

THE EUROPEAN UNION – A VIEW FROM THE LEFT

This paper seeks to challenge misconceptions about the EU, to provide historical background and give some context to today's crisis.

It is aimed primarily at Labour Party members and supporters, trade unionists and working class organisations.

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1. The European Union is anti-democratic, anti-socialist and, as long predicted, in the process of economic decline, with low and negative growth, high unemployment, falling living standards and now a slide into deflation. It is puzzling, mystifying indeed, why democratic socialists, social democrats and working class organisations should support the EU. It is just as puzzling why so many right wing politicians in Britain, devotees of neo-liberalism and international finance capitalism, should oppose the EU. It is however notable that some Tories quietly support the EU precisely because it is anti-socialist and a force for laissez-faire capitalism.

Common Market Origins

2. The EU began as the Common Market, launched by the 1957 Treaty of Rome. Its title immediately and rightly suggested to socialists that it was essentially capitalist and designed to halt and reverse the socialist advances made in Western Europe after World War Two. Deeply ingrained working class memories of the 1930s depression, the unemployment, inequality and poverty of the inter-war years meant governments were forced to concede a degree of socialism for their economies after 1945.
3. The public ownership of key public utilities and industries, the creation of welfare states, the advance of redistributive taxation and, above all, using state economic

management to sustain full employment were central to the success of this post-war world. Maintaining high levels of economic demand meant high levels of employment. This in turn generated strong economic growth, and living standards for working people rose at an unprecedented rate. Across Western Europe there was in effect a social democratic consensus.

Significance of Labour's 1945 Victory

4. The political class were driven to concede all these advances above all by the fear of Communism, then established in Eastern Europe by the Soviet Union and posing a threat to the West, not just militarily but politically too. Post-war electoral support for the communists in France had reached 24%, and later in Italy touched 35%. Indeed, it has been argued that the British Labour Party's remarkable and unexpected victory in the 1945 general election was key in persuading millions of continental European voters that a democratic parliamentary road to socialism was possible, so weakening support for communism. Equally significant perhaps in this process was the post war decision by the (West) German Social Democrat Party (SPD) to abandon Marxism at its Bad Godesburg conference. Neutral Sweden had long shown a way forward having had a social democratic government since 1929 making remarkable social advances to the widespread benefit of working people.

Post War Economies and National Currencies

5. Central to the dramatic post-war economic success of democratic socialism/social democracy was the 1944 Bretton Woods conference. This had agreed among other things that currencies in the Western capitalist economies, while remaining separate and independent, should be pegged to each other and primarily to the US dollar. The guiding spirit of Bretton Woods, John Maynard Keynes, had proposed that the

new currency arrangements would permit devaluations if countries developed unsustainable trade deficits. He also argued that countries which developed large trade surpluses should be required to revalue their currencies, although this was rejected by the US as a threat to its own economic interests. Thus the Euro, which has frozen formerly flexible national currencies into one rigid single currency, is at the heart of the Eurozone's crises.

6. Devaluation makes exports cheaper and imports more expensive thus over time reducing trade deficits and helping to stimulate demand in the internal economy. Britain devalued in 1949 and 1967, learning lessons from earlier disastrous attempts to sustain Sterling at an over-valued parity (on the "Gold Standard"), notably before the 1931 crisis which had destroyed the Labour government of the time and split the Labour Party.
7. The substantial depreciation of Sterling during the 1980s and later, after the collapse of the ERM (European Exchange Rate Mechanism) strategy in 1992, were key to economic recovery from recession. Sterling's substantial depreciation against the Euro after the 2008 crisis has also shielded Britain's economy from the extreme economic ravages affecting Greece, Spain and other weaker Eurozone economies. Had Britain been fixed in the Euro straitjacket the consequences would have been catastrophic.

Regulated Capitalism and State Involvement

8. Keynes had understood rightly that if a form of capitalism was to survive at all it had to be carefully controlled and regulated by essential and appropriate state management of national economies and finely tuned macro-economic policy measures. Laissez-faire, free market capitalism had proved to be inherently flawed. It had led repeatedly to economic crises, with resulting unemployment, inequality and poverty inflicted on millions of ordinary people. 19th century economic

liberalism in Europe had indeed generated mass unemployment and poverty and had been relieved only by the emigration of millions of its people, above all to the USA. The cruelties and failures of capitalism had also given rise to the burgeoning of trade unionism and of socialist ideas in the late 19th century.

