. By the early autumn of 1993 she was telling friends that she hoped for a leadership contest a year before the next election, and for Michael Portillo to win it' (ibid: 350-351)

234

Thatcher's speech at the Hague was made ten days after the Bill had gone though parliament to implement the Maastricht Treaty. Major made the decision not to try and force the Bill through parliament quickly but to allow time for a full debate on the Treaty. The Bill successfully went through its first and second readings then, as Major put it, 'all hell broke loose' (1999: 347). The cause of this was the Danish no vote on the Treaty. The government made the decision not to proceed with the Committee stage of the Bill as it believed this would reignite the divisions over Europe (ibid: 349). In effect, this decision gave the Eurosceptics time to fully mobilise against the Treaty. The day after the Danish referendum result an Early Day Motion was signed by 69 MPs and called for a new approach on Europe.

At Prime Minister's Questions on 3rd June 1993, Major defended his version of the Treaty:

> 'The Maastricht Treaty began to build the kind of European Community that we wish to see. It introduced the concept of intergovernmental cooperation outside of the Treaty of Rome. It established the principle of subsidiarity rather than centralism. It established financial and other controls over the Commission' (H.C. Deb.Vol. 208,col. 827 3rd June 1992)

Major consistently emphasised the themes of subsidiarity, enlargement and inter-governmentalism as the guiding principles of the Maastricht Treaty. He presented the Treaty as a British victory for a decentralised Europe contradicting the interpretation of the Treaty that was presented by Delors and Mitterand. Adopting a position that was full of contradictions, the Maastricht Treaty was sold to the Conservative party as a victory for British exceptionalism. In the debate, Major's version of the Treaty came under heavy criticism from Eurosceptics such as Bill Cash:

> 'In the light of my right hon. Friend's insistence on decentralisation in Europe, with which we all agree in principle, how is it that there is in the common provisions in title 1 of the Treaty an insistence that we comply as an obligation with the single institutional framework which implies centralisation together with those provisions that deal with the union, which imply that we will be citizens of a union with duties imposed on us, and as a result of which we shall be moving into a centralised Europe?' (H.C. Deb. Vol. 208, col. 831 3rd June 1992)

The central demand of the Eurosceptics and of the Liberal Democrats was for a referendum which Major refused to grant them. The statement to the House on the Danish result represented a turning point in the Conservative party. As a Foreign Office official recalled,

> 'Behind him there were rows of sullen faces. He had virtually no support. Suddenly, we had the sense that whatever goodwill and pro-European feeling there had once been, was gone, and that the atmosphere from then on was going to be ugly.' (Michael Jay cited in Seldon 1998: 294)

The Eurosceptic cause found continued support within sections of the British press. Two of the three most powerful press proprietors, Rupert Murdoch and Conrad Black, questioned Britain's European involvement and both of them had appointed editors with similar views (Major 1999: 358; Turner 2000: 158). Notably, 'both proprietors and their editors maintained close relations with Mrs Thatcher and her circle, and filled their columns with contributions from intellectuals she had encouraged' (W. Wallace 1994: 286). The Murdoch owned Times and Sunday Times took a strongly anti-European line, while the Sun and News of the World became increasingly nationalistic and xenophobic in their attacks on European institutions and partners. Meanwhile the Telegraph, Sunday Telegraph and The Spectator took the side of the rebels and against the government's policy. In particular, opposition to Europe and admiration for the United States were persistent themes of these publications (W. Wallace 1994: 286). Clearly, underlying this were the economic priorities of global media empires and their fear of a regulated and politicised European market.

The problem for the Major government, therefore, was that it did not only face a small group of zealous Eurosceptics within the parliamentary Conservative party, but this was part of a broad based mobilisation of anti-Europeanism that reached across key sections of the Conservative press, as well as the higher echelons of the party and the government itself. This was a particularly British variant of a broader crisis of legitimation for European unity, which was evident in the narrow Yes vote for Maastricht in France and the growing concern over monetary union in Germany. Its

full impact, however, was not felt until the Maastricht Treaty finally came to parliament to be ratified at the end of 1992.

7.6 The Maastricht ratification and the European crisis of the British state

The Eurosceptic campaign in parliament during the process of ratification of the Maastricth Treaty represented one of the most significant rebellions in parliamentary history and, alongside the ERM debacle, helped destroy the credibility of the Major government. It was a profound attack on the governing elite by an emerging national movement. It undermined the legitimacy of the government's strategy on Europe, exposed the contradictions on which British policy towards European integration had been based since Macmillan, and significantly, contributed to a potentially fatal split in the Conservative party. Indeed, it was a powerful reassertion of the extensive nature of Euroscepticism at the heart of the British political establishment and intensified the uncertainties about the European trajectory of the post-imperial state. A discussion of the dramatic events surrounding ratification will demonstrate the extensive opposition faced by the Major government.

The ratification of Maastricht was rescheduled to begin again in the autumn of 1992. In the wake of the ERM crisis, the Major government came to the conclusion that it was a way for the government to regain the initiative on the European issue and to reassure its European partners of its commitment to the Treaty (Seldon 1998: 326). The decision to press ahead immediately led to attacks on the government at the Tory party conference in October. The former Party Chairman Norman Tebbitt made a powerful speech that ignited the conference floor. He called on Major to 'raise the flags of patriots of all the states of Europe' and that the conference wanted to see 'policies for Britain first, Britain second and Britain third' (ibid: 327). In response, Hurd, as Foreign Secretary, defended a traditional Tory pragmatic policy on Europe and that going back on Maastricht would destroy Britain's future in Europe. However, further attacks on the government came from Thatcher who argued in an article for the European newspaper that Maastricht was a 'ruinous straitjacket' damaging Britain's 'constitutional freedoms' (ibid: 328). It was evident from the number of Eurosceptical motions submitted to the conference that there was strong grassroots

opposition to Maastricht within the party and this became crucial for legitimating the Eurosceptics cause within parliament (Turner 2000: 162). Major made a speech that was sympathetic to Eurosceptic concerns but restated his commitment to the government's policy of ratifying the Maastricht Treaty.

During the Maastricht rebellion, it is possible to identity three objectives adopted by the rebels in their bid to undermine the government (Baker et al 1994: 38). Firstly, they aimed to delay the bill hoping that it would be made invalid by external events such as another No vote in a second Danish referendum. Secondly, they campaigned for a referendum as they increasingly believed they had considerable public support. Thirdly, they put forward and supported Treaty amendments that they considered fatal to the Treaty and would force the government to abandon ratification. This added up to an extraordinary attack on the governing elite from within the ruling party.

The first test for the government was the paving motion introduced in November 1992. In the debate, Major defended the government's conception of the Community:

> 'We can develop as a centralist institution, as some might want, or *we can develop as a free-market, free trade, wider European Community more responsive to its citizens.*' (H.C. Deb. Vol. 213. Col. 284, 4th November 1992 emphasis mine)

It expressed a Thatcherite strategy towards the Community that also drew on a traditional conservative fear of the negative consequence of being marginalised from European developments. Although the government won the paving motion, it did so by a small margin (319-316) and Eurosceptics were successful in getting a promise from the government that the third reading of the bill would be delayed until after the Danish referendum (Seldon 1998: 342). After the problems over the paving motion, some of the initiative appeared to return to the government with a successful European summit for Major in Edinburgh in December. Under the British Presidency, agreements on Denmark, enlargement of the Community and the European budget were reached. Furthermore, there was a stronger commitment to the principle of subsidiarity that had been incorporated into the Maastricht Treaty. Major was credited with having patched-up Maastricht while avoiding further moves along the road of

political integration. With a second Danish referendum agreed to take place on the 18th May 1993, the committee stage of the Maastricht bill began in December 1992. The rebels continued to attempt to delay the Bill in order to demonstrate the intensity of British Euroscepticism and hopefully contribute to another Danish rejection of the Treaty (Baker et al 1994: 39). By the time of the third reading of the bill, there had been 210 hours of debate and over 600 amendments (ibid). It was now recognised by the government that the rebels were unwhippable and had become a separate organised faction within the party with their own offices, unofficial whips and 'briefing books' (Seldon 1998: 369). The rebels proved successful in defeating the government on the method for selecting UK members of the Committee of the Regions proposed at Maastricht. However, this did not stop ratification of the Treaty and the bill continued its passage through the Commons. Alongside delaying ratification, the rebels kept up their pressure on the government to hold a national referendum. This came to a head on the 21st of April when the rebel Richard Shepherd called on the government to 'trust the people' and that the bill had no mandate as the British people had been denied a choice on Maastricht during the election of 1992 (Wintour, The Guardian April 22nd 1993). Major had already stated his opposition to a referendum in the June debate following the Danish referendum when he defended parliamentary sovereignty in a reply to Tony Benn. The rebels referendum amendment was defeated by the government but only with the support of the opposition.

With the defeat of the referendum amendment, the bill had finally passed through the Committee stage proceedings. Major celebrated with an upbeat speech to the Conservative Group for Europe that emphasised the importance of European trade and claimed that the Community was heading in Britain's direction (White, The Guardian April 23rd 1993; Comment, The Guardian April 23rd 1992). The extent to which the party was now moving in Major's direction was however another question, as the Guardian editorial noted:

> 'The speech did not tell the Conservative party things it does not know. But it tells the party many things which large parts of it still prefer to ignore. Recent surveys have implied, not always convincingly, that the rank and file Tories

are not only unhappy with the rows over Maastricht but are moving towards a more Thatcherite position on Europe.' (Comment, April 23rd 1993)

The Maastricht crisis was already adding to the depth of the growing disillusionment with the Major government that was evident since ERM withdrawal. At the beginning of May during the local elections and the Newbury by-election, the Conservative party faced heavy defeats. The Conservatives lost 500 seats in county councils across the country and Newbury was its worst by-election defeat since 1979 with a 28.4% swing from the Conservatives to the Liberal Democrats.

The government eventually secured the passage of the bill through the committee stage and it was eventually ratified on the 20th May, two days after a positive vote in the Danish referendum. Yet the rebellion had not subsided and the number voting against the third reading of the bill had risen to 41 with 5 deliberate abstentions, from 22 and 6 abstentions during the second reading in May 1992. The bill then went to the House of Lords where Thatcher led the attack claiming she would never have signed the Treaty and calling for a referendum (Seldon 1998: 384). In the Commons, the government's problems were not yet over as they had to concede to a special vote on the Social Chapter. The rebels had joined with the Labour opposition in supporting the restoration of the Social Chapter, believing that Major would not proceed with the bill if the opt out was not included. There was considerable confusion over whether a vote on the Social Chapter could kill off the bill or whether the government could circumvent a defeat on the opt out using the Crown prerogative (Baker et al 1994: 41). Douglas Hurd confirmed that this was a possibility when he announced that 'there was no question of our ratifying a treaty other than the one we negotiated' (Comment, The Guardian 15th February 1993). The role of parliament in ratifying the Treaty became increasingly unclear.

In April, the government accepted the opposition's clause 75 calling for a debate on the Social Chapter but it was delayed until after the bill had been ratified. The government continued to intimate that even if there was a majority vote for the Social Chapter they would not be bound by the vote (Wintour, The Guardian 16th April 1993). On the 22nd July, the government faced two votes, the first on Labour's

amendment on the Social Chapter and a second on the government's motion noting the opt out. The first vote was won by a margin of one vote while on the second vote the government was defeated by 8 votes (324-316). Twenty two rebels had resisted the government and voted with the opposition. Baker et al described it as the most damaging Commons defeat for a Tory government in the twentieth century (1994: 47). Those rebels who went back to supporting the government only did so after they extracted government statements stating there would be no re-entry into the ERM or moves towards joining a single currency (ibid). On the 23rd July, the government was forced to call a confidence motion on its policy on the Social Chapter and only with the threat of a general election, which the Conservatives looked destined to lose, did the rebels support the government. It was a 'pyrrhic victory' for the government that had needed to resort to various deals and compromises with opposition parties, bullying of its own M.P.s and threats to use the Crown's prerogative. In effect, there had been such a profound attack on the governing elite that only the full exploitation of the power at the disposal of the British executive secured ratification, and when Major threatened a general election did the rebels come back on board. In contrast, the rebels' victory was considerable:

> 'They had imposed longer-term constraints on the European stance of the government that would certainly not dare to bring any new treaty before Parliament that furthered European integration. ERM re-entry was off the agenda even before the collapse.' (ibid: 47)

7. 8 Euroscepticism: a national movement for British exceptionalism

When Major was interviewed about the affair he referred to the rebels as 'a tiny minority' (Seldon 1998: 389). However, the real sociological dilemma for the Major government was that by the July vote the Eurosceptics had become a significant right wing national movement. They drew strength from the extensive extra-parliamentary support that was emerging for their cause. Increasingly, their refusal to accept the government whip suggested that their primary loyalty was to the anti-European cause and not to the Conservative government under John Major. We should note that in comparison to many other social movements, Euroscepticism was able to exert

considerable power because its members had access to, and were part of, the centre of British political authority. It was only when a general election threatened to remove this influence that they sided with the government. In this section, I want to explore the nature of this movement and aspects of its discourse. Rather than viewing it as a fragmented or extreme political movement, it is my contention that it must be seen as the manifestation and reassertion of macro-ideological norms within the British political order primarily centred around a reconstituted and populist articulation of British exceptionalism.

National Mobilisation

The extent of Euroscepticism as a national movement had been evident in the sustained attack on the government's attempts to ratify the Maastricht Treaty. They had become organised into a number of cross-cutting alliances and groupings both inside and outside parliament. Indeed, some twenty seven separate groups had been created in the 18 months following the December 1991 Maastricht Council (Forster 2002: 88). In particular, the Fresh Start Group set up after the debate on the Danish referendum provided the organisational dynamism for opposing the governments European policy and became the dominant parliamentary grouping. Its radical opposition to government legislation and fundraising activities outside the party dramatically altered the rule of political conduct (ibid; Young 1998: 366). Forster describes its impact as follows:

> 'Until its creation, sceptics had been rather like individual fish who had been swimming in the same general direction. Fresh start offered a sense of community and purpose, transforming the sceptics into a shoal of fish synchronising their activities with a shared objective, opposition to the ratification of the Maastricht Treaty. Thanks to the Fresh Start Group, Euroscepticism thus matured rapidly within the parliamentary Conservative Party.' (ibid: 87-88)

Alongside increased parliamentary organisation and support, Eurosceptics found that they could look to the press, the wider party and public opinion for support. Significant sections of the press continued to provide substantial backing for the cause. The Sunday Telegraph and the Murdoch press all supported the call for a

referendum (Baker et al 1994: 46). The Newbury by-election defeat led to vicious attacks in the Murdoch press on Major's leadership which culminated in a notorious article by Lord Rees Mogg on how 'Major fails the leadership test' (ibid). Support was also evident across all sections of the Conservative party. A survey of 4,000 grassroots Conservative supporters by the Conservative political centre and made public during April 1993 indicated widespread disaffection with the Maastricht bill and significant support for a referendum (Bates, The Guardian 19th April 1993). This trend was confirmed by surveys that showed a significant shift to the right on European issues amongst Conservative supporters between 1991 and 1996 (Turner 2000: 175). Furthermore there was significant financial support for the rebel's Maastricht referendum campaign (Marc) from traditional Tory business fund raising channels and overseas supporters (Baker et al 1994: 46). In terms of public opinion, polls demonstrated that there was widespread support for a referendum alongside growing disillusionment with the process of European integration since the Maastricht summit of 1991 (ibid: 48; Marshall, The Independent 25th July 1993). The most vivid expression of this new movement was the founding of the European Foundation in October 1993, headed by Bill Cash. The European Foundation became an important vehicle for Eurosceptic arguments and for mobilising against the Major government. It also introduced a significant figure into the European debate 'Jimmy Goldsmith, its biggest patron, a man of gigantic wealth who had the quixotic idea of using some of it to promote the anti-EU cause in Britain' (Young 1998: 407). Goldsmith went on to form the Referendum party and fight the 1997 general election and attracted 811, 827 votes, the best ever showing by a minority party (Carter, Evans, Alderman and Gorham 1998: 483).

A populist right wing national movement had been established that had no loyalty to the Conservative government. What was increasingly evident during and after the Maastricht rebellion was the extent to which this movement became part of a project to re-configure and re-assert Thatcherism contra the Major government and European integration.

The most influential alliances and arguments developed by Eurosceptics were on the
Thatcherite right of the Conservative party. These included significant Eurosceptics in
the Major Cabinet (Lilley, Redwood and Portillo) and vocal ex-ministers from the
Thatcher and Major administrations (Tebbitt, Baker, Lamont). The most prominent
backbench rebel during the Maastricht crisis, William Cash, was essentially a
Thatcherite as were the most prominent of the 1992 intake of MPs such as Iain
Duncan Smith and Bernard Jenkin (Forster 2002: 109). The conflict over Maastricht
struggle appeared to consolidate a shift to the right by the Conservative party
(Berrington and Hague 1998: 54). In particular, with the Treaty the Eurosceptics had
a clear object on which to focus their critique and begin to apply some of the
arguments Thatcher had already developed in her Bruges speech (Forster 2002: 91).
Euroscepticism became a populist reassertion of a Thatcherite belief in British
exceptionalism.

