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Sheffield University Politics PhD Thesis

The European Controversy In The Conservative Party 1988-94

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The thesis will focus on the divisions which emerged within the Conservative parliamentary party after the acceleration of European integration in the late 1980s. The thesis uses an analytical typology to show how the conflict over European integration led to a realignment of the Conservative parliamentary party and a split within the Thatcherite grouping.

This typology is developed as a result of identifying the key ideological dynamics at work in the European dispute. These dynamics have given birth to distinct groupings within the party: - Thatcherite Nationalists, Neo-Liberal Integrationists and Interventionist Integrationists.

A key factor in the Thatcherite Nationalists' hostility to Europe is the centrality of nationhood in the Conservative ideological tradition. From the late nineteenth century onwards, Tory leaders used nationhood as the basis for their party's survival in industrial Britain. The key aspect of nationhood ideology is the emphasis placed by Tory leaders on Britain's global ambition and identity.

The Tory European groupings are divided on the question of whether Britain should pursue an Atlanticist or Europeanist foreign policy. The thesis will show that foreign policy developments over the last forty years have widened the divide between the Tory groupings on this issue.

The Thatcherite Nationalists' hostility to European integration intensified once the integrationist dynamics within the European Union became apparent. These dynamics were incompatible with the concept of a Europe of free trading nation states. The Nationalists became committed to reversing these integrationist developments.

The Thatcherite Nationalists and the Neo-Liberal Integrationists differ fundamentally on the issue of the single currency. The Nationalists believe that monetary union can never command popular legitimacy. The Integrationists argue that monetary union is a more effective means of attaining traditional Thatcherite objectives of price stability and sound finance.

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PHD.

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INTRODUCTION

EUROPE AND THE CONSERVATIVE NATION

The controversy is now beginning to crack the old Party alignments (Harold Macmillan quoted in Horne 1989: 358).

Britain has become ever more dependent on an economic system that lies beyond our immediate control (Geoffrey Howe - HC Debates, 19/12/91, Vol. 201, Col. 511).

We are floating and we will set monetary policy in this country to meet our objectives and it will be a British economic policy and a British monetary policy (Rt Hon Norman Lamont MP 18/9/92).

Last time round the Empire was ours. We were not part of it. This time we will not run it: we will merely be part of it. Decisions - the decisions of our union will not be made at Westminster; they will be made in Brussls. Instead of ruling a large part of the world we will be supplicants at a court several hundreds of miles away (Oliver Letwin, Drift To Union, 1989).

The European controversy has convulsed the Conservative Party throughout the 1990s. Europe has stimulated unprecedented backbench dissidence and been a direct cause of two party leadership challenges. John Major was forced to twice threaten his party with a general election in order to secure his European policies. The European issue now has the potential to split the Conservative Party.

The conflict over European integration seems all the more remarkable considering the Conservative Party's reputation as the 'party of Europe'. This reputation was cultivated by a succession of Tory leaders including Thatcher and Heath. It was a Conservative Government which successfully negotiated Britain's entry into the European Economic Community (EEC) in 1973. Thatcher also negotiated and secured ratification of the Single European Act which intensified European integration.

This thesis will focus on why the European Union (EU) has become so divisive for the Conservative Party. It will analyse why leading Conservative politicians, like Margaret Thatcher became so antagonistic to the EU. This thesis will also focus on the significance of the fracturing of the Thatcherite grouping on the European issue.

The thesis will argue that the European controversy has been brought about by an ideological realignment of the Conservative Party. This realignment has been driven

by the interaction of central Conservative ideological disputes with the strong integrationist direction taken by the EU from the end of the 1980s onwards.

The thesis will use an analytical typology to examine the party's European divisions. The typology shows how disputes over the Anglo-American alliance; the future of Thatcherite economic policy and the Tory ideology of nationhood, have been re-opened as a result of the heightened pace of European integration. The post-1988 period was the key turning point in the European controversy because it was at this time that integrationist pressures in the EU intensified and leading Conservatives placed themselves in opposition to these pressures.

The thesis will identify the conflict over European integration as part on a recurring Tory conflict over national sovereignty in foreign economic policy. At each stage of this conflict the party leadership has either sought to mediate between Conservatives or it has taken a stance which identifies with one set of protagonists. Thatcher became a partisan in the European controversy and so intensified party divisions. Major sought to maintain a precarious middle position on Europe.

The central factor in this recurring conflict over sovereignty is the role of nationhood in Conservative ideology. Nationhood has been a core ideological commitment for Conservatives. Conservative leaders conceived of nationhood as the central element of a strategy to universalise the Conservatives' appeal in an industrial society. The ideology of nationhood in addition to stressing a common identity and institutions, also placed a premium on Britain's global power and identity. The globalist conception of nationhood was principally expressed through the glorification of empire. For many Tories, EEC membership represented a retreat from Britain's global identity to a confined continental role. The other aspect of nationhood was the Conservative Party's commitment to the sovereignty of the Westminster parliament..

The European groupings within the party have contested Atlanticist and Europeanist conceptions of Conservative foreign policy. Since the Second World War the Conservative leadership came to terms with American leadership in international relations. The Tory leadership felt itself forced to engage with the EEC in order to maintain the alliance with the United States (US).

Some Conservatives now argue that the Government should develop a more independent European foreign policy. They believe that Britain's past dependence on America was unhealthy. However other Tories deeply distrust European security and economic instincts and wish to perpetuate American leadership. The end of the Cold War has further polarised the Europeanist and Atlanticist dispute in the party.

Another trigger for the emergence of the divisions over Europe was the conflict between Thatcherite deregulation and the EU model of 'social capitalism' centred on France and Germany. The Major Government extended Thatcher's deregulation project in order to enhance national competitiveness. Deregulation is the one unifying European issue in the party. The Conservative Party as a whole is united in its opposition to interventionist European policies and to the EU social dimension. However some Conservatives believe that Britain can only pursue an unfettered

deregulation policy if the UK withdraws from the European Union. Pro-Europeans however believe that EMU would enhance the free market project. Many Conservatives oppose EMU in principle because they believe it can never command popular legitimacy.

The combination of the core commitment of nationhood and the free market project is united in the concept of a Europe of nation states. Thatcher was prepared to enhance supranational power in order to promote her free market project (Thatcher 1993: 553). However the integrationist dynamic within the EU is ultimately incompatible with a Europe of nation states. As EU competence has increased, so many Tories desire to restore Westminster's policy independence. Major attempted to confine integration to the single market sphere through devices like subsidiarity. However he failed to reassure party dissidents that the free trading project can prevail in the EU.

The thesis will focus solely on the debate within the Conservative parliamentary party in its analysis of the European controversy. This focus is appropriate because of the pre-eminence of the parliamentary party in Tory politics. The Conservatives are a leadership and not a members' party. The key policy struggles which have taken place have been between leadership elites. When other individuals and interest groups are mentioned in this thesis, they will be discussed in relation to their influence on the parliamentary party's debate.

The following chapter will show how a typology of the Conservative European divisions can be constructed through an assessment of primary and secondary accounts about the party. The typology will show that the European divisions have been driven by key ideological disputes. The typology is also based on a reappraisal of previous typologies of Conservative European divisions, in order to show the new dynamics which developed over the issue in the late 1980s.