Economic liberalism or One Nation Politics

9. It is significant that Tony Blair, a leader of a Labour Party still defined in its Constitution as a democratic socialist party, should hark back to Gladstone as a personal hero, an economic liberal whose philosophy had been the antithesis of socialism. It is a nice touch too that Ed Miliband now prays in aid Gladstone's great enemy Disraeli, the 19th Century Tory, and his "one nation" politics. Disraeli saw that untrammelled free market economics led to inequality, to the grinding of the faces of the poor. Disraeli was no socialist but he understood the flaws in economic liberalism.

Key Role of Germany

10. But to return to Europe and the Common Market, it was also recognised by those who governed the West after 1945 that West Germany had to be enabled to become economically successful as a showcase for capitalism against the Communist East. In a previous generation Keynes had railed against forced war reparations inflicted on Germany after World War One. These had contributed to severe economic crises in Germany and led both to a growth of support for communism in that country and later to fascism, to Hitler, the Nazis and the Second World War. The West did not make the same mistake after 1945.
11. The Marshall Plan helped Western Europe, and especially West Germany, recover from war. But for on-going success West Germany was allowed to maintain an under-valued Deutschmark as a competitive economic weapon. Today's economic

relationships in the Eurozone are really a continuation of that arrangement with an effective German undervaluation giving that country a permanent competitive advantage against other Eurozone members and inflicting inevitable economic damage on them.

12. But the (West) German “economic miracle” from the 1950s onwards was also sustained by a collaborative approach to national and regional economic management, driving investment into manufacturing and ensuring that workers had the education and skills to make industry productive. Production and productivity increased strongly, making the under-valued Deutschmark even more of a competitive advantage. Manufacturing exports soared leading by the 1980s to a gigantic trade surplus with the rest of Western Europe which persists to this day. West Germany did indeed become the intended showcase for capitalism, developing such economic strength that it could absorb the poorer East after the fall of the Berlin Wall.

13. One problem that had constrained West Germany and its surge towards industrial might was the existence of tariffs, taxes on imports, which remained after the war. A key part of its future plans therefore was to secure the abandonment of these tariffs and the establishment of “free trade” in its key European export markets. This became a fundamental component of the Common Market agreement with tariffs between member states progressively eliminated. In return, Germany conceded a pooled system of agricultural subsidies, the Common Agricultural Policy (CAP), essentially to secure French acceptance of the plan.

Labour Opposition to British Membership

14. The European Common Market was founded in 1957, but without Britain. The Macmillan Conservative government later applied to join but French President de Gaulle said a very firm “Non” to British membership. Significantly, Labour’s leader

Hugh Gaitskell opposed UK membership of the Common Market. He was supported by the left but upset some of his friends on the right of the Party. That set the pattern for a generation, majority Tory support for and Labour majority opposition to the Common Market.

UK Membership 1973 – A Tory Coup

15. Edward Heath as Tory Prime Minister subsequently negotiated UK entry to the Common Market in 1973, though opposed by the majority of Labour MPs and a handful of Tories. The Second Reading of the European Communities Bill was carried by 309 to 301, a wafer thin margin of 8 votes. A careful and secretive arrangement to allow Labour abstentions managed by Labour Whip John Roper helped the Tories get the legislation through and the Third Reading was carried by a majority of 17. John Roper, the conspiring Labour Whip, subsequently became a founder member of the SDP, with the Gang of Four. Tony Benn described what had happened as a “coup d’état by a political class who did not believe in popular sovereignty”. 40 years on from the UK joining the then Common Market little has changed with this same political class maintaining its dominance across the European Union.

1975 Referendum

16. After its 1974 election victories Labour sought a referendum on Britain’s continued membership of the Common Market/EEC and the Party overwhelmingly endorsed a No vote at a special conference in 1975. Harold Wilson as Labour leader called for a Yes vote and the leadership decided to allow a free vote in the Commons, including Cabinet members. But with Tories voting in favour, a crucial Yes vote was secured in the House of Commons. So, with the support of the major Party leaders and all of the national newspapers (except the Morning Star), the electorate were persuaded to vote Yes, opinion polls having some months earlier suggested that there had been a two to one majority for a No vote.