A key feature of the right wing Eurosceptic discourse during the Maastricht debate
was that they presented themselves as the representatives of the people and the
guardians of popular sovereignty. For instance, in the debate following the Danish No
vote Tony Marlow, MP for Northampton North, enquired of the Prime Minister:

> 'Would my right hon. Friend suggest to Monsieur Napoleon Delors who today
> rather than showing humility, seems to be showing his customary arrogance
> that, henceforth 2nd June should be a public holiday throughout Europe, to be
> known as the day of the people, the day of democracy or, even better, the day
> of the nation-state?' (H.C. Deb. Vol. 208. Col 835 3rd June 1992)

The argument was that the people of Europe, and in particular the British people, did
not want the kind of Europe that had been envisaged at Maastricht. The freedom of
the people was posited against a centralising European state. As the former Home
Secretary, Kenneth Baker stated:

> 'The Danish and French referenda have shown vividly in the past six months
> that there is a movement across Europe which is not anti-Europe but anti-
> bureaucratic and against a centralised and bossy Europe. That is what I believe

244

the no-votes in France and Denmark were saying and what many people in Britain feel.' (H.C. Deb. Vol. 212. Col. 56 24th September 1992)

Although, the Eurosceptics aligned themselves with the people of Europe, they articulated a conception of popular sovereignty that was rooted in a Thatcherite authoritarian-populism of nation-states and the free market. John Butcher claimed that,

> 'Our people have always been in favour of a Europe-wide free trading area. They have never been in favour of the gradual and surrepticious building of a European state.' (H.C. Deb. Vol. 208 Col. 838. 3rd June 1992)

While this discourse had much in common with the Major government's claim that Maastricht was in line with the British conception of Europe, a distinctive feature of the Eurosceptic position was that the governing elites could no longer be trusted on Europe and had led the British people into a European state against their will. In the early Committee stages of the Maastricht bill, Cash made the point that Heath when Prime Minister had misled parliament and the people in a government White Paper claiming that Britain would retain its essential sovereignty on membership. Cash went onto argue 'that it is the basis on which the process has tended to move, and I believe that the same thing is happening with the present treaty, too. The British people are not being told the truth; they are not being told exactly was is involved' (H.C. Deb. Vol. 215. Col. 214. 1st December 1992). Cash proved a tenacious opponent of the government. He tabled 240 amendments to the bill and voted 47 times against the government when a three line whip was in place (Young 1998: 395). Crucially, he set out to prove that the treaty was not the decentralising document that the government claimed. He claimed that 'the bottom line is that the treaty creates a legally binding union within Europe, which is quite different from the treaties that are normally transacted among countries' (H.C. Deb. Vol. 215 Col. 205 1st December 1992). Essentially, Cash argued that the government's interpretation of the treaty was misleading and different from the other member-states:

> 'The Government, in their booklet 'Britain in Europe', say that they do not want and will not have a united states of Europe, but that is the objective to which the German Chancellor has been moving... ... ...The

245

problem is that on European union we are at loggerheads with the Germans, as we are with other member-states.' (H.C. Deb. Vol. 215 Col. 210 1st December 1992)

The fear that Britain was being incorporated into a European state was compounded by the in balance of power within the European Union. In particular, Cash highlighted concerns over German domination:

> 'We must contain Germany by a balance of power and not by a spurious, academic, theoretical, theological attempt to contain it by pieces of paper. I remember Munich at least I remember that it was the waving of a piece of paper.' (H.C. Deb. Vol. 215 Col. 222 1st December 1992)

This echoed Thatcher's comments in May 1992 in which she had argued that Maastricht and its federal agenda augmented German power rather than contained it (Thatcher 1995: 491). Evident in this discourse was the way in which German economic power was elided with a continued concern over a threatened renewal of German military power.

A central theme of the Eurosceptic discourse was the underlying instability of Europe. Evidently, the folly of the Maastricht Treaty was that it continued the European trend of centralising state building that had created the problems in Europe in the first place. European political modernisation was in essence flawed, fundamentally anti-British and potentially aggressive. With regards to the later, Cash warned the House of Commons of what he saw as some of the less explicit implications of the formation of a European Union:

> 'What is the most important function, or certainly one of the prime functions, of a legal entity of the kind that this European union is to be? It is the call to arms. That is the direction in which this is going: to a common defence policy. What is the first requirement the first duty to imposed on citizens? It is that they may be conscripted.' (H.C. Deb. Vol. 215 Col. 227 1st December 1992)

Another key argument was that the other member-states and the Commission effectively wanted to impose socialist policies onto Europe. This was an argument that Thatcher had set out in her Bruges speech. Teresa Gorman, MP for Billericay,

restated this 'threat' when she claimed that this was the intention of the establishment of a social cohesion fund:

> 'Is not the cohesion fund the essence of a communist ideal of taking from the people to redistribute to the people? Is not that socialism, the tooth and claw?' (H.C. Deb. Vol. 215 Col. 225 1st December 1992)

This so-called 'Euro-realism' claimed that the Maastricht Treaty and, in particular, EMU represented an attack on the principles of free trade. It was an argument taken up once more by Cash who argued that the original free market agenda of the Community had been thwarted by the desire for political integration:

> 'My hon. Friend asks whether it is possible to equate market forces and a fixed exchange rate. The answer is emphatically no, for this good reason: what these proposals are attempting to do is to pay lip service to free trading arrangements. This is what the treaty of Rome, the original basis of the European Economic Community, was all about, and I thoroughly endorse and agree with it. But, then, because of this extraordinary desire to impose systems within it and then to redistribute in the social engineering way that we are expected to agree to under the transfer of resources, they want to have fixed exchange rates not only to get a greater degree of control over the currencies but also to create one country.' (H.C. Deb. Vol. 231 Col. 222 1st December 1992)

7.9 Eurosceptics: the guardians of British exceptionalism

From this discussion, it was evident that key aspects of the Eurosceptic discourse were centred around a call for the re-assertion of a distinctive sovereign, independent British state and a free market economy. The second wave of European integration represented the antithesis of this project. In particular, the parliamentary debate over Maastricht reflected the continued political currency of the arguments made by Thatcher in her Bruges speech. In its claims to represent and defend the will of the people this discourse was fundamentally populist employing simple messages and emotive language. In this respect, it exposed the problems of legitimacy and democratic accountability that were undoubtedly features of the supranational elitism that was driving the second wave of integration. The Major government's position was shown to be inherently contradictory and in many respects misleading. Cash

dissected the Treaty and exposed the drive towards further political integration that the Major government had signed up to. Buller goes so far as to claim that the Eurosceptics' campaign represented a significant defence of British parliamentarianism (2000a: 164). The danger with this argument is that it underestimates the underlying authoritarianism at the heart of the right wing Eurosceptic discourse. It was primarily a powerful defence of a strong and exceptional British state that was aligned with global capital interests, represented by the likes of Murdoch and Goldsmith. This was what Thatcherism had claimed to be at the core of British national identities and interests and was fundamentally threatened by European forms of political modernisation. While Eurosceptics appeared to recognise and fear a revived nationalism emerging from the process of European integration, they also seemed to welcome and incite these developments as evidence of the rightness of its cause.

Euroscepticism can be viewed as part of the development in modern politics of populist movements that challenge the existing governing order and party system. The aim is to force through new political agendas but do so in order to impose forms of state and capitalist domination through popular mobilisation. It was clearly evident in the extent it developed an exclusive discourse that constituted Europe as essentially the 'other' of British society. Young characterises it as follows:

> 'Even where unanimity was required, the EU had its own momentum. It couldn't be stopped without a massive, perhaps destructive, effort. All these features rendered it an unlovely, sometimes highly dangerous, menace to the British way of life and government. *Above all, perhaps, it was not British.* As the years passed, a critique developed which asserted that the differences between island and mainland were written into history; were unalterable: were, sadly, part of the ineluctable order of things.' (Young 1998: 403 emphasis mine)

From the perspective of this thesis, this populist articulation of British exceptionalism and European 'otherness' was possible because it reflected the underlying continuities in a post-imperial state. A state in which comprehensive and creative forms of political modernisation had proved inextricably and chronically constrained. The hold of this rigid and exclusive discourse over the Conservative party left the Major

government little room for statecraft beyond servicing mobile capital by the extension of neo-liberal policies. In relation to European policy, the Maastricht rebellion and the extensive nature of Eurosceptic mobilisation was to further push the Major government in a more explicitly aggressive neo-Thatcherite direction. This further undermined any constructive engagement with European developments. Its impact can be demonstrated by the exploration of policy shifts that took place in the aftermath of the rebellion, and as the government adjusted to sustained pressure from Eurosceptic forces.

7.10 Major's Euroscepticism and the aftermath of the European crisis

Initially, the 'heart of Europe' strategy was an attempt at a revisionist Thatcherism designed to reinforce the distinctiveness of Major's leadership and secure Conservative Europeanism. From the start of his premiership, however, Major's position on Europe was ambiguous because his key objective was to maintain party unity and represent both the left and the right. Major reflected the impossible compromise at the heart of his European policy, at times appearing as the heir of Heath, while at other times claiming to be on the side of the Eurosceptics. However, in the long run the Major government responded to its European dilemma by trying to placate Eurosceptics and in so doing moved to the right. The government increasingly adopted an obstructivist, neo-Thatcherite approach to the European Union that left the government marginalized and damaged.

In the wake of the Maastricht rebellion, in article in The Economist in September 1993 Major fleshed out what was to be the focus of government European policy for the next four years (Seldon 1998: 393). Here, Major came out as overtly hostile to the whole European project, claiming that 'we take some convincing on any proposal from Brussels'. He effectively dismissed the Delor's project and argued that 'the new mood in Europe demands a new approach' (Major 1993). As for this new approach, it can be read as a recapitulation of the Bruges address:

> 'It is for nations to build Europe, not for Europe to attempt to supersede
> nations. I want to see the Community become a wide union, embracing the

whole of the democratic Europe, in a single market and with common security arrangements firmly linked to NATO. I want to see a competitive and confident Europe, generating jobs for its citizens and choice for its consumers. A community which ceases to nibble at national freedoms, and so commands the enthusiasm of its member-states.' (Major 1993 cited in Major 1999: 586)

Major emphasised a vision of the European Community as one of independent nation-states within a single market. In particular, he questioned the legitimacy of the EMU project:

> 'I hope my fellow heads of government will resist the temptation to recite the mantra of full economic and monetary union as if nothing had changed. If they do recite it, it will have all the quaintness of a rain dance and about the same potency.' (ibid)

The speech reflected the belief within the government that the problems of Maastricht ratification across the EU and the collapse of the ERM in 1993 meant that the drive for integration was over. The British government viewed this as an opportunity for it to act as a 'Trojan horse' for a conception of the world order centred around free markets and nation-states. British 'exceptionalism' was to be the driving force behind the construction of a residualised, European market society. Indeed, there was a growing belief that the European Union was now heading in a British direction. This was the position that Douglas Hurd, as Foreign Secretary, was increasingly advocating. As Young comments:

> 'He developed the conceit that Europe was "moving our way." Those who called on him heard these words often. So did the Cabinet. They were a way of arguing that, if you took the long view, the problem between, say, Portillo and pro-Europe man like Michael Heseltine might be said not really to exist. For Britain's objectives were coming about anyway. "The climate is changing." Hurd told me on several occasions between 1992 and 1996. The Commission, repeatedly, was said to have got the message about subsidiarity. So had Delors and Mitterrand personally. There was now a new stream of higher wisdom percolating through the Community from its source-bed in London. Ideas that had once been regarded as "heresies, eccentricities of British thought" were now beginning to prevail, a development that made it "not sensible to back off into noisy and destructive isolation." ' (1998: 451)

The post-Maastricht period was characterised by increased uncertainty about the trajectory of the integration project (see Chapter 5). There were tensions between Paris and Bonn over enlargement and the future of a single currency policy (Buller

250

2000a: 147-149). The commitment to monetary union locked governments into an anti-inflationary policy that, during a recession, increasingly seemed to be at the expense of growth and jobs. Further problems emerged over the institutional reform of the Union in order to rectify the so-called 'democratic deficit' and make way for enlargement. For the remainder of its time in office, the Major government was not able to constructively exploit these differences. Instead it was pursuing a more aggressive and oppositional neo-Thatcherite approach in response to Eurosceptic mobilisation. On a number of issues, most notably over voting arrangements in the Coucil of Ministers after enlargement and on the non-cooperation policy during the beef crisis, the British government were isolated and obstructive. The government increasingly turned issues of Community business into totemic struggles over the preservation of national independence and identity.

The most significant problem for the government was, however, over EMU which, despite the predictions of the British government, was continuing to go ahead. The government, while sticking to its opt out position negotiated Maastricht, refused to rule out the possibility of membership. The Eurosceptics increasingly demanded that the government ruled membership altogether. In an attempt to placate its opponents, the government promised a referendum on the issue and that if it did go ahead, which if considered unlikely, then Britain would not be part of the first wave. It was further evidence of how little room was left for manoeuvre for the Major government in continuing to engage with European developments.

In conclusion we can say that the Major government was primarily a neo-Thatcherite government and its European policy came to reflect this approach. In an attempt to resolve the chronic problems of modernisation that continued to haunt the British state, Conservative Europeans used the crisis of Thatcherism at the end of the 1980s to try and push the party and government into a more constructive European policy. This clearly came unstuck once the full implications of Maastricht were unravelled by the Eurosceptics and Europe was constituted as the 'other' of British identity. The Europeanisation of British political identity was fundamentally contested, as was the possibility that engagement with the integrationist project could be a basis for economic governance, once Britain was forced out of the ERM. Euroscepticism

became a way of consolidating and reinforcing the Thatcherite legacy and securing its grip over the Conservative party. As it remained committed to continued EU membership[100], the only viable strategy for the government was to try and push the EU towards its worldview. This meant a pursuing an agenda that was characterised by economic reductionism and policy exit. The main difference between the government's position and the Eurosceptics was that the government continued to claim that the EU could be moved in a British direction and that it was necessary to stay in the game. However, the argument that this was indeed occurring failed to convince Eurosceptics and the government could not unite a bitterly divided Conservative party around a common European strategy. The Eurosceptics increasingly envisaged more radical forms of exit from the EU, without necessarily proposing complete withdrawal, and questioned the economic basis for Britain's involvement in the integration process[101].

In this intensely contested political terrain, the exceptionalism of the British state was once again reasserted against the European project. The political basis for the incorporation of British citizens within a European political order remained chronically undermined. We come back to the problems of British political modernisation. The inability of the political class to embed European strategies within a post-imperial project of fundamental political and economic restructuring. This would have implied a long-term commitment to the re-organisation of capital and other interests within a national/European framework and a re-assertion of the primacy of a British-European identity, a fundamental shift towards what Ruggie referred to as muliperspectivism (1993).

Rather than reflecting the exaggerated influence of a political faction or part of the subversion of national liberal traditions, Euroscepticim should be seen as continuous with the post-imperial re-articulation of British exceptionalism. This left the Major government without either the inclination or political resources to engage constructively with the process of integration as a project of political modernisation. Instead, the British government became a force for disintegration.

Conclusion

British Exceptionalism, European Integration and Political Modernisation

A structural analysis of the relationship between the British state and European integration has been developed in this thesis. The argument has been that the difficult nature of this relationship lies in the political reproduction of forms of British exceptionalism that are in opposition to European modernisation. The awkwardness of Britain's role in the European Union is viewed as the product of a *long history* of British political and economic development. Nevertheless, the current work has also attempted to show that this structural logic is neither static nor straightforwardly deterministic but is played out in the context of real political struggle over the *politics of modernisation*. The relationship between the British state and European integration can be understood as a case study of the structure and process of modernisation.