CHAPTER ONE

THE REALIGNMENT OF CONSERVATISM - A TYPOLOGY OF THE PARLIAMENTARY PARTY'S DIVISIONS OVER EUROPE

Since the late 1980s, the European issue has brought about an ideological realignment within the parliamentary Conservative Party. This realignment has resulted in a split amongst the Thatcherite grouping. It also led to a change in the party leadership's attitude to European integration. This thesis will use an analytical typology to show how the European divisions have been driven by key ideological disputes within the party, especially in relation to the Thatcher project.

In the 1960s and 70s divisions emerged in the Tory parliamentary party on the core issue of British membership of the EEC but they did not at this stage have a fundamental effect on party alignments. The divisions over EEC membership were followed by the far more dominant line of division between the "wets" versus "dries" in the conflict over Margaret Thatcher's macroeconomic and social policy. Europe's re-emergence as a source of conflict in the party in the second half of the 1980s had a far more fundamental impact on the Conservatives than the early membership debates. The post-1988 European controversy realigned the parliamentary party, superceding the 'wets' versus 'dries' conflict.

This thesis will argue that the integrationist trends which intensified in the EU after 1988 were the trigger for the re-opening of the European issue in the Conservative Party. This year was a watershed because of the relaunching of the single currency project. It was the interaction between an acceleration in European integration and key Tory ideological disputes which brought about a realigned parliamentary party. One of these key ideological disputes was the future of Thatcherite economic policy.

These core disputes have been identified through an assessment of primary sources and arguments contained in secondary accounts of Conservatism. This chapter will also re-evaluate earlier typologies of Conservative European divisions, in order to show how the integrationist developments of the post-1988 period have changed the nature of the party's European debate. The new factors influencing Conservative European debates in this period require the development of a new typology of the parliamentary party.

This chapter will present an analytical typology in order to show how the ideological disputes on nationhood, Atlanticism and Thatcherite economics, have created new alignments in the parliamentary party. The typology will show the centrality of monetary union in creating renewed divisions on Europe.

The typology in the thesis serves the purpose of identifying the key contributory factors which have brought about the current European divisions. The typology is not put forward as the basis for identifying the numerical strength of party European groupings or the scale of dissidence on the European issue. Instead the typology identifies the distinct groupings which have emerged as a result of the key ideological conflicts mentioned above. The focus of the research is the ideological conflicts created by developments in the post-1988 European debate and not the extent of factionalism in the parliamentary party.

Constructing The Typology

This typology is informed by three sources of material: an assessment of the primary evidence provided by the participants in the European controversy; secondary accounts of the Thatcher Governments and previous typologies of the Conservative parliamentary party.

Primary Evidence

The first stage in constructing the typology was an assessment of the primary sources available for the study, including parliamentary speeches, factional literature and policy statements. An analysis of these sources identified the recurrence of key themes in the discourse of Conservative politicians on the European issue. It showed that the importance of British sovereignty and the threats posed to the Thatcher free market project by the EU were the key arguments advanced by many Conservatives opposed to European integration.

The most important phenomenon which was clear from the primary sources, especially from the accounts of Tory participants in the European controversy, is that the Conservatives who had previously formed a cohesive 'Thatcherite' grouping in the party became divided on the European issue. A key focus in the research which formed this thesis is to identify why European integration provoked this bifurcation of views amongst the Thatcherites. What political events and developments fractured the unity of the Thatcherite grouping.

Further assessment of the primary sources clearly identified European monetary union as a watershed in re-opening the Conservative debate on Europe. EMU also became a very divisive issue amongst Thatcherites. The key events which created this watershed were the 1988 Hanover summit which re-opened the single currency issue and Jacques Delors' speech to the European Parliament and to the TUC in the autumn of 1988. These events showed that European integration was accelerating. Thatcher's hostile response to these developments in the September 1988 Bruges speech clearly represented a point of departure in Conservative European policy. In his memoirs, Lord Howe argues that Thatcher's Bruges speech marked a turning point in the Conservative Party's European policy (Howe 1994: 537-8).

At Bruges Thatcher deliberately placed herself in direct opposition to the European Union's post-1988 integrationist push. Sir Charles Powell says that the Bruges

speech was deliberately conceived as an attempt to halt an unwelcome change in the EU's institutional and economic development (Powell 1994).

After Thatcher had emphasised the proclamation of monetary union as a key turning point, many backbench Conservatives followed her lead. In speech after speech the pursuit of a single currency was cited by Conservatives as the point at which European integration was no longer a legitimate or desirable process. The 're-proclamation' of monetary union in 1988 clearly marks a new chronological stage in the relationship of the Conservative Party with European integration. The external factor of the Franco-German commitment to monetary union transformed both the intensity and the nature of the debate within the Conservative parliamentary party.

A comparison between these arguments and those advanced by Tories who opposed Britain's membership of the EEC in the early 1970s is also an important historical reference point. This comparison clearly showed that the 'British deregulation versus EU social dimension' conflict was a new issue and one which explained why many Tories who had been supporters of the EEC had become hostile to European integration by the 1990s. An initial survey of the primary literature showed that the Anglo-American alliance was also also a factor in the controversy.

However the comparison also indicated a number of continuities between early resistance to European membership and the 1990s debates on further integration. Rhetoric stressing national identity and sovereignty is common to the discourse of Conservatives in both periods. The political rhetoric of Conservative opponents of European integration continually emphasises the threat posed to national identity and sovereignty by European integration. Many Tories insist that this threat strikes at the heart of their party's traditions and doctrines. Norman Lamont's insistence in his 1994 Conservative Party conference speech that the Conservatives were 'the party of the nation' is an example of these sentiments (Lamont 1994).

Both the early 1970s and the 1990s also saw a number of Conservative MPs engage in unprecedented defiance of their frontbench over Europe. This political behaviour is evidence of the fundamental nature of the European issue to modern Conservatism.

The next stage in constructing a typology of Conservative European divisions was to explore the themes which emerged from the primary sources through elite interviews with some of the participants in the controversy. The interviews were chosen carefully in order to provide a representative source of material for the purpose of assessing the dynamics identified from the survey of the primary literature. Interviewees were selected to provide a generational and ideological balance of Conservative MPs. These selection criteria were important in assessing whether the discourse of some Conservatives was representative of views held by clear constituencies within the parliamentary party. For example the interviews conducted for the thesis with Tory opponents of European integration, such as Bernard Jenkin and Lord Parkinson, provided strong evidence that attitudes towards Britain's relations with the United States were a major factor influencing the Conservative Party's divisions.

Secondary Sources: Thatcherism As A Strategic Project

Having identified key phenomena in the Conservative European debate, the next stage in developing the typology of the Conservative Party and Europe was an assessment of whether the secondary literature could contribute to analysing these phenomena. The secondary accounts which are most relevant to the analysis of the European controversy are those which analysed Thatcherism as a strategic project. Many political scientists have argued that Thatcherism pursued a strategic project designed to reshape the British economy and society. As has been discussed above, primary accounts show that the interplay between European integration and the 'Thatcher project' is a key dynamic in the European controversy. It is therefore important to focus on studies which have evaluated the nature of this political project.

Several accounts of the Thatcher Governments stress that policy in this period was governed by a clear ideological project. In particular Andrew Gamble and Shirley Letwin emphasise the coherence and intellectual consistency of this project. William Wallace argues that this project was not merely domestic but was linked more broadly to Britain's external relations with the wider world, in particular the United States. Both Jim Bulpitt and David Judge see the Conservatives as committed to a defence of executive independence against the expanding competence of the European Union.