17. Vast sums of money including bucket loads of Common Market cash were spent on the Yes campaign with which the modest resources of the No campaign could not compete. It was argued that the terms of UK membership had been “renegotiated”, but it was in essence a propaganda triumph for the political class and the ideologues of the European project. The left’s campaign for a No vote had emphasised the capitalist nature of the EEC which posed a threat to any kind of socialist future but its voice was hardly heard against the overwhelming noise of the Yes campaign.

Just A Free Trade Area?

18. At this stage the Common Market/EEC was portrayed as essentially a free trade area with its budget devoted largely to agricultural subsidies. Structural funds - regional and social funds - had been introduced at the time of the UK entry, but the architects of what became the EU had much more radical plans in mind, including among other things, a single currency.

First Steps to a Single Currency

19. An embryonic single currency was proposed in the late 1970s in the form of the European Monetary System (EMS – the “snake”) to link member state currencies together. This was however opposed by Denis Healey as Labour’s Chancellor in the last days of the 70s Labour government. After the Labour defeat of 1979 and the election of the Thatcher Tories, a resurgent left in the Labour Party committed Labour to taking Britain out of the EEC after the 1983 election.

Thatcher’s Janus Stance

20. The Conservatives won that election on the back of Thatcher's war in the Falklands and the Tories remained supportive of the European project, despite the obvious disadvantages to the UK of Common Market membership (later to become successively the European Economic Community, the European Community and then the European Union, or EEC, EC and EU). As a substantial net contributor to the EEC/EC budget Britain was essentially subsidising Continental agriculture whilst at the same time opening up its markets to German exports. Thatcher demanded and secured a cut in the UK's net contribution to the Budget, facing both ways to appeal both to right-wing Euro-sceptics as well as to her neo-liberal pro Euro ideologues. The enormous UK trade deficit with Germany grew larger by the year. German manufacturing as a proportion of its GDP is now more than twice that of Britain and the continuing over-valuation of Sterling merely cements Britain's trade disadvantage.

The Deutschmark Myth

21. The myth had been perpetrated that Germany's economic success had been achieved by financial discipline imposed by the Bundesbank whereas the truth was that the

strength and stability of the Deutschmark had been achieved on the back of its strong economy and glitteringly successful manufacturing sector. Strong economies sustain strong currencies, not the other way round. Imposing financial disciplines on weaker economies was bound to damage those economies as is now evident in today's Eurozone chaos.

The Malign Influence of Friedrich von Hayek

22. But the forces of neo-liberal economics, for whom "monetary discipline" was and is a shibboleth, had long been at the heart of the Common Market and EU ideology.

That ideology had been given impetus by the writings of Friedrich von Hayek, the fundamentalist free market anti-socialist who had argued that state provision and state involvement in the economy paved a “road to serfdom”. Regarded as an extreme fringe figure, ignored and even ridiculed in the 1960s, Hayek became an inspiration to the Chicago school of economists - Milton Friedman and company, and to the Conservative Selsdon Group, Nicholas Ridley MP and others including Margaret Thatcher who had become a Hayek disciple in her student days.

23. Key conspirators inside the European project, for whom post-war social democracy had been seen as a temporary necessity to fend off Communism and little more than that, were also Hayekians, if quietly so. For them the role of the state in future would simply be to police private markets and at a supra-national not a national level. By gradual steps EC/EU member state governments and their active involvement in economic policy and management would be dismantled. For the EU ideologues, privatisation, liberalisation and marketisation were central objectives to be advanced stealthily so as not to frighten the political horses, especially those centrist pro-EU social democrats and trade unions whose support or at least acquiescence was vital to the project.

A “Government of Europe”?

24. For the anti-democratic conspirators the process of building a supranational European state was going to be difficult to manage. It would inevitably have to be gradual and deceitful. From time to time however the real objectives of the Eurocrats are revealed. In 2000, EU President Prodi insisted that the EU must have its own army, “don’t call it an army, call it “Margaret” or “Mary Ann”, you can find any name”. Former French President Giscard D’Estaing had suggested that the

European Union should govern the whole of Europe with member state governments enfeebled and neutralised. Most recently, Chancellor Merkel has stated openly that the European Commission should become the “government of Europe”.