There has been an explicit comparison built into this thesis between a process of European integration that is viewed as continuous with European political modernisation and the British state that is considered to be opposed to such developments. In Chapters 3 and 4, I counterposed European integration as a facet of organised modernity consistent with national political modernisation with a British imperial state and a post-imperial crisis characterised by a distinct absence of coherent projects of political modernisation. This became evident in the attempts to legitimate and consolidate a European trajectory for the British state along the lines of post-war Fordism. The 'turn to Europe' was highly contested and problematic and this reflected an underlying structural tension over the relationship between the British state and political modernisation. In contrast, for a number of nation-states, post-war European Fordism was established within a context that linked national projects of

modernisation with the political and economic organisation of Western Europe. As Milward (1992) has shown, there has been an interdependent relationship between national political modernisation and European integration. This has also been the case for later entrants into the EC/EU that have linked membership to national reconstruction and renewal. For a number of countries, it has been associated with democratisation, stabilisation and economic reconstruction (H. Wallace 1995: 49). A similar story can be told for many of the current applicant countries where membership of the European Union is considered to be central to post-Communist projects designed to establish stable liberal capitalist democracies. This has not meant, however, that the process of European integration can be reduced to nation-state trajectories. I have conceptualised it as an independent process of post-national political modernisation and as an important, albeit problematic, regional defence against economic globalisation. From this perspective, the British state stood in a distinctive relationship to the second wave of European integration because it asserted a global neo-liberalism against European politico-economic organisation. The key point is that Britain has not just expressed distinctive national interests in the process of European integration but has been a vehicle for international and global projects that represent an alternative model of political and economic development.

Both the structure and process of the politics of modernisation have been examined in the course of the thesis in relation to the European issue in British politics. A central argument has been that the British pursuit and achievement of membership of the EC/EU should be conceived as a project of conservative modernisation emerging in the context and aftermath of a post-imperial crisis. While historically specific, this project of conservative modernisation was indicative of a political order that had pursued incremental and limited forms of modernisation in response to social and economic change. It was typical of a state whose history had been characterised by offsetting and managing the domestic impact of capitalist modernisation rather than generating economic development through broader forms of national political modernisation. In contrast, the economic rationality of British civil society found expression at the level of the state in the support for financial capitalism and free trade imperialism. In this context, modernisation was associated with a dynamic globalised free trade economy that transmitted capital across the generations and reinforced the

conservatism of an existing status order that underpinned the stability of existing institutions. Britain was a market society at the centre of a global market society. Any challenges to this social and political order were accommodated within it and did not lead to any radical re-imagining of state and society.

The single most significant challenge to the post-war British state was the loss of Empire as it was imperialism that had provided the economic basis and ideological legitimation for its political hegemony. Nevertheless, as was shown in Chapters 3 and 4, this dramatic shift in the global position of the British state was domestically contained by a traditional strategy of conservative modernisation. Thus at the very moment of imperial dissolution and a dramatic turn to Europe, the full implications were deadened by a re-asserted conservatism across key sections of the political elites, both Conservative and Labour. As we have seen, the pursuit and achievement of membership of the EC/EU was fundamental to this. A potentially radical policy was thus turned into a defensive policy of continuity through change. It became the 'get out' for the Labour government of 1966-1970 in the wake of the failure of the National Plan and, despite the achievement of membership, was pursued defensively by the Heath government of 1970-1974. The association of European policy with consensus politics at a time when this consensus was breaking down led to populist attacks on its legitimacy from the radical left and New Right. The 'exclusion of Europe' within the national political discourse did not represent the basis for an alternative British project of national political modernisation but reflected the post-imperial crisis that infected the British political system and wider society. By the late 1970s, the idea that membership of the European Community could provide the basis for a post-imperial British renewal was highly questionable. As a strategy of modernisation and renewal, the legitimacy of the European strategy proved fraught with difficulties for the main political parties.

In Chapter 5, we saw how the tensions over the process of European integration have become particularly acute in recent years as a consequence of what we might refer to as a crisis in the modernist vision of the nation-state. Globalisation has challenged social bonds and relationships protected by the symbiotic development of capitalism and formal democracy within the nation-state. At the European level, the response has

been to drive through processes of national de-regulation and European regulation in order to construct a single market as well as locating this within a further political integration. The possibility and problems of constructing a political Europe were discussed. The reconfiguration of the state within a regulatory 'Europe' of multi-level governance and the establishment of a functioning European civil society were highlighted as possible forms of reflexive modernisation emerging at the European level in the context of flexible accumulation. The dangers of fragmentation, nationalism and divisive market integration were identified as possible threats to this process. Nevertheless, it was argued that clear processes of political modernisation were identifiable within the European Union and this formed the basis for the continued problems for the British state in pursuing a European trajectory.

The arrival of Thatcherism represented a particular response to the British post-imperial crisis of modernisation. It signalled a revival of a national free market ideology that combined economic modernisation with institutional preservation and a regressive social agenda. In Chapter 6, this project was shown to be problematic but entrenched populist and exclusive notions of British 'exceptionalism' that brought it into direct opposition with the second wave of European integration. Thatcherism increasingly defined itself in opposition to European integration and in so doing openned up significant divisions within the Conservative party. The Thatcherite attack on a European trajectory represented an attack on those traditions of conservative modernisation within the Conservative that looked to an accommodation with European developments as part of Thatcherite revisionism. British exceptionalism was thereby reasserted and the inevitability of accommodation to project of European modernisation was questioned. In particular, Thatcherism successfully articulated a radically reactionary vision of Britain that resonated with global neo-liberalism. A combination of regressive Anglo-American nationalism and aggressive economic liberalism emerged as an alternative to the revival of a project of European modernisation initiated by the second wave of integration. In Chapter 7, this political project was shown to be critically articulated *within* the European Union by the Major government. It was argued that the capacity to revive a strategy of conservative modernisation through European accommodation was fatally undermined by a Thatcherite Euroscepticism. The attacks on the governing elite during the Maastricht

and post-Maastricht period by a Eurosceptic movement was a watershed moment, they illustrated the constraints imposed by Thatcherism on any accommodation with the European project. The current work explored this up until the height of the Maastricht crisis and considered its implications for the final years of the Major government.

The analysis of the Maastricht period of the Major government led to the conclusion that Thatcherism had entrenched the constraints on British political modernisation. The consequences of which were manifested in a European crisis of the British state that resolved itself in a fundamentally anti-European direction. Undoubtedly, this legacy has continued to haunt the New Labour government and its attempts to revive a strategy of British conservative modernisation through constructive engagement with the project of European integration. It is therefore pertinent to explore the implications of the trajectory outlined in this study to more recent developments.

The thesis has developed a particular interpretation of the events surrounding Britain's relationship to the process of European integration. In so doing I have chosen to trace certain basic themes in order to highlight structural tensions. The election to power of a Labour government in 1997 committed to a constructive European policy may suggest that these tensions have weakened. New Labour committed itself not only to fundamental constitutional change in the UK but also to the institutions of transnational governance. The policy review after the election of 1987 had committed a future Labour government to a co-operative European policy. The 1990s witnessed the Europeanisation of the Labour party with growing support for the European Union's economic and social agenda (Gamble and Kelly 2000: 3-5). This constructive approach was realised when the Blair government took office and immediately negotiated Britain's incorporation into the Social Chapter. This signalled a new era in Britain's relationship to the European Union and was followed by an 'impressive investment of British politicians in all the European institutions' (Elisabeth Gigou, member of the French parliament, cited in Baker 2003: 237).

On a number of areas, the New Labour government has placed itself in the mainstream of European policy making and has taken on a leadership role in areas

such as crime and immigration. This can be viewed as a reflection of the current government's modernising agenda. There has been an apparent shift away from a British tradition of majoritarian rule towards a decentralised multi-level polity. The latter includes new regional authorities, the incorporation of the European Convention of Human Rights, the adoption of proportional representation in regional and European election and introduction of a directly elected London Mayor. Alongside these developments, the institutions European Union appear to have achieved a new legitimacy amongst the British governing classes that marks a break with the past. From this angle, the tortuous saga of Britain's relationship to the European Union has culminated in the eventual accommodation of Britain to a system of European transnational governance. Such a conclusion would throw some doubt on the extent to which the themes discussed during the course of this thesis are indeed structural factors. In defence of the general arguments developed so far. I want to point to three inter-related issues that throw some doubt on this process of Europeanisation. Firstly, the domestic legitimation for further European integration remains difficult; secondly, the government's commitment to a pluralist system of European governance is questionable; finally, the modernising agenda pursued by the current government may continue to be at odds with European political modernisation.

The complex coalition politics of the European Union is a 'sitting duck' for populist attacks (Canovan 1999: 6). The European Union may have established a form of transnational governance suited to the global age but faces significant problems of legitimation. These problems are clearly not specific to the United Kingdom (Taggart 1998) but in contrast to many other member states, Euroscepticism has had an undue significance (Aspinwall 2000). In those countries characterised by power-sharing governments, Europeanism has been successfully 'filtered out'. The argument of this study has been that this reflected the post-imperial crisis of the British state. In the context in which the traditional party system no longer seemed able to provide effective government, the symbolic construction of 'Europe' as a threat to the nation became a way to appeal to the people outside of the mechanisms of the party system. As we have seen this populist re-imagining of 'Europe' as 'other' was particularly evident during the Maastricht Treaty. Against this background the New Labour government have been reluctant to seek popular legitimation for British engagement

in an evolving European order. This has been most clearly evident over the issue of a referendum on the single currency on which the leadership appears increasingly split and unwilling to become 'entangled in a ferocious battle for an unpopular cause' (Rawnsley 2001). While public opinion may be volatile, it is noticeable that since the mid-1990s public attitudes towards membership of the European Union have moved in a more negative and sceptical direction (Northcott 1995: 330: Hix 2002: 54-55). For a government that has put considerable emphasis on its populist credentials, the idea of opening up a highly divisive issue that would re-ignite a populist right wing Euroscepticism remains extremely risky. This would suggest that the New Labour government continues to be affected by the problems of legitimation which have consistently undermined governments constructive approaches to the European integration.

The reluctance of the New Labour government to legitimise its European strategy leads us to question the extent it is genuinely committed to pluralist institutional arrangements. Marquand argues that there is a paradox in the New Labour project between its programme of constitutional reform and its continued commitment to a centralised democratic collectivism (1999: 240-241). The government continues to believe in the transformation of society through regulation and manipulation from the centre. This is reflected in the 'Prussian discipline' that has been imposed on the Labour party and the combination of 'commanding premier and overmighty Chancellor' at the top (Hennessey 2000: 527). Such continuities appear to contrast with a constitutional programme that implies a pluralistic ensemble of checks and balances (ibid: 241). Mair, however, has argued there may not in fact be a contradiction between the two sides of New Labour (2000; 2002). From his perspective, the defining chraracteristic of New Labour is its populism and this implies taking the party out of politics:

> 'In other words, if we accept that the political strategy has not been developed as a means of strengthening party and partisanship, but rather as a means of taking party and partisanship out of the equation, the apparent paradox disappears. Indeed, seen in this light, both the political strategy and constitutional strategy are wholly compatible with one another. The point is that neither is driven by a partisan impulse. By exerting total control over their own members and representatives, the Labour leaders in government

effectively substitute themselves for the party as a whole, thus denying the party writ large a separate or autonomous voice. This also leaves the leadership free to reach across in an effort to incorporate other parties or elements of other parties into a loose and potentially less partisan governing coalition.' (2000: 95)

Thus New Labour constitutes itself as a populist all embracing governing coalition beyond left and right and the old party divides. This is legitimated by reference to the undifferentiated *people* as the source of political authority.

A non-partisan approach to politics has been evident in the European Union where the government has actively pursued co-alitions with right wing governments. The difference, however, is that in the domestic arena the government can employ the public power of the state in the pursuit of its populist consensus. This enables the effective pursuit of a centralised policy to be moderated but not necessarily undermined by a constitutional system of checks and balances. Clear limits have emerged in New Labour's commitments to a broad constitutional agenda, such as those that were made on electoral reform. In the system of transnational governance at the European level, however, the British government is one, albeit significant player, in a more complex game. How far has the government embraced this transformation in British state power? Rather than committing to a pluralist system of European multi-level governance, there remains the suspicion that the New Labour government has adopted a traditional British approach towards the European Union. They have pursued a leadership role, attempting to undermine Franco-German dominance and construct an Anglo- conservative hegemony centred on security and economic de-regulation. This has involved the characteristic pursuit of a looser European Union that concentrates on 'economic policy, immigration and the environment while devolving everything else down to the national, regional and local level' (Baker 2003: 254). There are parallels here with the Major government i.e. the pursuit of British leadership of the European Union alongside attempts to undermine, or at least check, further integration. The prevarications over the Euro and the support for the US in the war in Iraq have exposed the continued tensions in Britain's relationship with the process of European integration. The implication is that the New Labour

government's European strategy reproduces the problems of post-imperial modernisation. As Nairn comments:

> 'For a world-power regime, being "in Europe" is neither successor nor alternative to the past. It is simply one amongst other ways of remaining Great. A Euro-UK may be alongside but will never be ahead of the Special Relationship with the USA, the Commonwealth, over-valued Sterling, and the Crown. For it to become more important would imply abandoning the treasured stigmata of Providence. It would mean downsizing, dilution, a retraction into the ordinariness of contemporary nationhood.' (2001: 6)

The third issue concerns the specific character of New Labour's centre-left project of modernisation. Marquand notes that despite New Labour's acceptance of the centrality of the European Union to Britan's economic interests, it fundamentally accepts the American perspective on the new capitalism (1999: 239). From the perspective of this thesis, therefore, New Labour can be viewed as consistent with a continued Thatcherite hegemony. Gamble and Kelly note that the New Labour project has 'defined itself through its opposition to traditional social democratic concerns such as centralised wage bargaining, neo-corporatist approach to policy formation, higher marginal rates of taxation, extensions of economic demoracy, or an increasing ratio of public expenditure to GDP' (2000: 22). It has 'proselytised within the EU for an 'Anglo-American' model of capitalism'[102] and 'campaigned against the social model' (Callaghan 2000: 127). If anything the New Labour government has moved the British state towards a form of regulatory state not entirely incompatible with European developments, but one that continues to assert centralised British elite rule and the collapsing of political modernisation into economic modernisation. The New Labour project thereby completes the Thatcherite revolution by establishing the British political order as the archetypal 'economic polity' within which the economy has become the ontological principle for organising modernisation under late modernity (Wolin 1987: 147; see Stewart 2001: 13-117). New Labour continues to embody a distinctively British approach to modernisation. In the context of a European Union characterised by slow growth, high levels of unemployment and schlerotic labour markets the British model is not without its attractions. Yet despite considerable reforms in a number of member-states, the European social model has proved be be resilient (Hutton 2002) and there has been no wholesale adoption of

Anglo-American free market policies. If, as I argued in Chapter 5, a core feature of European integration is the containment of economic globalisation within a programme of European political modernisation then the British economic approach to modernisation will remain at odds with this process.

I have restated the relevance of viewing the British position as exceptional in relation to the project of European integration. This is, however, dependent on the continuation of a successful European project of political modernisation along the lines of multi-level governance and an effective European civil society that continues to reconfigure state power[103]. This implies a renewal of projects geared towards the constitution of inclusive political communities, albeit ones that do not reproduce the problems of nation-state domination. The New Labour government may have a role to play in encouraging European economic modernisation, and may even provide models of effective economic governance and regulation, but presently it lacks the social and political radicalism that could sustain economic competitiveness within a cohesive and pluralist European civil society. The danger is that with the crisis of the nation-state form and the deeper project of European integration, British exceptionalism becomes a model for political and economic development around which European states converge post-enlargement. In this context, civic and political identities are fundamentally expressed through market duties and activities. If the primary role that national and supranational polities have in the global economy is increasingly limited to establishing secure territorial containers for mobile capital then British exceptionalism its very lack of political modernisation, may indeed be the key political force in the establishment of a residualised, European market society.

For long standing historical reasons the process of Europeanisation in Britain is chronically uncertain and critical. Britain has become a vehicle for economic modernisation in opposition to broader conceptions of European political modernisation. The tensions this creates have been played out in debates over Britain and Europe and have found their expression in ideological reassertions of British exceptionalism. The current uncertainty surrounding European integration and the establishment of Britain as a model economic polity, have shifted the terms of this relationship in ways that have yet to be resolved. At a fundamental level, Britain's

relationship with European integration reflects conflicts over the meaning of modernisation under late modernity.

Notes

---

[1] The European Union was established in February 1992 with the signing of the Treaty of European Union at Maastricht although the Treaty was not implemented until November 1993 as it had to be ratified by each member state. The European Union incorporated within it the European Community, a common foreign and security policy and cooperation on justice and home affairs. The European Community in fact consists of three communities the European Economic Community (1957), European Coal and Steel Community (1951) and the European Atomic Energy Community (1957). I will in general refer to the European Community (EC) in this thesis or to the European Union/European Community (EU/EC) when incorporating more recent developments.

[2] Bartolini has conceptualised Europeanisation within the broad process of European state formation as the 'entire process of community building and integration among the varying set of European states' (2002: 130). It does not only imply institution building at the supranational European level but also the Europeanisation at the national level which does not necessarily imply a convergence of interests and identities across states. In this thesis, I am concerned with the problems that British political elites have in engaging with institution building at the European level as well as the limitations on Europeanisation at the national level. In particular, I am concerned with the possibility for, and the constraints on, the Europeanisation of British political projects. It is, however, important to note that Europeanisation has a dynamic that is not wholly dependent on state elites. Thus, while I highlight problems and constraints within the trajectory of British European policy I do not imply by this that either political institutions or British civil society are immune from these processes. Such developments however must take into account the context of structural constraints on forms of European political modernisation have been embedded in the British state. The discussion on Europeanisation and European integration is further developed in Chapters 2 and 5.