Europe As A Threat To Thatcherism

Andrew Gamble and Shirley Letwin's contributions provide further support for the evidence that European integration was seen by many Conservatives as a threat to the Thatcher economic project in Britain. Gamble's studies emphasise the strategic view of the Thatcher project. Letwin sees Thatcher's reassertion of national sovereignty as an instrument to protect British free market reforms against interventionist policies threatened by European integration. Michel Albert places this conflict between British free market model and European interventionism into a deeper conceptual context.

Gamble argued that Thatcher was committed to a 'free economy', one which reasserted the traditional openness of the UK economy, involving policies which liberated capital movements, reduced the public sector's size and deregulated the labour market. Gamble saw the free economy as a hegemonic project, one which would institutionalise free market disciplines and thereby constrain any future left-of-centre governments. Lawson for example, stressed that these disciplines would prove a check on the ambitions of a Labour Government if the Tories ever fell from power (Lawson 1992: 871).

The single market was initially viewed by most Thatcherites as a key part of this free economy project. However, many Thatcherites now see the continuing drive to European integration as placing new policy constraints on market liberalisation. An analysis of the primary literature shows that many Tories see the EU as a threat to

the Thatcher project (Cash 1991 and Spicer 1992: 72). Many Tories hoped that the single market would institutionalise their agenda across Europe (Grahl & Teague 1989: 34). However these Tories now see that the single market did not bring about a uniform free economy regime in the EU, with many British companies still at a disadvantage because of the persistence of interventionist state aids and large continential public corporations in other member states.

Thatcher's support for the creation of the single market did not bring about the ideological homogeneity in Europe, which she had anticipated. Instead it was the basis for renewed conflict over economic and industrial policy. The enhanced social dimension after 1988 was seen by many Thatcherites as a threat to the free economy.

Letwin also argues that Thatcher saw the principle of national sovereignty as an essential device to defend the integrity of Britain's free market reforms. Here her analysis coincides with that of Gamble in his later study of Tory European divisions (Gamble 1990: 34). Letwin sees the Thatcher project as more deeply rooted in British culture and history and argues that Thatcherism was a revival of an older British tradition of individualism.

Michel Albert puts the argument over the social dimension in a broader conceptual context by arguing that two distinct and opposing models of capitalism exist in the industrialised world - the Rhine model and the Anglo-Saxon. The former model limits freedom of exchange and is driven by consensual economic policy and is prevalent in Germany and France. The Anglo-Saxon model is based on free markets and a limited state and is dominant in the United States and Britain (Albert 1992).

Europe In Conflict With Atlanticism

The importance of the Atlantic relationship for Thatcherism, and in particular the priority many Conservatives give to relationships with the United States, rather than with Europe, has been highlighted by William Wallace and Shirley Letwin. These arguments are supported by the primary evidence from the interview material with Conservative politicians, as was stated above. The role of Anglo-America in the European debate emerges clearly from factional literature, particularly from those Tories opposed to further integration. What it demonstrates is that Europe is the expression of a deep divide over foreign policy within the parliamentary party.

William Wallace has made a clear link between the Conservative's domestic economic agenda and their foreign policy aims in assessing the Tory conception of 'the special relationship'. Wallace argues that the very terms 'Atlanticist' and 'European' now embrace a dual meaning encompassing both economic and security policy. Wallace says that incidents like the Westland affair show the tension between Conservatives who are interventionist advocates of European integration and those who are Anglo-Saxon free marketeers.

Like Wallace, Shirley Letwin stresses that Thatcher believed in kinship between Britain and America (Letwin 1992: 302). Letwin argues that Britain would naturally

have a greater affinity with its free trading Anglo-Saxon cousin than with dirigiste continental European countries.

Europe As A Threat To Policy Independence

The primary accounts of Tory European debates show how Conservatives fear that British sovereignty is threatened by European integration. Jim Bulpitt and David Judge's arguments show how Conservative policy independence was eroded by the expanding competence of the European Union. Jim Bulpitt's analysis sees Thatcherism as seeking to reimpose an older form of Conservative statecraft (Bulpitt 1985) which is incompatible with European integration. David Judge argues that the Tories are committed to maintaining executive independence within the British state, an independence which is challenged by the European Union.

Bulpitt argues that the Tory leadership has always sought to defend an autonomous sphere of 'high politics' in areas like foreign policy and macroeconomics. Bulpitt sees the monetarist experiment of the early 1980s as indicative of the party leadership's desire to reassert its autonomy from popular pressures.

Bulpitt argues that European integration is a further threat to Tory high politics. He sees Tory politicians as dragged along by an integrationist ratchet (Bulpitt 1992). Bulpitt insists that the EU is different from other treaty arrangements because it has the power to continuously interpenetrate British domestic life, bringing home to voters the extent to which the British state has lost competence in so many policy areas. Bulpitt's analysis accords with the sentiments expressed by many Tories. These Conservatives are bitterly critical of the way in which EU competence has steadily increased at Westminster's expense. For example, Bernard Jenkin MP argues that the Government must identify a point at which the European consensus is no longer acceptable in institutional matters (Jenkin 1994). Jenkin clearly fears that the Conservative Party is being dragged along by such an integrationist ratchet.

Bulpitt sets out a series of options available to Tory leaders in their relations with Europe. Bulpitt's 'option D' identifies the Conservative leadership's attempt to reconcile its free market policies with the Rhine capitalist policies which prevail in the EU. Option D in fact describes the attempts by the party leadership to insulate the UK from the EU social dimension, through Britain's opt-out from the social chapter of the Maastricht treaty.

Judge argues that the Government is really defending executive policy independence against challenges from within the UK and externally from Europe (Judge 1993: 193). Whilst Letwin and Gamble see Thatcher's defence of national sovereignty as instrumental, in terms of maintaining British free market reforms, Judge stresses the Conservatives' desire to defend a strong executive within a centralised British state for its own sake. Judge sees Thatcher's rhetorial emphasis on sovereignty as a legitimatory concept, designed to conceal her commitment to defending executive power. The commitment by many Conservatives to the defence of British policy independence also has to be seen in the context of the development of a 'strong state' during the Thatcher years (Gamble 1988). Part of the development of this

strong state was the reduction in local government's status and powers (Bulpitt 1991).

Anthony Teasdale relates the constitutional character of West European states to their leadership elite's attitude to European integration. Teasdale has noted that those European governments which preside over strong states, such as France and the United Kingdom also tend to be those which are most hostile to European integration, whereas those, like Belgium and Germany, which are the most decentralised, are the most supportive of European integration (Teasdale 1993: 190).

Europe And Nationhood

The primary evidence showed the strong emphasis that Conservative opponents of European integration place on national identity and sovereignty. It is the Tory determination to defend nationhood which is a key factor in the desire of many Conservatives to maintain policy independence for the British state. Letwin notes that Thatcher's 1988 Bruges speech celebrated Britain's distinctive culture, heritage and language and expressed Thatcher's determination to defend these elements of 'British nationhood' against European integration.

Shirley Letwin argues that Thatcherism's fundamentally Conservative characteristics are seen most clearly in Thatcher's defence of nationhood in response to European integration. She regards it as ironic that when Thatcherism most clearly displayed its Tory characteristics, Thatcher herself was forced from power (Letwin 1992: 306). The proposition that an appeal to nationhood is a core Tory doctrine is one which is supported by the rhetoric of Tory opponents of European integration. Tory opponents of monetary union argue that a single currency would be an assault on the party's most revered traditions. European integration clearly represents a threat to Conservative nationhood ideology.