25. The anti-democratic aggrandisement of power by the Common Market, EEC, EC and now the EU has long been evident. The anti-socialist essence of the EU is equally clear, requiring that markets should be paramount, and it has been central to the Project that legislation and the justice system should support and enhance the operation of the market. Cementing member states into a supranational economic structure has been central to EU ambitions.

A Left Threat to the EU

26. A serious threat to this renewed drive towards neo-liberal capitalism in Europe would however arise if an individual member state chose to move in a socialist direction. A national government taking steps to manage its economy directly to secure full employment, to use state intervention to rebuild industry and restore public ownership in key sectors such as transport, energy and other public utilities could start a domino process. Such a socialist programme in one country might prove attractive to voters in other EU states, with political parties having to move to the left to secure electoral support. This is precisely why Labour’s 1983 election manifesto posed such a threat with its commitment to leave the EU, extend public ownership in the financial sector and implement a reflationary alternative economic strategy.

27. With the current chaos in the Eurozone and the increasingly obvious failure of the EU economic model, left-wing ideas are indeed beginning to surface, if rather tentatively. The rise of Syriza in Greece, the election of Hollande in France and rising opposition to the radical right wing policies of the Tory/Lib Dem coalition are

symptoms of a growing threat to the neo-liberal experiment of the last four decades. Hollande's commitment to the EU and the Eurozone has exposed contradictions in his allegedly socialist policies and his popularity has plummeted as France's economy has faltered.

28. The post-war world of full employment, extensive public ownership, redistributive taxation, growing equality and welfare states was a world which worked well. If an opportunity to move towards that world again were presented as an alternative to the unemployment, inequality and insecurity now evident in the EU it might well seem attractive to electorates. But this would threaten an end to the European project. Indeed it must be argued that the EU has only survived and secured some electoral support because so much of the post-war democratic socialist/social democratic world has remained, largely because governments have been fearful of popular opposition to its complete destruction.

The EU in Crisis

29. But the EU is now in any case beginning to crumble from the inside. Greece, Spain and Portugal are in crisis, with incredible levels of unemployment and failing economies. Mass fire sales of public assets have been forced on Greece and Portugal to pay off debt, much to the delight of the neo-liberal ideologues who have long wanted to see state ownership and control abandoned. It is of considerable interest that the 30 year release of UK Cabinet papers revealed a massive row in the early Thatcher Cabinet between those who wanted to dismantle the welfare state rapidly and privatise state assets, and others who were apparently appalled at that prospect, fearful of popular reaction.

30. What is happening in the failing EU states is precisely what the neo-liberals have wanted all along, but their collaborators in the EU know that a collapse of the Euro would see the end of the Project, with member state governments re-establishing

greater democratic control of their economies and the burgeoning once again of social democratic or democratic socialist structures. Those countries now in crisis can only genuinely recover if they re-establish their own currencies and find appropriate international parities for them.

A Crisis for Continental Social Democracy

31. The problem for much of the left and for socialist/social democratic parties across the EU is that they have themselves signed up to the European project despite many of their voters taking a different view. The extreme case is perhaps PASOK in Greece which has sold its soul in sustaining the austerity programme being inflicted on the Greeks and is now effectively part of a right-wing front with New Democracy, the Greek conservative party, and has seen its electoral support collapse.

32. Leaders of social democratic parties across Europe have time and again supported the European project but have had difficulty persuading many of their voters. Millions of working class and left voters in France initially voted in a referendum against the proposed European Constitution, in opposition to the Socialist Party position. Many working class and left voters in Holland voted similarly. These two referendum defeats for the EU meant the proposed constitution had to be dropped to be replaced later by the essentially similar Lisbon Treaty. Before that the Swedish political class had failed to persuade their voters to support membership of the Euro, and Swedish support for Euro membership in Sweden has now fallen to a feeble 11%. The political establishment in Norway has twice tried to persuade Norwegian voters to join the EU but without success and support for EU membership in Norway has also fallen to 11%.