[3] A major contribution to this debate has come from Giddens (1991). Following Giddens, here, modernity refers to modes of social life and social organisation which emerged in Europe from about the seventeenth century onwards and which subsequently became more or less worldwide in their influence (1991: 1). From this perspective, the present epoch, or late modernity, is characterised by a universalising and intensification of the core institutions of modernity. As will be discussed in Chapter 2, the British state has had a distinctive relationship to European modernity and this is indicative of the extent to which the globalisation of modernity is riddled with complexities and particularities.

[4] The literature on elites is extensive (Mosca 1939, Mills 1956, Meisel 1965, Bottomore 1966, Parry 1969). On the pluralist critique of classical elitism see Dahl, 1958, 1961. Following Mills (1956) I define the political elite as part of a power elite who have access to the means of power and occupy command positions. This concept

allocates a degree of autonomy to the political order that is not identified within the concept of the ruling class. It is also useful to distinguish as Bottomore does between the political class and political elite (1966: 14). The political class refers to all those groups which exercise political power and influence while the political elite refers to those who actually exercise political power in a society at any given time. Finally, we need to acknowledge Dahl's (1961) critique of elitism which rejects the notion of a single cohesive power elite in favour of a plurality of elites. Electoral competition and interest group representation severely qualifies the notion of a unified ruling elite. However, fragmentation of elites should not detract from the considerable structural power that adheres to certain command positions in the state and which can be used by those occupants to restrict and control interest group representation and elite competition.

[5] A useful starting point in defining this concept is Offe's description of crises as 'processes in which the *structure of a system is called into question.*' (1984:36 emphasis mine). In the post-imperial British context we are looking at processes that call into question the *raison d'etre* of a form of political domination that was fundamentally associated with an imperial trajectory. The post-imperial crisis therefore represents a struggle to reconfigure British institutions. From the perspective of this thesis, this problematic reconfiguration is incompatible with the project of European integration.

[6] A recent discussion from this point of view comes from Garton Ash (2001).

[7] As an example see Forster's empiricist modification of the 'awkward partner thesis' (1998: 178-179).

[8] Archer refers to emergent properties as internal and necessary relations rather than social relations which are external and contingent and can exist without one another (1995: 173). A structural emergent property is defined in terms of its dependence upon material resources, both physical and human (ibid: 175).These emergent properties give structures their causal powers and to identify them and their impact is to identify generative mechanisms.

[9] A strategy of economic modernisation does not necessarily relate to the actual institutional power of the state; a commitment to a 'minimal' non-interventionist state may require extensive state machinery to police and reinforce the boundary between private and public.

[10] In the context of the current crisis of capitalism, the role of integration as a force of political modernisation remains uncertain. For contrasting positions on the European project see Hutton's The World We're In (2002) and the review by Blackburn (2002).

[11] The changes to the English social structure that occurred in the seventeenth century have been a matter of intense debate amongst historians and, very briefly, has concerned the extent a rising middle class was replacing a landowning oligarchy (Campbell 1942; Hexter 1961; Tawney 1967; Mcfarlane 1978; Clark 1985; Langford 1989). Here, I have adopted a 'middle way' and sided with those recent authors who I believe emphasise the development of capitalist innovation, particularly financial, alongside continuities in social and cultural structures that helped establish a distinct British politico-economic order (see Cain and Hopkins 1993a: 53-54).

[12] The part-territorialist and part-capitalist structure of the British imperial state did not represent a supersession of the imperial endeavours of pre-modern times but its continuation by more effective means (Arrighi 1994: 58).

[13] However, this often became a necessary in order to establish and maintain imperial rule, most notably in India. It can also be argued that other states were forced to modernise to challenge British global rule.

[14] Brockliss and Eastwood point out that 'within and beyond Parliament political spaces remained within which separate cultural identities might be asserted and religious and national differences contested' (1997: 194). They go onto argue that the British state was 'formally a union of multiple identities which made precisely limited demands on British subjects. Loyalty to the Crown, obedience to Parliament, tolerance of Church establishment, and acceptance of English as the primary public language constituted the principle pillars of the Unionist state. Crucially there was no formal attempt to make Britishness a primary cultural identity' (ibid: 194-195). Considering this 'domestic' political development in the context of British imperialism, we can conclude that formally constituting an exclusive British identity would have been detrimental to an imperial mission which incorporated cultural differences into the imperial status order.

[15] The mode of regulation is the 'the overall unification and articulation of specific structural forms into a complex social formation' and 'regulation encompasses all the constraints acting upon the accumulation of capital at a particular phase' (Aglietta cited in O'Connor 1987: 62). It enables a particular regime of accumulation to be reproduced over a period of time.

[16] We should note here that Fordist arrangements were far from uniform and few states clearly fulfilled all the criteria associated with this ideal-type. However, here, the concept of Fordism is used because it is heuristically beneficial for elaborating both the process of European integration and highlighting British exceptionalism. It should not be read as a final statement on the substantive and diverse trajectories of post-war European nation-states.

[17] Milward's cursory dismissal of Federalist forces results in an unnecessary overstatement of his own argument.

[18] As Milward notes: 'The gulf between British views of a reconstructed world economic order and those of the other OEEC members by summer 1954 were so wide that they were talking about different worlds. The other OEEC members held certain ideas in common about the nature of that order; preserving the common trade rules and practices of EPU and disbarring retaliation and discrimination between its members; removing non-tariff barriers in common with a carefully balanced avoidance of any serious damage to national interest; maintaining predictable exchange rates; retaining a system of mutual consultation at least as institutionalised as that which existed in the Management Board of EPU. Behind these common positions was also the desire of Dutch and the Belgians to formalize the existing practices even further by creating a purely European political framework for the mutual reduction of tariffs. Against that, the United Kingdom could see no reason for any uniquely European commercial institutions once convertibility was established other than a rump body created out of OEEC to supervise the completion of the trade liberalization programme, the only one of the above interests they believed they had in common with the continent' (1992: 385).

[19] Hay argues that consensus and settlement are analytically separate; the former refers to a contingent agreement over policy while the latter reflects the broad architecture of the state (1996a: 45). Heffernan uses the idea of a 'consensual

settlement' in order to reflect a broader state settlement that also includes policy convergence. He describes it as a form of 'conformity (if not outright compliance) with an established political agenda which defines what governing actors can do and what they should aspire to do' (2000: 148). Consensus and settlement are both used here to refer to established paradigms and parameters of state activity.

[20] The 1947 sterling convertibility crisis and the 1949 devaluation both resulted in cuts in social spending. A problem for the government was that a fragmented union movement would not accept wage restraint in return for social spending (Rhodes 2000: 165-167). It was early evidence of the incoherence and crisis of the British variant of the social democratic project.

[21] Discussion on the idea of a European customs union had actually begun in 1947 at the instigation of the Americans. In 1949 the Council of Europe was established and called for greater unity. Although Churchill had been a key figure behind these developments, his position on European unity remained ambivalent and he did not appear to envisage any loss of British sovereignty or change in Britain's world role. The Labour government went on to obstruct attempts to give the Council of Eurorpe supranational powers (Young 1998: 20, 43).

[22] Here Anderson draws on Francois Duchene's (1994) highly informative biography of Jean Monnet.

[23] Although early in his career, Bevin had called for a United States of Europe by 1950 his position was Atlanticist and in May 1950 he put forward the idea of an Atlantic Community and argued for the need to get away from 'talk about Europe' (Gowland and Turner 2000a: 26).

[24] This was most clearly seen in the Treaty of Brussels of 1948 which was signed by Britain, France and the Benelux countries. It committed these countries to support one another in the case of attack and also put forward proposals for cooperation in social, economic and cultural matters.

[25] However, opposition to European integration did not represent the opinion of the Labour party as a whole. The party remained split on the issue with a substantial minority of the Labour movement in a favour of Federal Europe. A motion proposed by a backbench MP at the 1948 conference for a United States of Europe was accepted by the Conference and opposed by the NEC (Moon 1985: 74). The issue was effectively diffused by Dalton, Chancellor of the Exchequer, who emphasised the need for a policy of gradualism and questioned the 'political complexion' of those involved in the European cause (ibid).

[26] 8.8% went on the financing of machinery and equipment in Britain compared to an average of 10.2% and in the case of France the figure was 11.9% (Overbeek 1990: 91).

[27] The outlines of this policy are found in the Foreign Office memorandum of 12th December 1951 DBPO 1986, series II, vol. I no. 414.

[28] Young cites a speech by Eden made at Columbia University in 1952 in which he stated that European Federation was something 'we know in our bones we cannot do' (1998: 74).

[29] The socialist opponents on the Foreign Affairs Committee of the National Assembly voted against because of British refusal to take a stronger commitment to the EDC (Northedge 1974: 166).

[30] The Six were also frustrated by the depoliticisation of the OEEC that was being

orchestrated by the British and was evident in the opposition to using the OEEC as a framework to discuss tariffs. Instead the British insisted that this could only take place inside GATT (Kaiser 1996: 25-26).

[31] Northedge notes that this policy did little to help consolidate Anglo-American relations and suggests that the Americans increasingly viewed the British as 'an ageing, self-satisfied prima-donna who insisted on holding the limelight though the glory and beauty of her youth were long passed, while her friends were forming successful business partnerships after their retirement from the political theatre' (1974: 171).

[32] Kaiser notes that in 1955 'the economic ministries already operated against a backdrop of Britain's relative economic decline relative to the Six' (1996: 35).

[33] Infact, Thorneycroft and the Board of Trade stand out in terms of their concern over British exclusion from the EEC (Kaiser 1996: 42).

[34] As Cain and Hopkins note 'Britain was concerned to hurry on the process of decolonisation with as much dignity as the pressures of nationalism and the need for economy would allow. The Sudan became independent in 1956, Malaya and the Gold Coast in 1957, Nigeria in 1960 and Kenya in 1963. The West Indies were bundled briefly into federation in 1957 before Jamaica broke free in 1962. Long held strategic bases were discarded: Cyprus in 1960, Malta in 1964 and Aden in 1967' (1993b: 285).

[35] On citizenship and immigration in post-war Britain see Hansen 2000. Interestingly, the 1962 Commonwealth Immigration Act contained important continuities with the existing 1948 British Nationality Act and failed to put into place a distinctive United Kingdom citizenship (ibd: 123).

[36] Here I would endorse Kaiser's reading of the official documents of the time. He points out that the geopolitical rhetoric of the first application that emphasised the unity of free world as the motivation for the British application hid a 'national-egoistic perspective which was almost exclusively fixated on the internal economic problems of Britain with its continuing decline as a major international power. To many in the Macmillan government, to accede and lead the EEC increasingly appeared the only way for Britain – as junior partner of the United States – to retain a world power role, a motive that was never explicitly mentioned in public because for domestic political reasons the government preferred not to confront the British with the harsh realities of relative international decline.' (1996: 118).

[37] The influential Lee Report on membership came out in May 1960 and argued that 'it cannot be compatible with either our political or our economic interests to let the situation drift on indefinitely on the basis of a divided Europe, with the United Kingdom linked to the weaker group' (*The Six and the Seven: Long Term Arrangements* PRO, CAB 134/1852, EQ.(60) 27).

[38] In June 1962 there was a highly publicised statement by the Australian prime-minister and Canadian deputy prime-minister attacking arrangements with the EEC that been agreed on industrial exports from the Commonwealth (Gowland and Turner 2000a: 128)

[39] Milward makes the important point that materialist and symbolic motives for allegiance to national and supranational institutions are relevant to the execution of an effective foreign policy (1997: 15). He goes on to add that in the case of the Britain at the time of the first application the economic case may have been won but symbolic

allegiance of the British people (and presumably large sections of the political class) continued to be to the Commonwealth (ibid: 15-16). The argument here is that the ideological and political resources that could generate such symbolic allegiance and, in particular, associate participation within the project of integration with British political transformation and modernisation have been chronically absent.

[40] In the Cabinet debate on the Lee Report, Selwyn Lloyd, The Foreign Secretary, argued that 'to become a member of the EEC could be positively harmful to our position in the world, since some of the political and economic policies of the EEC countries did not inspire respect' (PRO, CAB 128/34, CC 41 (60), 36th Conclusions, 14 July 1960).

[41] The most important event in this relaunch was the Hague summit in December 1969 which made two important decisions. Firstly to enlarge the Community to include Britain, Ireland, Denmark and Norway; secondly, to move towards full economic and monetary union by 1980.

[42] This concept of regulation is distinct from that used by neo-Marxist when they refer to a mode of regulation (see Aglietta 1979, Lipietz 1986, Boyer 1986). Majone defines regulation as 'sustained and focused control exercised by a public agency, on the basis of a legislative mandate, over activities that are generally regarded as desirable to society' (1996: 9). Thus, Majone questions the assumption that contemporary societies have primarily been characterised by deregulation and argues that there has been a corresponding re-regulation and shift towards new forms of regulatory control such as the EC/EU, 'a striking example of deregulation followed by re-regulation' (ibid: 2). This discussion supports the theoretical and substantive observations of Sassen (2000) who argues that globalisation is characterised by changes in territorial jurisdiction that involves the partial detachment of sovereign power from the nation-state and the establishment of a new legal regimes and new legal practices. These ideas substantiate the transformatory account of European integration that underpins this thesis.

[43] The development of the Social Action Programme can be seen in this context as an attempt to shift elements social and employment policy to the European level.

[44] The three failed projects economic modernisation during the period 1964-1979 were the technocratic collectivism of the Wilson Government (1964-1970), the liberal version of this pursued by the Heath Government (1970-1974), and the corporatist 'Social Contract' project of the Labour Government between 1974-1979.

[45] Here I am extending on the analysis of the British post-war state begun in Chapter 3.

[46] This was most evident in the continued declining authority of Parliament at the expense of a powerful executive (Crick 1968; Mackintosh 1968). The power of the latter was particularly seen in the increased importance of the Cabinet Office as a coordinating and advisory body and the growth of large ministries supported by a range of quagos (quasi-governmental organisations) and quangos (quasi non-governmental organisations) answerable to ministers (Jessop 1980: 56-57). However, a key feature of these reorganisations was to continue to consolidate power in the Prime-Minister's Office and the Treasury.

[47] An interesting contrast to the British state is the post-Franco Spanish state which became a multi-national state democratically constituted by its various regions and autonomous communities and as part of the European Community (Nairn 2000: 294).

[48] What is evident in the context of post-imperial crisis is that the nation could no longer be taken for granted but had to be continually re-imagined and reconstructed. In doing so the British political class drew on the memory of a homogenous and stable imperial status order. This regressive national ideology inevitably conflicted with attempts to introduce progressive reforms of economy and society that required a recomposition of power relations.

[49] This was evident in the area of industrial relations legislation (Labour's 1969 Industrial Relations Act and the Conservatives 1971 Industrial Relations Act), also in the resort to incomes policies (Jessop 1980: 49).

[50] These had been set out in Gaitskell's 1963 Labour Party Conference Speech. See Chapter 2.

[51] Key figures here included Barbara Castle, Michael Foot and Peter Shore.

[52] An interesting example of this was Tony Benn. Benn was opposed to British membership during the 1950s and early 1960s but came out in support of the Government's application in 1967 because of a growing sense of British isolation (Benn 1996: 121, 171, 177). In 1970 he was commenting that the EC was the right organisation necessary to control international companies (ibid: 222). However, he came out in opposition in 1971 because he did not want to align himself with pro-European Labour politicians on the right of the party. He increasingly regarding this grouping as a threat to socialism and, in working with the conservative Europeans, he claimed they represented 'a new political Party under the surface in Britain' (ibid: 240). He came to see the anti-market case as a way maximising support for the left (ibid: 241). However, it was also Benn who put forward the case for a referendum in 1971 in an attempt to unite the party (ibid: 238-239). In doing this, Benn was also attempting to subvert the conservative European strategy of the British state that involved limiting public discussion on the issue and generally underplaying its significance. In considering the implications of a referendum, he expressed concern over public reluctance to participate who, he commented, 'had been told by its liberal elites that it shouldn't be interested in these things' (ibid: 251). Benn's approach to the issue reflected his general concern over the lack of democracy in British politics on both the left and the right and his position on EC membership did not demonstrate the crude opportunism and nationalism of many of his colleagues on the left (Panitch and Leys 1997). However, in this attempt to bring about some sort of symbioses between the British state and democratic socialism, Benn ended up in the debate over the EC defending the chronically flawed British state structure as a form of 'self-government' and thereby endorsed a nationalist myth.