Sources Which Did Not Contribute To Constructing The Typology

Other secondary interpretations of Conservatism in the Thatcher years did not make a contribution to evaluating the European controversy. The other prominent political scientists who have analysed the impact of Thatcherism are Bob Jessop, David Marsh, Stuart Hall and Martin Jacques.

Jessop, like Gamble emphasises the strategic nature of the Thatcher project (Jessop et al 1988). However the emphasis which he places on the project as an alliance of capitalist interests does not sit well with the European controversy. Jessop argues that the Thatcher project responded to the interest of the City of London in relation to deregulation, to the Treasury's desire to control public expenditure and to the CBI's desire to tame trade union power (Jessop et al 1988: 77).

However in the context of the dispute over the single currency, it is difficult to see a nexus of economic interests which are served by the growing hostility of many Conservatives to European integration. Indeed big business shows signs of great

nervousness about the trend in Conservative European policy. Jessop's analysis gives too little weight to the ideological factors which influence Conservative policymaking in his emphasis on how Thatcherism responded to structural changes in the global capitalist economy.

Jessop and his co-contributors rightly note the attachment that the Thatcher Government had to the Atlanticist foreign policy tradition but they do not outline the reasons for this connection. The absence of this discussion is a deficiency in the context of any appraisal of the 1990s European controversy.

Jacques and Hall like Gamble, argue that Thatcherism was a coherent strategic project (Jacques and Hall 1983). However these two authors focus more on the politics of support dimension than Gamble's study. They outline how Thatcher articulated an 'authoritarian rightist' appeal to the British electorate. They argue that the constituent elements in this appeal were a stress on the nation, patriotism and free enterprise. Even though the authors identify the nation as one of these elements, they do not expand on whether the appeal to the nation was made with reference to cultural minorities in Britain or to the expanding influence of the European Union. The fact that the authors do not elaborate on whether this authoritarian rightism was made with respect to internal or external reference points is unsurprising given the low saliency of Europe in Conserative elite debates at the time when Jacques and Hall published their study.

Marsh and Rhodes focused on how Thatcherite policies were actually put into practice and not just on the conception and proclamation of these policies. Marsh and Rhodes' focus on policy outcomes is designed to critically assess the familiar proposition of the Thatcher Governments as radical ideologically driven administrations. They argue that the extent to which Thatcherite policy goals were achieved was dependent upon key factors such as the opposition or compliance of interest groups and 'street-level' officials. Marsh and Rhodes' emphasis on the extent to which policy goals were actually achieved is highly relevant to European policy given the resistance which the Conservatives faced in this area. However the study understates the degree of resistance which the Conservatives encountered in this policy area.

John Peterson's contribution to the Marsh and Rhodes study acknowledges that there was a clear and consistent Tory European strategy which pressed for the adoption of free markets and reduced budgetary contributions in the European Union (Peterson 1992: 153). However Peterson does not take this analysis further by highlighting that the European Union's social dimension and the policies pursued by other EU states were an impediment to the Thatcher economic project.

Peterson greatly underestimates the internal Conservative Party cross-pressures on European policy because his piece predates the long struggle over Maastricht ratification. Peterson argues that Thatcher's approach to the EU in the late 1980s began to marginalise her within the parliamentary party. However subsequent events in the 1990s showed that although Thatcher fell from power she began to develop a large and growing constituency of opinion in the parliamentary party.

David Marsh also reviewed previous secondary accounts of Thatcherism, such as those of Gamble and Jessop. Marsh outlined a typology of these different accounts (Marsh 1995). He divided secondary accounts into political accounts, which emphasised the strategic nature of the Thatcherite project; economic accounts, which saw Thatcherism as a response to an economic crisis and ideological accounts, which stressed the role of New Right ideology in the Thatcher Governments.

Marsh focuses on sectoral policy case studies, like labour market reform and privatisation, to support his argument that Thatcherism was influenced by pragmatic as well as ideological considerations. A key pragmatic consideration which he identifies is the leadership's desire for re-election of the Conservative Party (Marsh 1995: 608).

Marsh's analysis did not contribute to the typology of Conservative European divisions for two reasons. Firstly, Marsh does not discuss European policy in either his case studies or as a major factor in assessing the record of the Thatcher Governments. This is a significant omission because the Conservative discourse over Europe is highly ideological in tone and substance, as has been mentioned above. Europe is also a major policy issue which would seem to contradict one of Marsh's central arguments in his study. The factionalism which developed within the Conservative Party on Europe clearly damaged the party electorally, even though Marsh places great emphasis on electoral considerations in the party's leadership's approach to policy change.

An assessment of both primary and secondary accounts of the European controversy identifies three core disputes involved in the European controversy: the role of nationhood ideology in opposition to European integration; the relationship between Britain and the United States and the threat posed to the Thatcherite economic project by the dominance within the EU of a different model of capitalism. These disputes have reshaped alignments within the parliamentary party and form the core of the analytical framework used to construct a typology of the Tory Party's divisions over Europe.

Assessing Earlier Typologies of the Conservative Parliamentary Party

The extent to which the disputes discussed in the above section realigned the parliamentary party can be assessed with reference to typologies of the Conservative Party which were written prior to the 1988-94 period. This comparison shows the differences in the Tory European debate in earlier periods.

Previous typologies of the Conservative parliamentary party's European divisions were constructed in order to create analytical frameworks to evaluate the Conservative European divisions which existed long before the 1988 Hanover summit. Ashford's predates Gamble's typology and focused on the divisions which took place on the issue of British membership of the EEC in the 1970s. Ashford's typology (Ashford 1980: 110-12) has now been superceded by the integrationist

developments in the 1990s. Philip Norton's typology emphasises the conflict within the party over the role of the state but does not take into account the extent to which European integration became integral to this conflict after 1988.

Ashford argued that there were three groupings within the parliamentary party on the European issue. There were federalists, confederalists and anti-marketeers. Ashford identified the federalists as those involved in the postwar movement for European unity. The federalists supported moves towards political integration, such as greater powers for the European Parliament.

Ashford argued that the confederalist grouping represented the majority opinion in the parliamentary party. They were supportive of membership but opposed further integration. Ashford locates Margaret Thatcher in this grouping. Finally, he identifies the anti-marketeers, whose influence he argues was waning in the late 1970s. The latter group opposed Britain's membership and committed themselves to fighting an extension of European policy competence.

Ashford's original typology has been rendered substantially irrelevant by the new dynamics of the post-1988 European controversy. Ashford's typology is centred around the ideological dynamics created by British accession to the EU. However by the later period of 1988-94 the key issue was the divisions over further integration and not the issue of membership itself. Thatcher and her allies are fighting for a particular conception of Europe against the Kohl/Mitterand conception which drove developments after 1988. Thatcher and her followers did not set out to on a secessionist road but initially focused on prospective developments like monetary union. It was only later that Thatcher and some of her supporters shifted towards serious consideration of the secessionist option.

Many of Ashford's confederalists are now not only opposed to further integration but wish to repatriate power from the European Union and reassert Westminster policy independence in a number of areas. The individuals in the confederalist grouping have now made common cause with the older generation of diehard anti-marketeers, like Teddy Taylor and Richard Body.

Ashford's federalist category is also problematic. Many pro-European Conservatives, such as Kenneth Clarke reject the label 'federalist'. Only Sir Edward Heath and Hugh Dykes openly advocate the idealist conception of a 'United States of Europe' in the modern Tory party.