Labour's 1980s Flip Flop

33. In Britain, having initially been strongly opposed to the Common Market, the Labour leadership under Neil Kinnock flipped its position in the late 1980s after Labour's third successive election defeat by Thatcher in 1987. The trade unions had taken a political battering following the defeat of the 1984 miners' strike and with the Thatcher government legislating against trade union and worker rights. In despair, some trade union leaders felt the only protection they could hope for was in "social Europe" where some trade union rights were established in law. Many MPs, Party members and trade unionists simply acquiesced in the leadership's new pre-EU position, though without enthusiasm. That is still the position today.
34. Trade union support for the EU was however tested in recent years by European Court of Justice judgements finding in favour of employers in the Viking Line and Laval cases. The sufferings of workers in much of the Eurozone gives the lie to any idea that the EU is a friend of the working class.
35. The enormous rise in unemployment across the EU and especially in those weaker member states has made nonsense of any supposed concern for workers' rights, livelihoods and living standards. Public services and broader welfare states are also suffering severe cutbacks, and forced sales of public assets are further damaging prospects for workers and their families. A considerable concern is the rise of fascist and extreme right-wing parties.

Britain Out of the Eurozone – The Treasury Backs Away

36. Britain is fortunately not in the Eurozone, and while UK unemployment is high, things are far worse in other EU countries. Gordon Brown kept Britain out of the Euro despite pressure from Tony Blair. Had Britain joined the Euro at the prevailing Sterling parity of that time the country would have experienced disastrous economic

consequences with much higher unemployment, declining economic output and plummeting living standards. This would have provoked a crisis of enormous proportions with the UK leaving the Eurozone and the almost certain collapse of the whole Euro project.

Party Political Wobbles in the UK – A Referendum or Not?

37. The extraordinary thing about Britain however is that it is the Conservative Party which has become largely Eurosceptic while Labour's leadership has sustained nominal if feeble support for the European Union. All three major parties were obliged to commit themselves to some kind of European referendum at the last general election and Britain's relations with the European Union have become more strained.

Britain Outside the EU?

38. What is surprising is why anyone on the left would wish to support the European Union, given its overt support for market capitalism and its evident and growing economic failure. A feeble and erroneous argument for supporting the EU - one which is repeatedly used by both government and opposition leaders - is that leaving the EU would damage employment in Britain. This is simply not true.

39. A campaign by Britain in Europe entitled 'Out of Europe, out of Work' claimed that Britain would lose millions of jobs if it left the EU. The National Institute of Economic and Social Research however described the campaign as absurd, finding that British withdrawal would have no long term impact on employment. In the words of its Director, Dr Martin Wheal, the campaign was "pure Goebbels" and "a wilful distortion of the facts".

40. Britain actually imports billions more goods from the European Union than it exports to it. This amounts to a trade deficit of some £1bn a week, over £50bn a year, so

that Britain is enormously more valuable to other EU exporters than EU markets are to UK exporters. It is a complete nonsense to suggest that the European Union would launch some kind of trade embargo against Britain outside the EU when it would simply be shooting itself in the foot.

41. If Britain were to leave the EU, it would save some billions every year on EU budget contributions while at the same time allowing the country to subsidise its own agriculture at the same level if it chose, and indeed to provide government economic support to its regions. Britain would also immediately regain control of its own fishing waters and begin the process of rebuilding fish stocks to provide a long term future for Britain's fishing industry, following the example of Norway which has the good fortune to be outside the EU and therefore outside the Common Fisheries Policy (CFP).
42. Bilateral and multilateral arrangements with other EU nations on a number of fronts would be negotiated but Britain would be able to govern itself independently and democratically according to its own needs and interests. It might well be the case that other countries would see the British model as attractive and choose to follow a similar route themselves. A future Europe comprising independent democratic states co-operating where appropriate and for mutual benefit would replace the authoritarian and undemocratic European Union. This is precisely what EU leaders so fear and why they have been talking up the danger to the EU of Britain's independent line even within the European Union.
43. There is everything to be gained by socialists electing a Labour government committed to rebuilding a democratic socialist Britain, a Britain recognisable to Clement Attlee and Harold Wilson, a country immeasurably better for the lives of working people. The likelihood of a Labour victory in 2015 could however be undermined if Labour goes into the election opposing a referendum on the EU. It would be tragic if the Tories were permitted to snatch victory from the jaws of

defeat by a Labour decision to oppose the people at least having a choice on the issue of EU membership.