[53] Dennis Healey was an example of a politician who demonstrated both principled opposition and pragmatic accommodation (Young 1998: 268).

[54] The main supporters were the Jenkinsites European social democrats led by Roy Jenkins and included, George Thomson, Harold Lever, David Owen, Roy Hattersley, Shirley Williams and Bill Rodgers.

[55] This measure aimed to prevent the government from having to face the humiliation of devaluing the pound, however this became inevitable after another sterling crisis in the autumn of 1967.

[56] Between 1961 and 1978 Britain's share of world exports of manufacturing goods fell from 15.7% to 9.5% and the overall rate of profit declined from 14.2% in 1960 to 4.7% in 1978 (Leys 1983: 64).

[57] Wilson appeared to have exaggerated his influence on de Gaulle and then overstated the possibility that the General would support membership (Crossman 1979: 355; Young 1998: 194;Gowland and Turner 2000a; 164-165).

[58] These problems seemed to have abated after a reduced role for the pound was accepted after 1968. Nevertheless the fundamental orientation of British monetary policy did not move in a European direction.

[59] By November 1970 polls indicated that there was a majority of 50% against membership (Butler 1979: 152).

[60] This became known as the Selsdon strategy after a Shadow Cabinet meeting at the Selsdon Park Hotel outside London. It stressed tax cuts, more selectivity in welfare provision and a tightening up on law and order. There was an apparent retreat from this programme in 1972 as a consequence of industrial unrest, rising unemployment, low levels of industrial investment and electoral unpopularity (Gamble 1994: 125). The result of this was the introduction of an incomes policy and increased government intervention in industry. To what extent this was completely out of step with the position the party had taken in opposition is questionable considering that Heath himself was not a New Right politician but remained firmly committed to etatism (Cosgrove 1973: 441-446; Young 1991: 58-59).

[61] For a discussion of how this impacts on Britain's relationship to the EC/EU see Chapter 4.

[62] The 'snake in the tunnel' was an agreement to keep exchange rates within the EC stable against each other and against the dollar.

[63] It is therefore essential to emphasise the active support for membership of financial capital in the context of the dollar crisis and worsening domestic economic conditions (Nairn 1973: 20-27). In support of this Nairn refers to a report by the Committee on Invisible Exports (1971) summarised in The Economist, 24th July 1971 pp. 60-61.

[64] On 28th October 1971, 69 Labour MPs voted with the Government in supporting entry on the terms negotiated by Heath. Jenkins commented that 'it was remarkable to hold sixty-nine Labour members against the pressures from constituencies, trade unions, whips and the leadership, which all exploited the simple atavistic appeal to Party loyalty and solidarity' (Jenkins 1991: 311). The vote was indicative of the extent of the split that had emerged in the Labour party.

[65]The structure of the Conservative party has historically allowed few opportunities for mobilising and making opposition to the leadership effective compared to the Labour party.

[66] The 'Social Contract' primarily invoked a new relationship between the government and the Trade Unions that would guarantee future union involvement in a Labour government in return for extensive workers rights and social benefits. It also involved direct intervention of the government in the private economy to control large companies and strengthen manufacturing and investment. This was a far more explicit corporatist strategy than that pursued between 1964-1969 and involved the government directly intervening to negotiations between capital and labour. See Coates 1980: 2-7; also Warde 1982: 145-147.

[67] See Shore 1971.

[68] On the negotiations see George 1990: 80-85.

[69] Britain's multi-nationals financed the Britain in Europe campaign (Butler and Kitzinger 1976).

[70] By the 1970s most key economic actors influencing the British economy were external to the domestic political scene (Coates 1980: 15-16). They included oil sheikhs, international bankers, foreign governments and multi-national companies.

[71] Castle quotes Wilson as saying in the run up to the campaign, 'I intend to keep it low key throughout. *The decision is purely a marginal one.* I have always said so. I have never been a fanatic on Europe' (1980: 379 emphasis mine).

[72] On the 'awkwardness' of the Wilson Government in its dealings with the Community see George 1990: 96-104.

[73] Between March and September 1976 the value of sterling depreciated by 26%.

[74] The amount and conditions largely determined by the U.S. Government.

[75] The argument at the time was that the British economy could not cope with the system of fixed exchange rates proposed by the Community (Stephens 1996: 5-6) . More precisely, the state had failed to develop the capacities to regulate financial capital that would allow it to successfully introduce such a system and not face the continual threat of currency crisis. Neither was it prepared to explore a broader European solution to these problems. The alternative economic policy proposed by the left envisaged reorganising British capitalism *outside of the EC* (Gamble 1994: 177-178 emphasis mine).

[76] This is particularly associated with Callaghan's famous speech to the Labour Party Conference in 1976 (see Hennessy 2000: 382-383).

[77] Healey stated in his reflections on the IMF crisis 'I thought enough had been done......there is an area where the markets are supreme............the markets decide what is the value of your currency' (cited in Hennessy 2000: 384). The Labour government was in effect faced with mounting pressure from the City to introduce monetarist policies and this was being supported in the Bank of England and Treasury (Overbeek 1990: 170). Evidently 'this mood was seized upon by the American Secretary of the Treasury, William Simon, and the president of the Federal Reserve, Arthur Burns, who wanted to use the fall in the sterling balances to ensnare the British government' (ibid: 171).

[78] Benn's alternative economic strategy, which included import and exchange controls, was discussed and rejected by the Cabinet during the IMF crisis (Benn 1996: 378-387).

[79] During the 1970s, the US witnessed 'a domestic move away from the New Deal compromise to a political economy that sought competitiveness through de-regulation and de-unionisation and abandoned the social democratic principle that wages and social conditions were to be taken out of competition' (Schmitter and Streeck 1991: 210).

[80] Callaghan was now presenting himself as the country's saviour. At the time Peter Jay described him as Moses (The Economist October 8th 1977: 18).

[81] A position echoed by the leadership of the TUC (Vogler 2001: 321).

[82] British Governments have persistently called for enlargements of the Community in order to weaken deeper integration.

[83] The idea of the Washington Consensus can be seen as shorthand for what Susan Strange refers to as 'a non-territorial empire with its imperial capital in Washington D.C. Where imperial capitals used to draw courtiers from outlying provinces, Washington draws lobbyists from outlying enterprises, outlying minority groups and globally organized pressure groups' (1989 cited in Panitch 2000: 17). From across the

globe, the Washington Consensus draws in a diversity of people for whom the 'U.S. examples have shown the way' (ibid).

[84] More recently, it can also be seen to include the Treaties of Amsterdam (1997) and Nice (2001) together with the moves towards enlargement. However, it is generally agreed that the integrationist dynamic culminated in Maastricht and developments since have been a consolidation of those processes. Indeed, it may be the case that the problems encountered by the EU post-Maastricht are in fact chronic and imply a reversal of the integration process.

[85] For a theoretical discussion of the broader context of these developments see Chapter 2.

[86] For a discussion of the problems faced by European states during the 1970s and the concomitant constraints on European integration see Chapter 4.

[87] For a discussion of the events surrounding the French crisis and the role Delors see Grant 1994.

[88] Schmitter proposes two possible ideal-types for understanding the political direction of the EU either a consortio or a condominio (2000: 17-18). A 'consortia assumes a fixed and irreversible set of member states within defined territorial boundaries, but with varying political responsibilities.' A condominio is less easily defined and would consist of many Europes both functionally and territorially.

[89] Schmitter identifies six reasons for the failure of European social citizenship (2000: 43-44). These are (1) divergent economies (2) national differences over welfare policies (3) National orientations of associations that operate within distinct social policy regimes (4) the influence of neo-liberal ideology (5) a general lack of public power within the EU compared to member-states (6) the privileged access business interests within the EU system of representation. The real issue here is the problem of constructing a European project of mass social inclusion in the context of flexible accumulation.

[90] Scharpf (1999) has conceptualised the integration process in terms of the dominance of negative integration over positive integration. In essence, the main focus has been on removing national economic controls without any corresponding reconstruction at the European level.

[91] European concerns over US policy towards international monetary problems was evident from the early 1960s and found it expression in the bitter G-10 meetings of that period (Schenk 2002: 350).

[92] This would mean a proactive, growth oriented and distinctly European industrial and social policy agenda. The risk is inflation and a lack of policy coordination that results in intense speculation against the Euro in favour of the dollar. It seems unlikely that such a policy could be pursued without a wider programme of international reform that places equity and the quality of economic performance over short term wealth creation (Strange 1998)

[93] A process that is clearly going to exacerbate the problems of inequity and diversity within the European Union as the majority of countries who will join are poorer than the poorest of the existing member-states.

[94] Despite the efforts of the European Convention, the idea that this could be resolved in the shape of a largely 'top down' supranational constitutionalism remains unlikely.

[95] In many respects, Thatcher's position of floating exchange rates was more realistic considering the problems of competitiveness within the British economy but was

obviously based on the principle that the markets should dictate British monetary and economic policy.

[96] The official position of the British government was that it could only accept stage 1 of the Report, membership of the Exchange Rate Mechanism. Nigel Lawson, as Chancellor of the Exchequer, told a meeting of Community finance ministers that the 'UK could not accept the massive transfer of sovereignty over fiscal and monetary policy implied by the Report' (Lawson 1992: 913).

[97] Ridley referred to European integration as 'a German racket designed to take over the whole of Europe' (The Spectator 12th July 1990).

[98] It was a process consolidated by New Labour and Gordon Brown's decision to grant full independence to the Bank of England.

[99] It should be noted however that Kenneth Clarke, Chancellor 1993-1997, remained committed to the possibility of British membership of EMU believing it offered the possibility of long-term stability for the British economy. The Labour party was also aware of the benefits and refused to rule out membership. However, the political base for the renewal of a European project remained weak as pro-Europeans, both Conservative and Labour, attempted to draw a neat line between the economic and political dimensions of membership. This became clear during New Labour's first term in office when their reluctance to call a referendum or engage in a public debate over EMU membership became increasingly evident (see Stephens 2001).

[100] Clearly, any political integrity the Major government had left would have been completely undermined by proposing withdrawal from the EU. Also the EUs economic importance to the consolidation of Britain's role as the 'Hong Kong' of Europe has to be seen as the central reason why withdrawal has never seriously entered the political agenda. There is also the 'just in case' argument which has proved so powerful in the debate over Britain's entry into the Euro. The argument here rests on the fear of British exclusion from a Europe which may prove to be successful in the future and British options much be kept open. A paradoxical argument because it is the 'free rider' position often pursued by British governments that proves to limit the actual political capacities of integration in the first place.

[101] This was the position Thatcher fleshed out once she left office and she advocated a multi-track Europe but one which was not organised within an independent European legal order (1995: 49; 2002: 409-410).

[102] The attempt to extend this model to the European Union is currently taking the form of proposals by the British government for a trans-Atlantic free trade area.

[103] This is far from certain considering the recent tensions in the Franco-German alliance and the uncertainties surrounding enlargement.

Bibliography

Addison, P. 1994 *The Road to 1945: British Politics and The Second World War*.
London: Pimlico.

Aglietta, M. 1979 *A Theory of Capitalist Regulation: the US Experience*.
London: New Left Books.

Alber, J. 1988 'Continuities and Change in the Idea of the Welfare State' *in Politics
and Society*, 16, 4, pp. 451-68.

Albrow, M 1996 *The Global Age: State and Society Beyond Modernity*.
Cambridge: Polity Press.

Amin, A (ed) 1994 *Post-Fordism: A Reader*. Oxford: Blackwell.

Anderson, B. 1991 *Imagined Communities*. Revised edition. London, New York:
Verso.

Anderson, P. 1992 *English Questions*. London, New York: Verso.

Anderson, P. 1997 'Under the Sign of the Interim' in P. Anderson and P. Gowan
(eds) *The Question of Europe*. London, New York: Verso.

Anderson, S. and Eliasson K. (eds) 1996 *The European Union: How Democratic is it?*
London: Sage.

Anthias, F. and Yuval Davis, N. 1992 *Racialised Boundaries: Race, Nation, Gender,
Colour and Class and the Anti-racist Struggle*. London: Routledge.

Archer, M.S. 1995 *Realist Social Theory: the Morphogenetic Approach*. Cambridge, New York: Cambridge University Press.

Archer, M.S. 1996 'Social and Sytem Integration: Developing the Distinction' in *Sociology*, 30, 4, pp. 679-699.

Arendt, H. 1963 *On Revolution*. New York: Viking Press.

Armstrong , P. Glyn, A. Harrison, J.1991 *Capitalism Since 1945*. Oxford: Basil Blackwell.

Aron, R. 1976 'The Crisis of the European Idea' in *Government and Opposition*, 11, 1, pp. 5-14.

Arrighi,G. 1994 *The Long Twentieth Century: Money, Power and the Origins of our Times*. London: Verso.

Arrighi, G. 2003 'Tracking Global Turbulence' in *New Left Review*, 20, second series, pp. 5-71.

Ash, T. G. 2001 'Is Britain European?' in *International Affairs*, 77, 1, pp. 1-14.

Ashford, N. 1992 'The Political Parties' in S. Bulmer, S. George and A. Scott (eds.) *Britain and the European Community: the Politics of Semi-detachment*. Oxford: Clarendon Press.

Aspinwall, M. 2000 'Structuring Europe: Powersharing institutions and British preferences on European integration' in *Political Studies*, 48, pp. 415-442.

Aspinwall, M. 2003 'Britain and Europe: Some Alternative Economic Tests' in *The Political Quarterly* pp. 146-157.

Bacon, R.W. and Eltis, W. 1978 *Britain's Economic Problem: Too Few Producers*. London: Macmillan.

Baker, K. 1992 House of Commons Debate. Vol. 212. Col. 56 24th September. Hansard *House of Commons Official Report*. London: The Stationary Office.

Baker, D. Gamble, A. and Ludlam, S. 1993a '1846... ...1906... ....1996? Conservative Splits and European Integration' in *The Political Quarterly*, 64, 4, pp. 420-434.

Baker, D. Gamble, A. and Ludlam, S. 1993b 'Whips and Scorpions? Conservative MPs and the Maastricht Paving Motion Vote' in *Parliamentary Affairs*, 46, 2, pp. 147-66

Baker, D. Gamble, A. and Ludlam, S. 1994 'The Parliamentary Siege of Maastricht 1993: Conservative Divisions and British Ratification' in *Parliamentary Affairs*, 47,1 pp. 37-60.

Baker, D. 2003 'Britain and Europe: Treading Water or Slowly Drowning' in Parliamentary Affairs, 56, pp. 237-254.

Barker, E. 1971 *Britain in a Divided Europe*. London: Weidenfeld and Nicolson.

Barnett, C. 1986 *The Audit of War*. London: Macmillan.

Barratt Brown, M. 1988 'Away With All the Great Arches: Anderson's History of British Capitalism' in *New Left Review*, 167, pp. 22-52.

Bartolini, S. 2002 'Institutional Democratization and Political Structuring in the EU. Lessons from the Nation-State Development' in H.Cavana (ed.) *Governance, Globalization and the European Union. Which Europe for Tomorrow*. Dublin; Portland: Four Courts Press.

Bates, S. 1993 'Grassroot complaints hearten Euro-sceptics' in *The Guardian* 19th April.

Bauman, Z. 1998 *Globalization: The Human Consequences*. Cambridge: Polity Press

Beck, U. 1992 *The Risk Society*. London: Sage.

Beck, U. 1999 *World Risk Society*. Malden, Mass.: Polity Press

Beck, U. 1994 'The Reinvention of Politics: Towards a Theory of Reflexive Modernization' in Beck, U. Giddens, A. & Lash, S. 1994 *Reflexive Modernization: Politics and Aesthetics in the Modern Social Order*. Cambridge: Polity Press.

Beer, S. 1965 *Modern British Politics*. London: Faber and Faber.

Beer, S. 1982 *Modern British Politics: Parties and Pressure Groups in the Collectivist Age*. London: Faber & Faber.

Bellamy, R. and Warleigh, A. 2001. *Citizenship and Governance in the European Union*. London and New York: Continuum.

Beloff, N. 1963 *The General Says No*. Harmondsworth: Penguin.

Benn, T. 1974 'The Common Market: Loss of Self-Government' reprinted in M. Holmes (ed.) 1996 *The Eurosceptical Reader*. Basingstoke: Macmillan.

Benn, T 1996 *The Benn Diaries: New Single Volume Edition*. London: Arrow.

Berrington, H. and Hague, R. 1998 'Europe, Thatcherism and Traditionalism: Opinion, Rebellion and the Maastricht Treaty in the Backbench Conservative Party 1992-1994' in *West European Politics*, 21, 1, pp. 44-71.

Bhaskar, R.1978 *A Realist Theory of Science*. Brighton: Harvester.