The context which has informed the post-1988 controversy was the interaction between the ideological perspectives within the Tory party contributed to by Thatcher's leadership and the external integrationist drive led by the French and German Governments. This interaction has created a new breed of pro-Europeans, as well as being a key influence on the growing hostility of many of Thatcher's disciples to the European Union.

Andrew Gamble's typology is a more recent study than Ashford's but it was still written quite early in the development of the post-1988 European controversy.

Gamble had previously used a two strand typology (Gamble 1988). Gamble's typology saw Conservatism as incorporating a free market and interventionist traditions. In his 1990 study Gamble revised his view and identifies four groupings; the neo-liberals, the Atlanticists, federalists and isolationists, brought into being by the European issue (Gamble 1990). Like Ashford, Gamble mistakenly uses the federalist label to describe mainstream pro-European Conservatives like Michael Heseltine. He also places Nigel Lawson in this grouping, even though Lawson opposes monetary union.

Philip Norton provided a typology of the Conservative parliamentary party before the development of the European controversy. Norton's typology is based on the issue of the role of the state in the economy. He identified a "Thatcherite" grouping of neo-liberals, populists and the moral right. He also argued that there was a more interventionist tendency within the parliamentary party, consisting of "wets and damps". These Tories favoured a more interventionist role for the state in the economy and were more supportive of the public sectors (Norton 1990).

Norton's analysis drew from the fact that Thatcherite grouping was broadly united on policies like labour market reform, privatisation and the monetarist experiment, in the 1979- 88 period. However the primary evidence has shown that the Thatcherites split over Europe in the post-1988 period. Norton's emphasis on the role of the state in Tory disputes also did not take fully into account the external factor of the European industrial and social model, discussed in the above section.

David Baker, Andrew Gamble and Steve Ludlam developed a typology which incorporates both the domestic conflict over the role of the state in the economy with the external issue of European integration (Baker et al 1993). By placing European integration alongside the statist conflict, they were able to show how and why the Thatcherite grouping divided on Europe. However their analysis does not give sufficient weight to the role of the Anglo-American alliance as a core dispute in the European controversy. This is a significant omission as Atlanticism incorporates both economic and foreign policy dimensions to the Tory European conflict, as has been noted above.

Introducing A New Typology

The assessment of primary and secondary accounts of the European controversy between 1988-94 has shown that the core disputes of nationhood, Atlanticism and free market economics developed as a result of the post-1988 integrationist direction of the EU. A re-evaluation of previous academic Conservative typologies has shown that these studies do not sufficiently take into account these dynamics because they were written before the 1988-94 period.

The typology outlined below shows how distinct groupings have emerged within the parliamentary party as a result of these core disputes. This typology is not designed to be a comprehensive estimation of the dimensions of support which each grouping enjoys within the parliamentary party. Instead the typology is presented in order to

show how Tory MPs have clustered around particular viewpoints on European integration as a result of the development of these disputes.

These viewpoints can be expressed as three clear categories within the parliamentary party. The typology describes these categories in detail and identifies key Tory politicians who are identified with the three groupings, in order to illustrate the key groupings. The three groupings are: Thatcherite Nationalists, Neo-Liberal Integrationists and Interventionist Integrationists.

The Thatcherite Nationalists

These Conservatives oppose European integration because they see it as a threat to domestic free market reforms. They also see European federalism as a threat to the Anglo-American alliance; to traditional Tory conceptions of British nationhood and the executive autonomy of the British state. The overwhelming number of this grouping are Thatcherite Tories. The Nationalists have appropriated the party leadership's multi-speed/multi-track rhetoric in order to advocate a separate "track" for Britain within the EU. This track would entail only membership of a free trade area. Some of their number are contemplating the option of total withdrawal from the EU if other member states do not accommodate their policy demands.

<u>Membership</u>

These Tories represent the bulk of the Euro-rebels and a big majority of those who identified themselves with Margaret Thatcher's leadership of the party. They include her closest personal allies, such as Tebbit, Parkinson and John Whittingdale, her former Political Secretary. The core of the Euro-rebels are members of the parliamentary *Fresh Start Group*. Fresh Start have 50 members, this correlates with the 46 Tory MPs who voted against the Third Reading of the Maastricht bill.

An outer tier of their membership is active in *The European Research Group*. These MPs produced what was in effect a European manifesto. Research Group MPs were not in the main dissidents during the Maastricht bill's passage. They include Sir Nicholas Bonsor, Dame Angela Rumbold and Alan Duncan. The existence of this wider grouping indicates the deeper level of support for rebel positions on the backbenches.

The nationalists draw a large recruitment from Thatcherite lobby groups within the parliamentary party, such as the *No Turning Back Group* and the *92 Group*. Michael Spicer MP's anti-Maastricht EDM on 3 June 1992 and Kenneth Baker's EDM contained many of these MPs, such as Neil Hamilton, Bernard Jenkin and John Whittingdale. Fifty-eight Tories signed both EDMs, indicating the cohesion of this grouping over a two and a half year period. External anti-federalist groups, such as *The European Foundation,* set up by prominent rebel, Bill Cash and the *Campaign for an Independent Britain* are also involved with the nationalists.

Cabinet ministers, Michael Portillo and Peter Lilley are also strongly identified with this grouping.

Doctrine

Economically, they are the mirror image of the Tribunite Labour Left who opposed EEC entry in the 1970s. Just as the Labour Left saw the Community as a threat to their domestic economic ambitions, so the Thatcherites fear that European interventionist policies will threaten the deregulated supply side regime which they have created in Britain. By making Europe an issue related to her domestic revolution, Thatcher successfully co-opted the bulk of the Thatcherites in her crusade against a federal Europe (Letwin 1992: 300). Thatcher famously raised this spectre in a passage in her Bruges speech:

We have not successfully rolled back the frontiers of the state in Britain only to see them reimposed at the European level, with a European superstate exercising a new dominance from Brussels (Thatcher 1988).

On monetary policy, most of the nationalists are opponents of fixed exchange rates as well as a single currency. Tories like Nick Budgen and Ian Hamilton are as opposed to government intervention in the currency markets as they are to state intervention in industrial affairs. They believe in a "free-floating" pound. Within this group however, there are Tories like Lawson, who take a less doctrinal approach. They see fixed exchange rates as a legitimate means to offset the short term destabilising effects of deregulated capital markets. Lawson's position evolved away from the classical monetarism advocated by Thatcher and Sir Alan Walters. Most of the nationalists agree with Bernard Jenkin MP that an internal monetary discipline is the only acceptable policy (Jenkin 1994).

For Thatcher, Cash and their allies, monetary policy and the right to issue national coinage is integral to nationhood and national sovereignty. For them, the proclamation of monetary union at the 1988 Hanover summit was a major turning point in the EU's development. They argue that the economic case for EMU is fraudulent and that a single currency is really a device to secure a European Government. Opposition to EMU is the issue which unites all of these Tories, who regard it as a constitutional outrage. Their position on EMU would appear to have majority support in the parliamentary party. The Sheffield survey found that a majority of backbench MPs agreed with the statement: *The establishment of a single EU currency would signal the end of the UK as a sovereign nation* (Baker et al 1994: 7).

The nationalists wish to repatriate power back to the Westminster Parliament. They would refashion British membership of the EU into simple membership of the single market. The European Research Group proposed that the supremacy of British law should be reasserted over a whole range of areas currently within the EU's competence, such as agriculture. Michael Spicer's group have also adopted the leadership's multi-track/multi-speed rhetoric, in order to argue that the EU should be "unbundled" into separate policy tracks (see previous chapter). Member states would then be free to opt-in or out of involvement in each policy area.