CONCLUSION

44. The European Union is about economics, neo-liberal economics, monetarist market capitalism, economics that do not work. It is inherently deflationist – that is to say that it is built on constraining economic demand and driving up unemployment. It is an economics that has failed in the past, is failing again and which has rolled back the successful economic arrangements that worked so well, so brilliantly indeed, in the immediate post-war decades.
45. This same economics is being inflicted on Britain – cuts and austerity, with living standards having fallen, wages reduced as a proportion of total economic output (GDP) and in real terms, and inequality and poverty increasing. In the rest of the EU however, things are worse, especially in the Eurozone, which is suffering an extra dimension as the result of the rigidities of the single currency.
46. The EU is not at its core about employment rights, nor is it about human rights even. Those employment rights which have been accepted in the EU have been established to give the illusion that it is on the side of workers and trade unions – at least slightly – and to try to keep trade unions passive and quiescent. The millions of unemployed in Spain, Greece and increasingly elsewhere have seen no benefit from alleged worker and trade union rights, and of course in the case of the Viking Line and Laval cases the European Court of Justice found in favour of employers rather than workers despite those alleged workers' rights being written into EU law.

47. Workers in the Eurozone are indeed in many cases far worse off than those in Britain, and across the whole of the EU the plight of working people is getting worse. If unemployment in Britain were to be at the same level as in Spain, there would be eight million on the dole rather than two million. It should be remembered that unemployment even in Britain is now at least four times higher than it was in the successful post-war decades, the legacy of a generation of neo-liberal economic policies.
48. As for the Labour Europhiles who raise the spectre of Britain losing worker and trade union rights and indeed human rights if Britain left the EU, the simple counter argument is that Labour could and should commit to re-establishing rights taken away by the Tories and the coalition. Labour could and should recommit to membership of the European Convention on Human Rights (not a creation of the European Union but established by the Council of Europe) and 120 conventions. Affiliated unions could and should simply commit the Party to a package of progressive legislation to re-establish trade union and worker rights for immediate implementation after the next election.
49. As for Britain needing the rest of the EU for its exports, the boot is firmly on the other foot. Other EU nations and above all Germany need Britain as a vital market for their exports which are currently over £1billion more than UK exports to the EU every week! The idea that the EU would inflict trade restrictions on the UK if Britain left the EU is complete nonsense.
50. Another of the great shibboleths of the EU is “free movement”, and especially free movement of labour. This is simply a means of driving down wages in the cause of profits. It is not the supposedly benign EU offering opportunities for workers but a component of laissez-faire capitalist ideology designed to weaken worker bargaining power. Freedom for European citizens to visit each other’s countries for holidays and take pleasure in doing so is admirable. Enforcing free movement of labour is

quite something else. Work permits for workers from overseas to fill skills gaps, even if temporary, would be appropriate, but having the same rules for EU citizens as for Commonwealth citizens would surely be fair and reasonable. Ireland should of course retain its historic access to the UK.

51. Finally, it is necessary to kill the myth that the EU is “internationalist”. It is actually a supra-national political structure increasingly aggrandising power to itself and taking democratic power away from national parliaments. “Internationalism” means literally having comradely, egalitarian and just relationships between nations, and the left has always and rightly fought for genuine internationalism. EU supra-nationalism is nothing of the kind. The EU is not “Europe” but a political construct imposed on many of the peoples of Europe. It is designed to break the hold of democratic national governments, to weaken and eliminate national boundaries and hand economic power to the markets and to the corporate world. It is seeking the effective elimination of any genuine elective democracy.
52. As at the start of this paper, it is argued that the EU is both anti-democratic and anti-socialist. What will in the end destroy it is that it is failing economically. Restoring national currencies and letting those currencies adjust to appropriate parities will be the first crucial step in restoring democracy to national parliaments and permitting those parliaments do what is necessary to rebuild their economies and serve the interests of their people and thus all the peoples of Europe.