Bhaskar, R. 1979 *The Possibility of Naturalism*. Hemel Hempstead: Harvester.

Bhaskar, R.1989 *Reclaiming Reality*. London: Verso.

Bilski, R. 1977 'The Common Market and the Growing Strength of Labour's Left Wing' in *Government and Opposition*, 12, 3, pp. 306-331.

Blackburn, R. 2002 'Symptoms of Euro-Denial' in *New Left Review*, 18, second series, pp. 131-140.

Blair, A. 1999 *Dealing with Europe: Britain and the Negotiation of the Maastricht Treaty*. Aldershot: Ashgate.

Bonefield, W. Brown A. and Burnham, P. 1995 *A Major Crisis? The Politics of Economic Policy in Britain in the 1990s*. Dartmouth: Aldershot.

Bonefield, W. and Burnham, P. 1996 'Britain and the Politics of the Exchange Rate Mechanism'in *Capital and Class*, 60, pp. 5-38.

Bonefield, W. 2002 'European Integration: the Market, the Political and Class' in *Capital and Class*, 77, pp. 117-142.

Bottomore, T, B. 1966 *Elites and Society*. Harmondsworth: Penguin

Boyer, R. 1988 *In Search of Labour Market Flexibility: European Economies in Transition*. Oxford: Clarendon Press.

Boyer, R. 1990 *The Regulation School: A Critical Introduction*. New York: Columbia University Press.

Brenner, R. 1998 'The Economies of Global Turbulence: A Special Report on the World Economy, 1950-98' in *New Left Review*, 229, pp.1-229.

Brenner, R. 2001 'The World Economy at the Turn of the Milennium Toward Boom or Crisis?' in *International Political Economy*, 8, 1, pp. 6-44.

Brenner, R. 2002 *The Boom and the Bubble: The US and the World Economy*. London: Verso.

Brivati, B. and Jones, H. (eds.) 1993 *From Reconstruction to Integration: Britain and Europe since 1945*.

Brockliss, L. and Eastwood, D. 1997 (eds.) *A Union of Multiple Identities: The British Isles c1750-c1850*. New York: Manchester University Press.

Broomhead, P. and Shell, D. 1977 'The British Constitution in 1976' in *Parliamentary Affairs*, 30, 2, pp. 143-160.

Broomhead, P. and Shell, D. 1979 'The British Constitution in 1978' in *Parliamentary Affairs*, 32, 2, pp. 125-142.

Brubaker, W.R. 1989 *Immigration and the Politics of Citizenship in Europe and North America*. London: University Press of America.

Brubaker, W.R. 1992 *Citizenship and Nationhood in France and Germany*. Cambridge: Cambridge University Press.

Bryant, J.M. 1994 'Evidence and Explanation in History and Sociology: A Critical Reflections on Goldthorpe's Critique of Historical Sociology' in *British Journal of Sociology*, 45, 1, pp. 3-19.

Buller, J. 2000a *National Statecraft and European Integration: The Conservative Government and the EU, 1979-1997.* London: Pinter.

Buller, J. 2000b 'Understanding Contemporary Conservative Euro-Scepticism: Statecraft and the Problem of Governing Autonomy' in *The Political Quarterly*, 71, 3, pp. 319-327.

Bulmer,S. 1983 'Domestic Politics and European Community Policy-Making' in *Journal of Common Market Studies*, 11, 4, pp. 349-363.

Bulmer, S. 1992 'Britain and European Integration: The Politics of Semi-Detachment' in George, S (ed.) *Britain and the European Community: the Politics of Semi-detachment.* Oxford: Clarendon Press.

Bulpitt J. 1992 'Conservative Leaders and the 'Euro-Ratchet': Five Doses of Scepticism' in *The Political Quarterly*, 63, 1, pp. 258-275.

Butcher, J. 1992 House of Commons Debate, Vol. 208 Col. 838. 3rd June. Hansard *House of Commons Official Report.* London: The Stationary Office.

Butler, D. 1979 'Public Opinion and Community Membership' in *The Political Quarterly*, 50, 1, pp. 151-156.

Butler, M. 1986 *Europe: More Than A Continent.* London: Heinemann

Butler, D. and Kitzinger, U.W. 1976 *The 1975 Referendum.* Second edition 1996. Basingstoke: Macmillan.

Cain, P.J.1997 'British Capitalism and the State: An Historical Perspective' in *The Political Quarterly*, 68, 1, pp. 95-98.

Cain, P.J. and Hopkins, A.G. 1993a *British Imperialism: Innovation and Expansion 1688-1914*. London: Longman.

Cain, P.J. and Hopkins, A.G. 1993b *British Imperialism: Decline and Deconstruction 1914-1990*. London: Longman.

Callaghan, J. 2000 'Rise and Fall of the Alternative Economic Strategy: From Internationalisation of Capital to 'Globalisation' ' in *Contemporary British History*, 14, 3, pp. 105-130.

Campbell, J. 1993 *Edward Heath*. London: Johnathan Cape.

Campbell, M. 1942 *The English Yeoman under Elizabeth and the Early Stuarts*. London: Oxford University Press.

Camps, M. 1964 *Britain and the European Community 1955-63*. London: Oxford University Press.

Canovan, M. 1999 Trust the People! Populism and the Two Faces of Democracy' in *Political Studies*, 47, 1, pp. 2-16.

Carter, N. Evans, M. Alderman, K. and Gorham, S. 1998 'Europe, Goldsmith and the Referendum Party' in Parliamentary Affairs, 51, 3, pp. 470-485.

Cash, W. 1992 House of Commons Debate. Vol. 208, Col. 831 3rd June. Hansard *House of Commons Official Report*. London: The Stationary Office.

Cash, W. 1992 House of Commons Debate. Vol. 215 Col. 205 1st December. Hansard *House of Commons Official Report*. London: The Stationary Office.

Cash, W. 1992 House of Commons Debate. Vol. 215 Col. 222 1st December. Hansard *House of Commons Official Report*. London: The Stationary Office.

Cash, W. 1992 House of Commons Debate. Vol. 215 Col. 227 1st December. Hansard *House of Commons Official Report*. London: The Stationary Office.

Cash, W. 1992 House of Commons Debate. Vol. 231 Col. 222 1st December. Hansard *House of Commons Official Report*. London: The Stationary Office.

Cash, W. 1992 House of Commons Debate Vol. 215 Col. 210 1st December. Hansard *House of Commons Official Report*. London: The Stationary Office

Cash, W. 1992 House of Commons Debate. Vol. 215. Col. 214. 1st December. Hansard *House of Commons Official Report*. London: The Stationary Office.

Castells 1996 *The Information Age: Economy, Society and Culture: Vol. 1 The Rise of the Network Society*. Oxford: Blackwell.

Castle, B. 1980 *The Castle Diaries, 1974-1976*. London: Weindenfeld and Nicolson.

Cechinni, P. et al 1988 *The European Challenge 1992: The Benefits of the Single Market*. Aldershot: Wildwood House.

Clark, J.C.D. 1985 *English Society 1688-1832: Ideology, Social Structure and Political Practice during the Ancien Regime*. Cambrigde: Cambridge University Press.

Coates, D. 1980 *Labour in Power 1974-1979*. London: Longman.

Coates, D. 1989 *The Crisis of Labour: Industrial Relations and the State in Contemporary Britain*. Deddington: Philip Allan.

Coates, D. and Hillard 1986 *The Economic Decline of Modern Britain: The Debate Between Left and Right*. Brighton: Wheatsheaf.

Coates, D. 1996 'Labour Governments: Old Constraints and New Parameters' in *New Left Review*, 219, pp. 62-77.

Cochrane, A. and Anderson, J. (eds.) 1989 *Restructuring Britain: Politics in Britain.* London: Sage.

Comment, 1992 'The End of Another British Delusion' in *The Independent on Sunday*, 20th September.

Comment 1993 'Where the writ of Parliament doesn't run' in *The Guardian* 15th February.

Comment 1993 'Mr Major as the heir of Ted Heath' in *The Guardian* April 23rd.

Commission of the EC 1985 *Completing the Internal Market.* White Paper from the Commission to the European Council, *CB-43-85-894-EN-C*. Luxembourg: Office for Official Publications of the EC.

Coombes, D. 1974 'The Annual Report of the EEC' in *The Political Quarterly*, 45, pp. 485-489.

Cosgrave, P. 1973 'Heath as Prime Minister' in *The Political Quarterly*, 44, pp. 435-446.

Craig, F.W.S. (ed.) 1990 'The Conservative Manifesto 1970' in *British General Election Manifestos, 1959-1987*. Third edition. Aldershot: Dartmouth.

Cram, L. 1997 *Policy-making in the EU: Conceptual Lenses and the Integration Process.* London: Routledge.

Crick, B. 1968 *The Reform of Parliament.* London: Weidenfeld and Nicolson.

Cronin, J.E. 1991 *The Politics of State Expansion: War, State, and Society in Twentieth-century Britain*. New York: Routledge.

Crook, S. Pakulski, J. and Waters, M. 1992 *Postmodernization: Change in Advanced Society*. London: Sage.

Crossman, R. 1979 *The Crossman Diaries: Selections from the Diaries of a Cabinet Minister 1964-1970*. A. Howard (ed.) London: Magnum.

Crouch, C 1993 *Industrial Relations and European State Traditions*. Oxford: Clarendon.

Crouch, C. and Streeck, W. (eds.) 1997 *Political Economy of Modern Capitalism*. London: Sage.

Curtis, M. 1995 *The Ambiguities of Power: British Foreign Policy Since 1945*. London: Zed Press.

Dahl, R. A. 1958 'A Critique of the Ruling Elite Model' in *American Political Science Review,* 52, 2, pp. 463-469.

Dahl, R. 1961. *Who Governs: Democracy and Power in an American City*. New Haven, CT: Yale University Press.

DBPO 1986, series II, vol. I no. 414 in D. Gowland and A. Turner (eds.) 2000 *Britain and European Integration 1945-1998: A Documentary History*. London; New York: Routledge.

Deighton, A. 1993 'Britain and The Cold War 1945-55: An Overview' in Brivati, B. and Jones, H. (eds.) *From Reconstruction to Integration: Britain and Europe since 1945*. Leicester: University of Leicester.

Deighton, A. (ed.) 1995 *Building Postwar Europe: National Decision-makers and European Institutions, 1948-63*. Basingstoke: Macmillan.

Delanty, G. 1995 *Inventing Europe: Idea, Identity, Reality*. London: Macmillan.

Delanty, G. 1998 'Social Theory and European Tranformation: Is there a European Society' in *Sociological Research Online*, 3, 1, www.socresonline.org.uk.

Delanty, G. 2000 *Citizenship in a Global Age*. Buckingham: Open University Press.

Delanty, G. 2003 *Community*. London: Routledge.

Dell, E. 1995 *The Schuman Plan and the British Abdication of Leadership in Europe*. Oxford: Oxford University Press.

Delors, J. 1992 *Le Nouveau Concert Européen*. Odile Jacob: Paris.

Duchene, F. 1994 *The First Statesman of Interdependence*. New York: Norton.

Economist 1977 '*Labour Closes Ranks – At Least Until the Election*' October 8th.

Edwards, G. and Wallace, H. 1977 'EEC: The British Presidency in Retrospect' in *The World Today*, 33, 8, pp. 283-286.

Europe – The Future 1984 in *Journal of Common Market Studies*, 23, 1,pp. 73-81.

Eurostat 2001 'Almost 100 Million Passengers in London Airports.' http://europa.eu.int/Eurostat 06/08/2001. Cat. No. 7-06082001-EN-AP.

Evans, D. 1975 *While Britain Slept: The Selling of the Common Market*. London: Gollancz.

Falkner, G. 1998 *EU Social Policy in the 1990's: Towards a Corporatist Policy Community*. New York: Routledge.

Fieldhouse, D.K. 1984 'The Labour Governments and the Empire-Commonwealth, 1945-1951' in R. Overdale (ed.) *The Foreign Policy of the British Labour Government 1945-51*. Leicester ?

Fine, B. and Harris, L. *The Peculiarities of the British Economy*. London: Lawrence Wishart.

Forster, A. 1999 *Britain and the Maastricht Negotiations*. New York : St. Martin's Press in association with St. Anthony's College, Oxford.

Forster, A. 2002 *Euroscepticism in British Politics*. New York: Routledge.

Frey, C.W. 1968 'Meaning Business: The British Application to Join the Common Market, November 1966-October 1967' in *Journal of Common Market Studies*, 6, 3, pp.197-230.

Gaffney, J. (ed.) 1996 *Political Parties in the European Union*. London and New York: Routledge.

Gaitskell, H. 1962 'The Common Market' reprinted in M. Holmes (ed.) *The Eurosceptical Reader* 1996. Basingstoke: Macmillan.

Gallagher, J. 1982 *The decline, revival and fall of the British Empire: the Ford lectures and other essays*. Cambridge: Cambridge University Press.

Gamble, A. 1974 *The Conservative Nation*. London: Routledge and Paul Kegan

Gamble, A. 1988 *The Free Economy and the Strong State: the Politics of Thatcherism*. Basingstoke: Macmillan Press.

Gamble, A. 1993 'The Entrails of Thatcherism' in *New Left Review*, 198, pp. 117-128.

Gamble, A. *1994 Britain in Decline: Economic Policy, Political Strategy and the British State.* Fourth Edition. Basingstoke Macmillan.

Gamble, A. 1995 'The Crisis of Conservatism' in *New Left Review*, 214, pp. 3-25.

Gamble, A. and Kelly, G. 2000 'The British Labour Party and Monetary Union' in *West European Politics*, 23, 1, pp. 1-25.

George, S. 1990 *An Awkward Partner: Britain in the European Community.* Oxford: Oxford Univesity Press.

George, S. 1991 *Britain and European Integration since 1945.* Oxford: Blackwell.

George 1994 *An Awkward Partner: Britain in the European Community.* Second Edition. Oxford: Oxford Univesity Press.

George, S. 1992 *Britain and the European Community: the Politics of Semi-detachment.* Oxford: Clarendon Press.

George, S. and Haythorne, D. 1996 ' The British Labour Party' in Gaffney, J. (ed.) *Political Parties in The European Union.* London and New York: Routledge.

Geyer, R.R. 2000 *Exploring European Social Policy.* Cambridge: Polity Press.

Giddens, A. 1984 *The Constitution of Society.* Cambridge: Polity Press.

Giddens, A. 1985 *The Nation-State and Violence.* Cambridge: Polity Press

Giddens, A. 1990 *The Consequences of Modernity.* Cambridge: Polity Press.
287

Giddens, A. 1994 'Living in a Post-Traditional Society' in Beck, U. Giddens, A. & Lash, S. 1994 *Reflexive Modernization: Politics and Aesthetics in the Modern Social Order*. Cambridge: Polity Press.

Gilroy, P. 1987 ' *"There ain't no black in the Union Jack": the cultural politics of race and nation.*' London: Hutchinson.

Glyn, A. and Harrison, J. 1980 *The British Economic Disaster*. London: Pluto Press.

Goldthorpe, 1991 'The Uses of History in Sociology: Reflections on Some Recent Tendencies' in *British Journal of Sociology*, 42, 2, pp. 55-77.

Gorman, T. 1992 House of Commons Debate. Vol. 215 Col. 225
1st December. Hansard *House of Commons Official Report*. London: The Stationary Office.

Gowan, P. 1987 'The Origins of the Administrative Elite' in *New Left Review*, 162, pp. 4-34.

Gowan, P. 1997 'British Euro-solipsism' in Gowan, P. and Anderson, P. (eds.) *The Question of Europe*. London: Verso.

Gowland, D. and Turner, A. 2000a *Reluctant Europeans: European Integration 1945-1998*. Harlow: Pearson Education.

Gowland, D. and Turner, A. 2000b *Britain and European Integration 1945-1998: A Documentary History*. London and New York: Routledge.

Grahl, J. 1997 *After Maastricht: A Guide to Monetary Union*. London: Lawrence and Wishart.

Gramsci, A. 1971 *Selections From Prison Notebooks*. London: Lawrence and Wishart.

Grant, C. 1994 *Delors: Inside the House that Jacques Built*. London: Brealey Publishing.

Gray, J. 1986 *Liberalism*. Milton Keynes: Oxford University Press.

Gray, J. 1998 *False Dawn: The Delusions of Global Capitalism*. London: Granta Books

Greeenwood, S. 1992 *Britain and European Cooperation since 1945*. Oxford: Blackwell.

Greenwood, S. 1996 *Britain and European Integration since the Second World War*. Manchester: Manchester University Press.

Greider, W. 1997 *One World, Ready or Not: The Manic Logic of Global Capitalism*. New York: Touchstone.

Grimmond, J. and Neve, B. 1975 *The Referendum*. London: Rex Collings.

Grosser, A. 1980 *The Western Alliance: European-American Relations since 1945*. Basingstoke: Macmillan.