In foreign policy, there is the clearest link between the record of the Thatcher Government and the nationalists' opposition to European integration. This group are Atlanticists who believe that America has an indispensable leadership role in international relations. They fear that a federal Europe would sever the security tie with the US. Thatcher expressed this Atlanticist view in her Aspen speech.

The Pro-Europeans

The Tory pro-Europeans incorporate two originally quite distinct streams in the party. Some were previously critics of the Thatcher project, whilst others were strong supporters of Thatcherism. The two categories outlined below indicate the different ideological backgrounds of Conservative pro-Europeans. Despite these different starting points, the party's pro-Europeans have united around key economic and foreign policy arguments in the European controversy and worked within the same factional organisations.

Neo-Liberal Integrationists

This grouping consisted mainly of Tories who broke with their former allies in the Thatcherite grouping. They see European integration and especially EMU as an opportunity to enhance the free market project rather than a threat to it. They believe that economic globalisation places great constraints on the effectiveness of national governments. The integrationists believe that European unity will actually augment Britain's diplomatic influence and economic effectiveness.

Membership

The parliamentary *Positive Europeans* and the *Action Centre for Europe* have a common membership consisting of Tory MPs like Ray Whitney, Edwina Currie and Quentin Davies. This group also includes monetarists like Sir Peter Hordern. Ian Taylor is also a leading integrationist minister. Two Tories who "went native", in Thatcher's phrase, as European Commissioners - Lord Cockfield and Sir Leon Brittan - are also neo-liberal integrationists.

Doctrine

On supply-side issues neo-liberal integrationists are just as opposed to interventionist economics as the nationalists. These Tories also support the Government's opt-out from the social chapter of the Maastricht treaty and advocate labour market deregulation. It is on monetary policy that they sharply diverge from the nationalist group.

Previously pro-European Tories were often wet domestic critics of Thatcherism. However this new pro-European grouping have clearly free market credentials.

John Stevens MEP notes that the new breed of pro-Europeans have adopted hard money arguments very different from the policies advocated by the Tory wets (Stevens 1994). For example Sir Peter Hordern advocates EMU because it would preclude further devaluations and be a constraint on excessive government borrowing. Anthony Teasdale, Special Adviser to Lord Howe 1988-90, has referred to the "monetarisation of the Tory pro-Europeans" (Teasdale 1994).

Neo-liberal integrationists believe that the single market would function more effectively with a single currency. They also believe that a European Central Bank would pursue a more effective anti-inflationary policy than Britain's past efforts at internal monetary discipline. They disassociate themselves from the idealist goal of a united Europe and claim that a single currency is necessary solely for economic reasons. Kenneth Clarke has argued that British membership of a single currency need not lead to political union (*Financial Times* 10/2/95).

Neo-liberal integrationists are more sceptical about America's ability or willingness to maintain a global leadership role. Integrationists believe that Europe must intensify its efforts to collaborate in defence and foreign policy matters.

Geoffrey Howe's Advocacy of European Integration

Lord Howe of Aberavon, Chancellor of the Exchequer 1979-83 and Foreign Secretary 1983-89, is the patriarch figure of this grouping. He is now President of the Advisory Council of ACE. Howe has been the key articulator of pro-European arguments in the party. Howe's arguments deserve particular attention because they indicate why the split in the Thatcherite grouping took place as a result of European integration. Howe has put forward four key positions on Europe.

He has made a public interest case that national politicians have to reconcile themselves to the constraints of economic interdependence. Secondly, he rejects the argument that there are cultural impediments to integration and the single currency. He contests the ideological legitimacy of the nationalists as the heirs to the "radical manifesto" which underpinned the Heath and Thatcher Governments. Finally, Howe makes a free market case for EMU.

Central to Howe's view is that sovereignty is not an absolute which is either held or surrendered. He rejects the Powellite conception of sovereignty and instead emphasises how sovereignty is deployed or qualified by economic and diplomatic imperatives. In a 1990 lecture Howe insisted that sovereignty was not like virginity, which you either had or you had not (Howe 1990: 679). Instead he stressed that the increasing integration of the financial markets and general global economic interdependence place constraints on what any "sovereign" government can achieve.

Britain has become ever more dependent on an economic system that lies beyond our immediate control. It is that which should have dictated our early entry into the exchange rate mechanism (HC Debates, 19/12/91, Vol. 201, Col 511).

Tories like Howe, Brittan and former European Commissioner Lord Cockfield, believe that in a deregulated financial market, floating exchange rates and an internal monetary discipline have now become ineffective and undesirable. Howe has argued that financial market sovereignty renders his earlier monetarist policies almost obsolete. In the 1994 Rede Lecture, Howe cites the former chairman of Citibank to press home this point:

Listen again to Walter Wriston: "How can a national government control, or even measure, the money supply, when the markets create new financial instruments faster than the regulators can keep track of them?" (Howe 1994: 7).

Howe is less concerned with the *de jure* independence of national governments than securing *de facto* control over events. He takes an instrumental approach to sovereignty, asking, What will ceding sovereignty actually achieve? Integrationist Tories believe that a single currency would re-empower national governments because it would end the dominance of the deutschmark in the currency markets, enabling other member states to regain monetary sovereignty:

The point about the European market is its fundamental interdependence.... We have a choice at this point and crossroads in our history of having a Deutschmark-dominated continent, where all European currencies are at the whim of the Mark, or a truly independent currency with a truly independent central bank operating in the interests of all European economies (Tim Devlin MP in HC Debates, 18/1/93, Vol. 201, Col.127).

Howe contests the importance which Thatcherites attach to a cultural homogeneity as the basis for democratic government. Indeed Howe has argued that multinational federations can exist cohesively and without leading to instability (Howe 1994: 17). The nationalists' reverence for the nation as the basis for legitimacy divides them from the integrationists who believe that sovereignty must adapt itself to the dynamic of the free market. In the 1994 Rede lecture he went further and argued that seeking to tie political authority to culturally and ethnically homogeneous units could be dangerous. He cites the unhappy legacy of President Wilson's self-determination policy as a historical precedent (Howe 1994: 13).

Howe is aware that the nationalists' most resonant appeal to the Tory Party is that of nationhood. He seeks to distinguish between two variants of this patriotic sentiment and implicitly argues that Thatcher represents a malignant strain of patriotism:

Patriotism I take to be the genuine love and pride in one's country, its history, its culture, its traditions. It is a wholly legitimate, indeed advisable component of the human personality...Nationalism on the other hand is the perversion of this love and pride of one's own country into hatred and contempt for others...Unlike patriotism, which can easily respect and understand the patriotism of another, nationalism is a creed of competition and exclusivity (Howe 1994: 20-21).

Howe argues that after 1988, Thatcher allowed herself to be seduced by a nationalist temptation and that temperamentally she has never been able to understand and engage with other people's patriotisms. He cites this attitude as

evident in Thatcher's retrospective regret about the Anglo-Irish agreement recorded in her memoirs (Howe 1994a).

Given the fact that he has broken with his former Thatcherite allies, like Thatcher and Ridley, Howe is keen to show that it is he and not they who have remained consistent to what he calls, "the radical manifesto". He argues that the antecedents and much of the intellectual inspiration for the Heath and Thatcher Governments was prepared by the ferment of the *Crossbow* publication of the Tory Bow Group. in the early 1960s. Howe was editor of *Crossbow*. In a speech to the Radical Society in 1989, Howe argued that *Crossbow* marked a turning point in the anti-Fabian revolution (Howe 1989: 14).

The contributors to the journal settled on the dual themes of free market economics and post-imperial internationalism. Howe's claim to consistency is made by his insistence that the free market element of the neo-liberal programme was inseparable from an internationalist commitment. Howe cites a number of aspiring Crossbow contributors like John Biffen, Patrick Jenkin, Leon Brittan and David Howell, who were later to play a leading role in the Thatcher Government. He says that *we wanted Britain to adjust to its new position in the world, by casting off the habits of Empire* (Howe 1989; 20). Howe strongly argues that Europe was integral to this post-imperial reorientation (Howe 1994a). Therefore he claims that the nationalists reneged on the earlier internationalist principles of the radical manifesto. Howe argues that one of the reasons for the repudiation of internationalism by so many Thatcherites is because of a personal following for Lady Thatcher (Howe 1994a).

Howe advocates EMU as an enhancement of the free market achievements of the single market. After his period at the Treasury, Howe became convinced of the advantages of using first the ERM and then EMU to secure currency stability. Howe argues that without a single currency Europe will not be able to enjoy the same advantages as the US does within its own single market.

Howe has also spoken of the dangers of Britain "limping in afterwards" if other EU states form a single currency (Howe 1994a). Francis Maude argues that Howe and other pro-Europeans actually desire federal union and are attempting to marshall arguments to support this preferred outcome. Maude refers to the dispute over the City of London's position in relation to EMU to illustrate his point. He argues that the pro-Europeans who insist that the City would be less successful outside a single currency zone, are striving to make the best case for the "federalist" outcome which they want to achieve (Maude 1994). Howe rejects the charge that his arguments about economic interdependence are merely a presentational device to justify his commitment to federalism:

No. Please don't attribute to me the desire for a united "Federal Europe" that overrides anything else, because once you do that you introduce a doctrinal objective quite alien to my thinking (Howe 1994a).

Howe resists the federalist label and insists that his objective is to ensure that Britain remains part of the European enterprise and therefore able to influence the direction of the EU. In his resignation statement, Howe appealed to his party to view European integration from the same pragmatic perspective which was decisive in Harold Macmillan's acceptance of British membership. Macmillan feared that if Britain remained outside the EEC then she would lose diplomatic stature with the US and have no say in matters which affected vital British interests. It is this realpolitik attitude which the pro-Europeans believe is their most compelling argument. Howe deployed this argument in respect of the single currency. He drew a parallel between a British opt-out from EMU and the consequences of Britain's failure to join the EEC at its inception in his resignation speech:

The real threat is that of ourselves with no say in the monetary arrangements that the rest of Europe chooses for itself, with Britain once again scrambling to join the club later, after the rules have been set (HC Debates, 13/11/90, Vol. 180, Col. 464).

Howe is most vulnerable to the charge of inconsistency in his advocacy of European integration since his time in the Heath Government to his departure from the Foreign Office. As Solicitor General in 1972 Howe said during the passage of the European Communities Bill that "the ultimate supremacy of Parliament will not be affected" (Col.338, Vol. 96 Hansard). Not only is this assertion flatly contradicted by the legislative impact of EU membership but it is also contrary to his subsequent reflection on the implications of accession.

In an article in *The Financial Times* before the Maastricht IGC, Howe said that Community membership did not mean the acceptance of a "static set of propositions but a process". Yet the undertaking quoted above which he gave as Solicitor General, promised Tory MPs just such a static situation. Howe and other ministers in Heath's Cabinet could not risk presenting European membership as a dynamic process for fear that the party would reject it. Howe denies any inconsistency in his advocacy of European policy. He concedes that there was some reluctance on the part of the leadership to share with the public the arguments about sovereignty. However he says that these were very well expressed in the 1961 Macmillan Conservative Political Centre pamphlet (Howe 1994a).

Interventionist-Integrationists

These are the Tories who most closely conform to the older factional groupings of the 1980s. The interventionist integrationists were originally "wet" critics of Thatcherism and represent an older generation of Tory parliamentarians. They have now made common cause with the neo-liberal integrationists in order to resist the influence of the Thatcherite nationalists.

<u>Membership</u>

Leading Tories like Ian Gilmour, Tristan Garel-Jones, David Hunt and Sir Edward Heath are examples of this grouping. On the backbenches, Hugh Dykes and Andrew Rowe are examples of the Tory pro-European Left. This group predominates in the Conservative group in the European Parliament. Thatcher herself refered to Tory

MEPs as the "residue of Heathism" (Thatcher 1993: 749). Interventionist integrationists are more associated with *The Conservative Group for Europe* and the long-standing wet lobby, *The Tory Reform Group* than their neo-liberal integrationist allies.

Bill Newton Dunn, former Chairman of the Tory MEPs, is representative of these Tories. Newton Dunn has said that because the UK does not have proportional representation he is forced to be in the same party as the anti-federalist Bill Cash (Newton Dunn 1994). Nineteen of the fifty-two Tory MPs who signed the Positive Europe group statement on 2 February 1995 can be identified as wet or damp Tories according to Philip Norton's typology of Conservative parliamentarians (Norton 1990). The signatories also indicate that many of these Tories are older MPs, who entered the Commons in the early 1970s.

Doctrine

These Conservatives are more sympathetic to the public sector provision and in the 1980s many of them were critical of Margaret Thatcher's rejection of an industrial policy. Some of these Tories resemble continental Christian Democrats in their views. A few even dissent from the overwhelming opposition to the social chapter of the Maastricht treaty in the parliamentary party. In general, though, the interventionists-integrationists agree with the neo-liberal-integrationists on the need for a Europeanist foreign policy and the desirability of monetary union.

Michael Heseltine was once identified with this grouping before his later shift to the right on supply-side issues. During his period in the wilderness in the late 1980s, preparing for his leadership challenge, Heseltine advanced arguments which were representative of the sentiments of many interventionist integrationists. He made favourable comparisons between the more collaborative industrial relations framework operating in France and Germany and the British system (Heseltine 1989). He also supported a European industrial strategy to develop Europe as a distinct trading area vis-a-vis Asia and North America and advocated a strategy more on the Franco-German economic model or what Albert has called "Rhine capitalism" (Albert 1992). Heseltine used Europe as another strategic point to reinforce his case for more interventionist economic policies.

The Leadership's European Strategy

John Major was not identified with any of the these party groupings. He deliberately sought to articulate a 'middle-position' on European integration, in order to hold the party together. Major had very little enthusiasm for further European integration even if it had not entailed internal party conflicts. He did not identify at all with the Monnet-inspired idealist desire for a united Europe. However Major believed that the European institutions can play a useful part in defending Britain's commercial interests. In general terms, Major was hostile to further European integration but was not prepared to contemplate British withdrawal from the EU.

Although Major would not have instigated the drive towards monetary and political union his fundamental instinct is for Britain to negotiate from within the EU so Britain can influence new institutions and policies. It is for this reason that Major did not veto the Maastricht treaty's provisions for EMU. Instead he ensured that if the project took place then it would do so on terms more amenable to Britain. By "staying on the European train," to use Lord Howe's famous phrase, Major was able to secure the inclusion of strict convergence criteria for establishing a single currency. The criteria reflected traditional Tory objectives of low inflation and sound finance.