Grote, J.R. and Schmitter, P. 1999 'The Renaissance of National Corporatism: unitended side-effect of European Economic and Monetary Union or calculated Response to the Absence of European Social Policy?' in *Transfer*, 1-2, pp. 34-63.

Haas, E. 1966 'International Integration: The European and the Universal Process' in

Hodges, M (ed.) 1972 *European Integration: Selected Readings*. Harmondsworth: Penguin.

Haas, E. 1968 *The Uniting of Europe*. Second Edition. Stanford: Stanford Press.

Habermas, J. 1976 *Legitimation Crisis*. London: Heinemann.

Habermas 1994 'Citizenship and National Identity' in Bart Van Steenbergen (ed.), *The Condition of Citizenship*. London: Sage.

Habermas, J. 1999 'The European Nation-State and the Pressures of Globalization' in *New Left Review*, 235, pp. 46-60.

Habermas, J. 2001 'Why Europe needs a Constitution' in *New Left Review*, 11, pp. 5-26.

Hall, C. 1994 'Rethinking Imperial Histories: The Reform Act of 1867' in *New Left Review*, 208, pp. 3-29.

Hall, S. 1979 'The Great Moving Right Show', Marxism Today, reprinted in S. Hall and M. Jacques (eds.) 1983 *The Politics of Thatcherism*. London: Lawrence and Wishart.

Hall, S. and Jacques, M. (eds.) 1983 *The Politics of Thatcherism*. London: Lawrence and Wishart.

Hall, S. and Jacques, M. (eds.) 1989 *New Times*. London: Lawrence Wishart.

Halsey, A.H. 1986 *Changes in British Society*. Third Edition. Oxford: Oxford University Press.

Hansen, R. 2000 *Citizenship and Immigration in Post-War Europe*. Oxford: Oxford University Press.

Harvey, D. 1989 *The Condition of Postmodernity*. Oxford: Blackwell.

Hasse, R. and Leiulfsrud, H. 2002 'From Disorganized Capitalism to Transnational Fine Tuning?: Recent Trends in Wage Development, Industrial Relations, and "Work" as a Sociological Category' in *British Journal of Sociology*, 53, 1, pp. 107-126.

Hay, C. 1994 'The Structural and Ideological Contradictions of Britain's Post-War Reconstruction' in *Capital and Class*, 54, pp. 25-59.

Hay, C. 1996a *Re-stating Social and Political Change*. Buckingham: Open University Press.

Hay, C. 1996b 'Narrating Crisis: The Discursive Construction of the "Winter of Discontent" ' in *Sociology*, 30, pp. 253-77.

Hay, C. 1999 *The Political Economy of New Labour: Labouring under False Pretences?* Manchester: Manchester University Press.

Heath, E. 1970 *Old World, New Horizons : Britain, the Common Market, and the Atlantic Alliance*. London: Oxford University Press.

Heath, E. 1998 *The Autobiography of Edward Heath: The Course of My Life*. London: Hodder and Stoughton.

Heffernan, R. 1999 *New Labour and Thatcherism: Political Change in Britain*. New York: St. Martin's Press.

Heffernan, R. 2001 'Beyond Euro-scepticism: Exploring the Europeanisation of the Labour Party Since 1983' in *The Political Quarterly*, 72, 2, pp. 180-189.

Held, D. 1995 *Democracy and the Global Order: From the Modern State to Cosmopolitan Democracy*. Cambridge: Polity Press

Held, D. and McGrew, A. and Goldblatt, D. and Perraton, J. 1999 *Global Transformations: Politics, Economics and Culture*. Cambridge: Polity Press.

Hennessey, P. 2000 *The Prime Minister: The Office And Its Holders Since 1945*. London: Penguin

Heseltine, M. 2000 *Life in the Jungle: My Autobiography*. London: Hodder and Stoughton.

Hexter, J.H. 1961 *Reappraisals in History*. London: Longmans.

Hindess, B. 1982 'Power, Interests and the Outcomes of Struggles' in *Sociology*, 16, pp. 498-511.

Hirst, P. 1989 *After Thatcher*. London: Collins.

Hirst, P. and Thompson, G. 1999 *Globalization in Question*. Second Edition. Cambridge: Polity Press.

Hirst, P. and Thompson, G. 2000 'Globalization in one country? The peculiarities of the British' in *Economy and Society*, 29, 3, pp. 335-356.

Hoffman, S.1966 'Obstinate or Obstacle? The Fate of the Nation-State and the Case of Western Europe' in *Daedalus*, 95, pp. 892-902.

Hogg, S. and Hill, J. 1995 *Power and Politics: John Major in No. 10*. London: Little, Brown.

Holland, R.F. 1984 'The Imperial Factor in British Strategies from Attlee to Macmillan, 1945-1963' in *Journal of Imperial and Commonwealth History*, 12, 2, pp. 165-186.

Hollingsworth, J.R. and Streeck, W. 1994 'Countries and Sectors: Concluding Remarks on Performance, Convergence and Competitiveness' in J.R. Hollingsworth et al (eds.) *Governing Capitalist Economies. Performance and Control of Economic Sectors*. New York: Oxford University Press.

Hooghe, L. and Marks, G. 1997 'The Making of a Polity: The Struggle over European Integration' in *European Integration Online Papers (EioP)*, 1, 004, http://eiop.or.at/eiop/testx/1997-004a.htm

Howe, G.1990 House of Commons Debate. Vol. 180. Col. 2, pp. 461-465 13th November. Hansard *House of Commons Official Report*. London: The Stationary Office.

Howe, G. 1990 'Sovereignty and interdependence: Britain's place in the world' in *International Affairs*, 66, 4, pp. 675-695.

Howe, G. 1994. *Conflict of Loyalty*. London: Macmillan.

Hutton, W. 1995 *The State We're In*. London: Johnathan Cape

Hutton, W. and Giddens, A. 2001 *On the Edge: Living with Global Capitalism*. London: Vintage.

Hutton, W. 2002 *The World We're In*. London: Little Brown

Ingham, G. 1984 *Capitalism Divided? The City and Industry* in British Social Development. London: Macmillan.

Ingham, G. 2002 'Shock therapy in the City' in *New Left Review*, 14, second series, pp. 152-158.

Jenkins, R. 1991. *A Life at the Center*. London: Macmillan.

Jenkins, R. 1989. *European Diary, 1977-1981*. London: Collins.

Jessop, B. 1980 'The Transformation of the State in Post-war Britain' in R.Scase (ed.) *The State in Western Europe*. London: Croom, Helm.

Jessop, B. and Ling, T. 1984 'Authoritarian Populism, "Two Nations" and Thatcherism' in *New Left Review*, 147, 32-60.

Jessop, B. Bonnett, K. Bromley, S. and Ling, T. 1988 *Thatcherism: A Tale of Two Nations*. Cambridge: Polity Press.

Jessop, B. 1991 'Thatcherism and Flexibility: The White Heat of a Post-Fordist Revolution' in Jessop, B. Kastendiek, H. Nielson, K. and Pedersen, O.K. (eds.) *The Politics of Flexibily: Restructuring State and Industry in Britain, Germany and Scandinavia*. Aldershot: Edward Elgar.

Kaiser, W. 1996 *Using Europe, Abusing the Europeans: Britain and European Integration, 1945-1963*. Basingstoke Macmillan.

Keat, R. and Urry, J. 1975 *Social Theory as Science*. London: Routledge and Kegan.

Kennedy, P. 1989 *The rise and fall of the great powers : economic change and military conflict from 1500-2000*. London: Fontana.

294

Keohane, R. O. and Nye, J.S. 1977. *Power and Interdependence*. Boston: Little, Brown.

Langford, P. 1989 *A Polite and Commercial People: England 1727-1783*. Oxford: Oxford University Press.

Lash, S. 1994 'Reflexivity and its Doubles: Structures, Aesthetics and Community' in Beck, U. Giddens, A. & Lash, S. 1994 *Reflexive Modernization: Politics and Aesthetics in the Modern Social Order*. Cambridge: Polity Press.

Lawson, N. 1992 *The View From No. 11*. London: Corgi.

Lee, J.M. 1977 'Forward Thinking and the War: the Colonial Office during the 1940s' in *Journal of Imperial and Commnonwealth History*, 6, pp. ?

Leys, C. 1983 *Politics in Britain: An Introduction*. London: Heinemann Educational.

Leys, C. 1990 'Still a Question of Hegemony' in *New Left Review*, 181, pp. 119-128.
Linklater, A. 1998 'Citizenship and Sovereignty in the Post-Westphalian European State' in Archibugi, D. Held, D. and Kohler, D. *Re-imagining Political Community: Studies in Cosmopolitan Democracy*. Cambridge: Polity Press.

Lipgens, W. 1982 *A History of European Integration / Vol.1, The Formation of the European Unity Movement*. Oxford: Clarendon.

Lipietz, A. 1985 *Mirages and Miracles: The Crisis of Global Fordism*. Verso: London.

Lockwood, D. 1964 'Social and System Integration' in G.K. Zollschan and W. Hirsh (eds.), *Explorations in Social Change*. London: Routledge.

Lord, C. 1992 'Sovereign or Confused? "The Great Debate" about British Entry to the European Community 20 Years on' in *Journal of Common Market Studies*, 30,4, pp. 419-36

Lord, C. 1993 *British Entry to the European Community under the Heath Government of 1970-1974*. Aldershot: Dartmouth.

Lord, C. 1996 *Absent at the Creation: Britain and the Formation of the EC 1950-1952*. Aldershot-Dartmouth.

Louis, W.R. and Owen, R. (eds.) 1989 *Suez 1956: The Crisis and its Consequences*. Oxford: Clarendon.

Lowe, R. 1990 'The Second World War, Consensus and the Foundation of the Welfare State' in *Twentieth Century British History*, 1, pp. 152-182.

Mackintosh, J.P. 1968 *The British Cabinet*. Second edition. London: Methuen

Mair, P. 2000 'Partyless Democracy: solving the paradox of New Labour?' in New Left Review 2, second series, pp. 21-35.

Mair, P. 2002 'Populist Democracy vs. Party Democracy' in Yves Mény and Yves Surel (eds), *Democracies and the Populist Challenge*. Basingstoke: Palgrave, pp. 81-98.

Majone, G. 1996 *Regulating Europe*. London: Routledge.

Major, J. 1999 *The Autobiography*. London: Harper Collins

Major, J.1993 'Raise Your Eyes - There is a Land Beyond' in *The Economist*, 25th September to 1st October pp. 23-27.

Major, J. 1992 House of Commons Debate. Vol. 212. Col. 11 24th September. Hansard *House of Commons Official Report*. London: The Stationary Office.

Major, J. 1992 House of Commons Debate. Vol. 212. Col. 2 24th September. Hansard *House of Commons Official Report*. London: The Stationary Office.

Major, J. 1992 House of Commons Debate. Vol. 213. Col. 284, 4th November. Hansard *House of Commons Official Report*. London: The Stationary Office.

Major, J. 1992 House of Commons Debate. Vol. 208,col. 827 3rd June. Hansard *House of Commons Official Report*. London: The Stationary Office.

Mann, M. 1993 'Nation-states in Europe and other Continents: Diversifying, Developing, Not Dying' in *Daedalus*, 13, pp. 115-140.

Mann, M.1995 'As the Twentieth Century Ages' in *New Left Review*, 214, pp. 104-24.

Marks, G. Hooghe, L. and Blank, K. 1996 'European Integration from the 1980s: State-Centric versus Multi-level Governance' in *Journal of Common Market Studies*, 34, 3, pp. 342-378.

Marks, G. and Macadam, D. 1996 'Social Movements and the Changing Structure of Political Opportunity in the European Union' in G. Marks F.W. Scharpf, P.C. Schmitter and W. Streeck (eds.) *Governance in the European Union*. London: Sage.

Marlow, A. 1992 House of Commons Debate. Vol. 208. Col 835 3rd June. Hansard *House of Commons Official Report*. London: The Stationary Office.

Marquand, D. 1981 'Club Government – the Crisis of the Labour Party in the National Perspective' in *Government and Opposition*, 16, 1, pp. 19-36.

Marquand, D. 1988 *The Unprincipled Society*. Cape: London.

Marquand, D.1989 'Twelve Into One Will Go' in *Marxism Today*, April, pp. 17-25.

Marquand, D. 1991 'Crab-Like Into The Future' in *Marxism Today*, October, pp. 38-42.

Marquand, D. 1994 'Reinventing Federalism: Europe and the Left' in *New Left Review*, 203, pp. 17-26.

Marquand, D. 1999 *The Progressive Dilemma: From Lloyd George to Blair*. Second Edition. London: Phoenix.

Marsh, D. and Rhodes, R.A.W. 1992 *Implementing Thatcherite Policies: An Audit of an Era*. Buckingham: Open University Press.

Marshall, T.H. 1950 'Citizenship and Social Class' reprinted in Marshall, T.H. 1963 *Sociology at the Crossroads*. London: Heinemann.

Marshall, A. 1993 'Choice for Europe may be to abandon its Common Market' in *The Guardian* 25th July.

Marx, K. and F. Engels 1975 *Collected Works. Volume 3*. London: Lawrence and Wishart.

McCrone, D. and Kiely, R. 2000 'Nationalism and Citizenship' in *Sociology*, 34, 1, pp. 19-34.

McGrew, A. 2002 'Between Two Worlds: Europe in a Globalizing Era' in *Government and Opposition*, 37, 3, pp. 343-358.

Meehan, E. 1993 *Citizenship and the European Community*. London: Sage.

Meisel, J.H. 1965 *Pareto and Mosca*. Englewood Cliffs (New Jer.): Prentice-Hall

Merton, R.K. 1957 *Social Theory and Social Structure*. Chicago: Free Press.

Middlemas, K. 1979 *Politics in Industrial Society: The Experience of the British System since 1911*. London: André Deutsch

Miliband, R. 1973 *The State in Capitalist Society: The Analysis of the Western System of Power*. London: Quartet

Mills, C. Wright 1956 *The Power Elite*. New York: Oxford University Press.

Milward, A.S. 1992 *The European Rescue of the Nation-State*. London: Routledge.

Milward, A.S. 1996 'Approach Reality: Euro-Money and the Left' in *New Left Review*, 216, pp. 55-65.

Milward, A.S. 1997 'The Springs of Integration' in in Anderson, P. and Gowan, P. (eds) *The Question of Europe*. London, New York: Verso.

Milward, A.S. and Sorenson, V. 1993 'Interdependence or Integration? A National Choice' in Milward, A.S. et al., *The Frontier of National Sovereignty*. London: Routledge.

Mishra, R.1999 *Globalization and the Welfare State*. Cheltenham: Edward Elgar.
Moon, J. 1985 *European Integration in British Politics1950-63: A Study of Issues of Change*. Aldershot: Gower.

Morgan, K.O. 1984. *Labour in Power 1945-1951*. Oxford: Clarendon.

Morgenthau, H.J. 1973 *Politics Among Nations: The Struggles for Power and Peace*. Fifth Edition. New York: Alfred K. Knopf.

Morris. P. 1996 'The British Conservative Party' in Gaffney, J. (ed.) *Political Parties in The European Union*. London and New York: Routledge.

Mosca, G. 1939 *The Ruling Class*. New York: McGrew-Hill.

Mouzelis, N. 1995 *Sociological Theory: What Went Wrong – diagnosis and remedies*. London: Routledge.

Nairn, T. 1964a 'The British Political Elite' in *New Left Review*, 23, pp.19-25.

Nairn, T.1964b 'The Anatomy of the Labour Party' in *New Left Review*, 27, pp. 32-62 and 28, pp. 38-65.

Nairn, T. 1964c 'Labour Imperialism' in *New Left Review*, 32, pp. 3-15.

Nairn, T. 1973 *The Left Against Europe*. Harmondsworth: Penguin.

Nairn, T. 1977a 'The Twilight of the British State' in *New Left Review*, 101/102, pp. 3-61.

Nairn, T. 1977b *The Break-up of Britain: Crisis and Neo-Nationalism*. London: New Left Books.

Nairn, T. 1979 'The Future of Britain's Crisis' in *New Left Review*, 113/114, pp. 43-69.

Nairn, T. 1994 'The Sole Survivor' in *New Left Review*, 200, pp. 41-47.

Nairn, T. 1997 'Sovereignty After the Election' in *New Left Review*, 224, pp. 3-18.

Naim, T. 2000 *After Britain: New Labour and the Return of Scotland.* London: Granta.

Naim, T. 2001 Mario and the Magician in New Left Review, 9, second series, pp.5-30.

National Executive of the British Labour Party, June1950 *European Unity.* London.

Neureither, K. 1995 'Citizens and the Exercise of Power in the European Union: Towards a New Social Contract' in *A Citizens' Europe: In Search of a New Order,* Rosas, A. and Antola, E. London: Sage.

Northcott, J. 1995 *The Future of Britain and Europe.* London: Policy Studies Institute.

Northedge, F.S. 1974 *Descent from Power: British Foreign Policy 1943-1973.* London: Allen and Unwin.

Norton, P. 1990 'The Ladies Not for Turning? But What About the Rest? Margaret Thatcher and the Conservative Party 1979-1989' in *Parliamentary Affairs,* 43, pp.41-58.

Norton, P. (ed.) 1996 *The Conservative Party.* London: Prentice Hall.

Nugent, N. 1994 *The Government and Politics of the European Union.* Third Edition. London Macmillan.

O'Brien, Penna, S. & Hay, C. *Theorising Modernity: Reflexivity, Environment and Identity in Giddens' Social Theory.* London and New York: Longman.

O'Connor, J. 1987 *The Meaning of Crisis: A Theoretical Introduction.* Oxford: Blackwell.

O'Dowd, L. 1985 'The Crisis of Regional Strategy: Ideology and the State in Northern Ireland' in Rees, G., Burja, J.,Littlewood, P., Newby, N., (eds.) *Political Action and Social Identity*. Londona and Basingstoke: Macmillan.

Offe, C. 1984 *Contradictions of the Welfare State*. London: Hutchinson.

Offe, C. 1996 *Modernity and the State.: East, West*. Cambridge: Polity Press.

Ohmae, K. 1990 *The Borderless World: Power and Strategy in the International Economy*. London: Fontana.

Olsen, J.P. 2002 'The Many Faces of Europeanization' in *Journal of Common Market Studies* 40, 5, pp. 921-52.

Osborne, P. 1996 'Times (Modern) Modernity (Conservative): Notes on the Persistence of a Temporal Motif' in *New Formations*, 28, pp. 132-141.

Outhwaite, W. 1975 *Understanding Social Life: The Method Called Verstehen*. Second Edition. Lewes: Jean Stroud.

Outhwaite, W. 1987 *New Philosophies of Social Science*. London: Macmillan.

Overbeek, H. 1986 'The Westland Affair: Collision over the Future of British Capitalism in *Capital and Class*, 29, pp. 12-26.

Overbeek, H. 1990 *Global Capitalism and British Decline: The Thatcher Decade in Perspective*. London: Unwin, Hyman.

Owen, D. 1991 *Time To Declare*. London: Michael Joseph.

Palmer, J. 1993 'Half-hearted Embrace of A Divided Nation' in Keegan, V. and

Kettle, M. *The New Europe*. London: Fourth Estate.

Panitch, L 1976 *Social Democracy and Industrial Militancy: The Labour Party, The Trade Unions and Incomes Policy, 1945-1974*. Cambridge: Cambridge University Press.

Panitch, L. 2000 'The New Imperial State' in *New Left Review*, 2, second series, pp. 5-22.

Panitch, L and Leys, C. 1997 *The End of Parliamentary Socialism: From New Left to New Labour*. London; New York: Verso

Parry, G. 1969. *Political Elites*. London: Allen and Unwin.

Peterson, J. 1995 'Decision Making in the European Union: Towards a Framework for Analysis' in *Journal of European Public Policy*, 2, 1, 69-93.

Pierson, C. 1991 *Beyond the Welfare State*. Cambridge: Polity Press.

Pimlott, B. 1988 'The Myth of Consensus' in Smith, L.M. (ed.) *The Making of Britain: Echoes of Greatness*. London: Macmillan.

Pinder, J. 1991 *European Community: The Building of a Union*. Oxford and New York: Oxford University Press.

Platt, J. 1981 Evidence and Proof in Documentary Research 1 and 2: Some Specific Problems of Documentary Research' in *Sociological Review*, 29, 1, pp. 31-52 and 53-66.

Pollard, S. 1980 *The Wasting of the British Economy*. London: Croom Helm.

Pollard, S. 1992 *The Development of the British Economy*. Second Edition. Aldershot: Edward Arnold.

Powell, E. 1971 *The Common Market – The Case Against*. Kingswood: Eilliott Right.

Powell, E. 1975 'The One Stark Fact that Goes Beyond Butter Mountains and Bureaucrats' in *The Times*, 4th June.

PRO, CAB 129/40, C.P. (50) 120, 2nd June 1950 in D. Gowland and A. Turner (eds.) 2000 *Britain and European Integration 1945-1998: A Documentary History*. London; New York: Routledge.

PRO, CAB 129/48 C. 51, 29th November 1951 in D. Gowland and A. Turner (eds.) 2000 *Britain and European Integration 1945-1998: A Documentary History*. London; New York: Routledge.

PRO, CAB 134/1852, EQ.(60) 27 25th May 1960 'The Six and the Seven: Long Term Arrangements' in D. Gowland and A. Turner (eds.) 2000 *Britain and European Integration 1945-1998: A Documentary History*. London; New York: Routledge.

PRO, CAB 128/34, CC 41 (60), 36th Conclusions, 14th July 1960 in D. Gowland and A. Turner (eds.) 2000 *Britain and European Integration 1945-1998: A Documentary History*. London; New York: Routledge.

Rhodes, M. 2000 'Desperately Seeking a Solution: Social Democracy, Thatcherism and the 'Third Way' in British Welfare' in *West European Politics*, 23, 2, pp. 161-186.

Riddell, P. 1992 ' The Conservatives after 1992' in *The Political Quarterly*, 63, pp. 422-431.

Ridley, N. 1990 Interview in *The Spectator* 12th July.

Ritchie, R. (ed.) 1978 *Enoch Powell.* London: Batsford.

Roberts, J.M. 1999 'Marxism and Critical Realism: The Same, Similar, or Just Plain Different?' in Capital and Class, 68, pp. 21-49.

Roche, M. 1987 'Citizenship, Social Theory and Social Change', *Theory and Society,* 16, pp. 363-99.

Roche, M. 1992 *Rethinking Citizenship: Welfare, Ideology and Change in Modern Society.* Cambridge: Polity Press.

Rose, G. 1992. *The Broken Middle.* Oxford: Blackwells.

Rosenburg, J. 1994 *The Empire of Civil Society.* London: Verso.

Ross, G. 1992 'Confronting the New Europe' in New Left Review, 191, pp. 49-68.

Ruggie, J. 1993 'Territoriality and Beyond: Problematising Modernity in International Relations' *International Organization,* 47, pp. 139-74.

Rustin, M. 1989 'The Politics of Post-Fordism, or the Trouble with New Times' in *New Left Review,* 174, pp. 54-78.

Rustin, M. 1994 'Incomplete Modernity: Ulrich Beck's Risk Society' in *Radical Philosophy,* 67, pp. 3-12.

Sachs, J. 1979 *Wage indexation, flexible exchange rates, and macro-economic policy.* Washington, D.C.: Board of Governors of the Federal Reserve System.

Sanders, D. 1990 *Losing an Empire, Finding a Role: British Foreign Policy Since 1945*. London: Macmillan.

Sassen, S. 1996 *Losing Control? Sovereignty in an Age of Globalization*. New York: Columbia University Press.

Sassen, S 2000 'Territory and Territoriality in the Global Economy' in *International Sociology*, 15, 2, pp. 272-393.

Sayer, A. 1985 'The critique of politics and political economy: capitalism, communism, and the state in Marx's writings of the mid-1840s' in The Sociological Review, 23, 2, pp. 221- 253.

Sayer, A. 1992 *Method in Social Science: A Realist Approach*. London: Routledge.

Sayer, A. 2000 *Realism and Social Science*. London: Sage.

Scharpf 1994 'Community and Autonomy: Multi-Level Policy Making In the European Union.' in the *Journal of European Public Policy*, 1, 2, pp. 219-242.

Schenk, C. 2002 'Sterling, International Monetary Reform and Britain's Application to Join the European Economic Community in the 1960s' in *Contemporary European History*, 11, 3, pp. 349-369.

Schmitter, P. 1979 'Still the Century of Corporatism?' in P.Schmitter and G. Lembruch (eds.) *Trends Towards Corporatist Intermediation*. Beverly Hills/London: Sage.

Schmitter, P. 1996a 'Examining the Present Euro-Polity with the Help of Past' in G. Marks F.W. Scharpf, P.C. Schmitter and W. Streeck (eds.) *Governance in the European Union*. London: Sage.

Schmitter, P. 1996b 'Imagining the Future of the Euro-Polity with the Help of New Concepts' in G. Marks F.W. Scharpf, P.C. Schmitter and W. Streeck (eds.) *Governance in the European Union.* London: Sage.

Schmitter, P. 2000 *How to Democratize the European Union- And Why Bother?* Lanham, Md: Rowman & Littlefield.

Schmitter, P. and Streeck, W. 1991 'From National Corporatism to Transnational Pluralism: Organaized Interests in the Single European Market' in *Politics and Society,* 19, 2, pp. 134-64.

Seldon, A. 1998 *Major: A Political Life.* London: Phoenix.

Shore, P. 1971 *The Case Against the Common Market.* New Statesman: London.

Skidelsky, R. 1993 *Interests and Obsessions: Historical Essays.* London: Macmillan.

Smith, J. 1992 House of Commons Debate. Vol. 212. Col. 13 24th September. Hansard *House of Commons Official Report.* London: The Stationary Office.

Smith, J. 1992 House of Commons Debate. Vol. 212. Col. 22 24th September. Hansard *House of Commons Official Report.* London: The Stationary Office.

Soysal, Y. N. 2002 'Locating Europe' in *European Societies,* 4, 3, pp. 265-284.

Stephens, P. 1996 *Politics and the Pound: The Conservatives' Struggle with Sterling.* London and Basingstoke: Macmillan.

Stephens, P. 2001. 'The Blair Government and Europe' in *The Political Quarterly,* 72, 1, pp. 67-75.

Stewart, A. 2001 *Theories of Power and Domination: The Politics of Empowerment in Late Modernity*. London: Sage.

Strange, S. 1967. *Sterling and the Problem of the Six*. London: Chatham House.

Strange, S. 1971 *Sterling and British Policy: A Political Study of an International Currency in Decline*. London: Oxford University Press.

Strange, S. 1986 *Casino Capitalism*. Oxford: Basil Blackwell.

Strange, S. 1998. *Mad Money*. Manchester: Manchester University Press.

Streeck, W. 1995 'From Market Making to State Building: Reflections on the Political Economy of European Social Policy' in S. Liebfried and P. Pierson (eds.) *European Social Policy: Between Fragmentation and Integration*. Washing D.C.: Brookings Institution.

Streeck, W. 1996 'Neo-Voluntarism: A New European Social Policy Regime?' in G. Marks F.W. Scharpf, P.C. Schmitter and W. Streeck (eds.) *Governance in the European Union*. London: Sage.

Taggart, P. 1998 'A touchstone of dissent: Euroscepticism in contemporary Western European party systems' in *European Journal of Political Research*, 33, pp. 363-388.

Tassin, E. 1992 'Europe: A Political Community' in C. Mouffe (ed.) *Dimensions of Radical Democracy: Pluralism, Citizenship and Community*. London: Verso.

Tawney, R.H. 1967 [1912] *The Agrarian Problem in the Sixteenth Century*. New York: Harper Torchbooks, Harper & Row.

Thatcher, M. 1993 *The Downing Street Years*. London: Harper Collins.

Thatcher, M. 1995 *The Path to Power*. London: Harper Collins.

Thatcher, M. 2002 *Statecraft: Strategies for a Changing World*. London: Harper Collins

Thompson, E.P. 1978 [original 1965] 'The Peculiarities of the English' in *The Poverty of Theory and Other Essays*. London: Merlin.

Tilly, C. 1997 *Roads From Past to Future*. Oxford: Rowman & Littlefield.

Tomlinson, B.R. 1982 'The Contraction of England: National Decline and the Loss of Empire' in Journal of Imperial and Commonwealth History, 11, 1, pp. 58-72.

Turner, J. 2000 *The Tories and Europe*. Manchester: Manchester University Press.

Usherwood, S. (2002) 'Opposition to the European Union in the UK: The Dilemma of Public Opinion and Party Management' in *Government and Opposition*, 37, 2, pp. 211-230.

Vogler, C. 2001 'National Identities and Emotion in the Discourse of British Manufacturing Unions in 1980s and early 1990s' in *European Societies*, 3, 3, pp. 315-338.

Walby, S. 1999 'The New Regulatory State: The Social Powers of the European Union' in *British Journal of Sociology*, 50, 1, pp. 118-140.

Wallace, H. 1981 'The Contradictions of Democracy' in *Government and Opposition*, 16, 1, pp. 120-123.

Wallace, H. 1995 'Britain out on a Limb?' in *Political Quarterly*, 166,1, pp.46-58.

Wallace, H. 2000 'Europeanisation or Globalisation: Complementary or Contradictory Trends' in *New Political Economy*, 5, 3, pp. 369-382.

Wallace, W. 1974 'British External Relations and the European Community: The Changing Context of Foreign Policy-Making' in *Journal of Common Market Studies*, 12, 1, 1974, pp. 28-52.

Wallace, W. (ed.) 1980 *Britain and Europe*. London: Pinter.

Wallace, W. 1990a *The Transformation of Western Europe*. London: Pinter.

Wallace, W. 1990b *The Dynamics of European Integration*. London: Pinter.

Wallace, W. 1991 'Pride and Prejudice' in *Marxism Today*, October, pp. 28-31.

Wallace, W. 1994 'Foreign Policy' in D. Kavanagh and A.Seldon, *The Major Effect*. London: Macmillan.

Wallace, W. 1997 'The Nation-State: Rescue or Retreat' in P. Anderson and P. Gowan (eds) *The Question of Europe*. London, New York: Verso.

Wallace, W. 1999 'The Sharing of Sovereignty: the European Paradox' in *Political Studies*, 47, pp. 503-521.

Wallace, W. & Wallace, H. 1990 'Strong State or Weak State in Foreign Policy? The Contradiction of Conservative Liberalism 1979-1987' in *Public Administration*, 68, Spring, pp. 83-101.

Wallerstein, I. 1980 *The Modern World System / Vol.2, Mercantilism and the Consolidation of the European World Economy 1600-1750*. London: Academic Press.

Waltz, K.N. 1979 *Theory of International Politics*. Reading MA: Addison-Wesley

Warde, A. 1982 *Consensus and Beyond: The Development of Labour Party Strategy Since the Second World War*. Manchester: Manchester University Press.

Weber, M. 1964 *Theory of Social and Economic Organisation*. New York: Free Press.
Wendon 1994

White, M. 1993. 'Major the European comes out of the closet' in *The Guardian* April 23rd 1993.

Wilkes, G. 1997 *Britain's Failure to Enter the European Community, 1961-63: The Enlargement Negotiations and crises in European, Atlantic, and Commonwealth Relations*. London; Portland, or Frank Cass.

Wilkes, G. and Wring, D. 1998 'The British Press and European Integration: 1948-1996' in D. Baker and D.Seawright (eds.) *Britain For and Against Europe: British Politics and the Question of Europe*. Oxford: Clarendon Press

Willetts, D. 1992 'Modern Conservatism' in *The Political Quarterly*, 63, pp. 413-421.

Williams, F. 1989 *Social Policy: A Critical Introduction: Issues of Race, Gender and Class*. Cambridge: Polity Press.

Wintour, P. 1993 'Maastricht coup for Cabinet: Labour thwarted on Social Chapter' in *The Guardian* 16th April.

Wintour, P. 1993 'Sceptics make last-ditch push for referendum' in *The Guardian* April 22nd.

Wise, M. and Gibb, R. 1993 *Single Market to Social Europe: The European Community in the 1990s*. Harlow: Longman.

Wolin, S. 1987 'Theorising the Welfare State' in *Political Theory*, 15, pp. 467-500.

Wood, E. 1981 'The Separation of the Economic and the Political in Capitalism' in New Left Review, 127, pp. 66-95.

Young, H.1995 *One of Us: A Biography of Margaret Thatcher*. London: Pan Books.

Young, H. 1998 *This Blessed Plot: Britain and Europe from Churchill to Blair*. London: Macmillan.

Young, J. 1973 *Britain, France and the Unity of Europe*. Leicester: Leicester University Press.

Young, J. 1993 *Britain and European Unity, 1945-1992*. London: Macmillan.

Young, J. 1995 'British officials and European integration 1944-1960' in A. Deighton, (ed.) *Building Postwar Europe: National Decision-makers and European Institutions, 1948-63*. Basingstoke: Macmillan.

Young, S. 1984 *Terms of Entry: Britain's Negotiations with the European Community, 1970-1972*. London: Heinemann.

Ziltener, P. 1997 'The Relaunch of European Integration: Explaining the Single European Act as a Package Deal' paper presented for the Third *European Sociological Association Conference*, University of Essex, 27th to 30th August 1997.