Politically, John Major's primary goal was to prevent a Tory split (Lawson 1992: 1013). The earlier section of this chapter showed that Major belonged to the consensualist model of Tory leadership on foreign economic policy. A leading pro-European says that Major told him in 1989 of his fears that the Tory Party could split over Europe (Interview 1994a). Lawson argued that the Tory Party must be led from the centre of the European ideological spectrum (Lawson 1992: 923). The EMU opt-out is the best example of Major's party management approach to European policy. It enabled the leadership to defer the evil day of decision on British participation.

The key issue pushed by the leadership, upon which the Tories are united, is the social dimension. A Sheffield University survey shows that only 3% of Tory MPs oppose the British social chapter opt-out (Baker, Fountain, Gamble and Ludlam 1994: 5). Major and Hurd have been unstinting in their doctrinal opposition to the social chapter of the Maastricht treaty and have urged the EU to adopt British style labour market deregulation.

The proactive initiative championed by the leadership has been the enlargement of the EU, in the short term to incorporate the Scandinavian countries and in the longer term, to encompass the old Eastern bloc. Major reiterated his belief that the EU should concentrate on widening its membership in order to underpin Eastern European free market reforms. He accused other governments of introspection when the Community needed to grapple with the problems of Eastern Europe.

A key motivation behind Major and Hurd's support for enlargement was an expectation that the new entrants would become allies for Britain against a further deepening of the Community. The leadership clearly hoped that in the post-enlargement EU, there would be opportunities for Britain to form new alliances or issue-based combinations which will make the Franco-German axis less central than it was in the 1988-92 period.

Conclusion

The typology and the chronology of events in the European controversy show that three key ideological disputes have arisen in the party as a result of the acceleration of European integration in the late 1980s. The following chapters will show in detail how these disputes developed. The thesis will also show how these disputes have

been influenced by older foreign policy and economic policy tensions within the party.

The typology showed that intensified European integration is seen by the Thatcherite nationalists as an assault on the Tory tradition of celebrating nationhood. The nationalist determination to defend nationhood is influenced by its past role in electoral strategy. European integration also conflicts with the globalist conception of nationhood which Tory leaders promoted earlier in this century. This dispute over nationhood will be discussed in chapter three.

The typology identifies EMU as the decisive factor in the split within the old Thatcherite grouping. The neo-liberal integrationists led the way in arguing that monetary union could offer a more effective economic discipline than the Thatcher Governments attempts at economic management during the 1980s. The nationalists believe that EMU could never command popular legitimacy. They also see a direct conflict between dirigiste European industrial policies and Thatcherite deregulation. The conflict over economic policy will be discussed in chapter six.

Moves towards European unity are seen by nationalists as a threat to their support for the Anglo-American alliance. Whereas both pro-European groupings wish to shift away from Atlanticism towards a more Europeanist foreign policy. The core foreign policy dispute identified by the typology will be discussed in more detail in chapter four.

The Thatcherite Nationalists also see the integrationist dynamics within the EU institutions as a threat to their limited conception of a free trading Europe. Pro-European Conservatives however see the EU institutions as supportive of British objectives, like the single market.

The three categories which have been identified in this typology have emerged through the development of these conflicts over foreign policy, Thatcherite economics, the European institutions and nationhood. Two of these categories - the interventionist integrationists and the neo-liberal integrationists, have converged in the course of these conflicts. The most significant area of convergence between these two categories is the monetary union issue.

The following chapter will also place European integration within the context of recurring Tory conflicts over sovereignty in British foreign economic policy. The chapter will show how traumatic sovereignty questions have been for the Conservtives. This chapter will also show how the events of the 1988-94 period shaped the development of the European controversy. This chapter's chronology of the European controversy will identify the key events which brought the Tory European groupings into being. It will also show how the disputes developed such an intensity that sustained and uncompromising dissidence took place within the parliamentary party.

CHAPTER TWO

THE ORIGINS OF THE EUROPEAN CONTROVERSY

Indeed one day somebody will write the history of the Conservative Party in terms of its disruption by economic controversy, from the Corn Laws in the last century to Empire Free Trade in the early part of this century and fixed versus floating exchange rates in our own time. (Lawson 1992 p.420).

One of the most effective backbench campaigns of modern times (Philip Webster in The Times 23/7/93)

Initially regarded by the Whips as a sort of Dad's Army of misfits, we soon formed as disciplined a taskforce as any SAS brigade (Teresa Gorman MP on the Euro-rebels in The Bastards 1993).

The recent factionalism within the Conservative Party provoked by European integration can be placed witin an older tradition of Conservative conflicts over foreign economic policy. The Conservatives have engaged in conflicts over sovereignty in foreign economic policy. This chapter will show that these conflicts have led to divisions and even splits. In these situations the party leadership has adopted either a doctrinal or a consensual role. Major attempted to manage the European dispute using consensual tactics.

This chapter will also show how the key groupings on the European issue emerged and the developments which formed the basis for their discourse. This chapter will show that the new integrative phase which began in 1988 with the publication of the Delors report and the Social Charter, brought the Thatcherite Nationalists into being. The chapter will also show that the Bruges speech laid out the central themes for the Thatcherite Nationalists' position, in relation to the United States, the defence of British deregulation and national identity.

The chapter shows how the single currency provoked a split in the old Thatcherite faction with the Neo-Liberal Integrationist Conservatives giving support to European monetary disciplines. The chapter shows how the course of events in the European controversy, such as the protracted ratification of the Maastricht treaty, reinforced the identities of both the Thatcherite Nationalists and pro-European Conservatives.

Europe and Foreign Economic Policy

Foreign economic policy refers to the political and economic strategy pursued by Britain in relation to other countries in the world economy. This is not confined to trading policy but encapsulates the broader political institutions which British politicians must consider in forging Britain's relationship with other states.

Britain's foreign economic policy towards the US after the war centred on GATT and Bretton Woods. The Conservative Party has been continuously disrupted by structural changes affecting British foreign economic policy (Baker, Gamble and Ludlam 1993: 11). These structural changes have forced the party to confront traumatic choices about foreign economic policy at a series of strategic points in Conservative history. The conflict over European integration is the latest and most recent manifestation of this tradition. Structural changes effecting foreign economic policy are closely bound up with Britain's relative economic decline.

The foreign economic policy conflicts which have convulsed the Conservative Party, come into two broad categories. Firstly there is a series of containable flashpoints on single issues where the party leadership is forced to take defensive initiatives which diminsh British power but to which its backbenchers find it hard to reconcile themselves. The best examples are the Rhodesian crisis, the Lend-Lease agreement and the Indian Bill in 1935 (Baker, Gamble and Ludlam 1993: 10).

Of more importance are the regime changes which have much more comprehensive and far reaching implications for the British foreign economic policy. The instances which fit into this category are the 1846 abandonment of protection, the 1903 dispute over tariff reform and the Macmillan/Heath applications to the EC. In each of these cases Conservative leaders grappled with managing the political consequences of fundamental structural changes in foreign economic policy, within the party. Here Conservative leaders have attempted to institutionalise new foreign economic policy regimes. Baker, Gamble and Ludlam argue that Tory conflicts in foreign economic policy in this latter category are driven by the choice between a reassertion of national sovereignty and an acceptance of greater internationalisation in British foreign economic policy (Baker, Gamble and Ludlam 1993). The controversy over European integration in the 1990s is the latest manifestation of this conflict over sovereignty in foreign economic policy.

The party management of Conservative leaders attempting to institutionalise new regimes conform to two models of behaviour. The first model is accommodationist, where the party leader attempts to coax Conservative MPs into acquiescence with new structural realities. The leader will endeavour not to confront his MPs with the fundamental nature of the change of regime and will even seek to downplay its significance. These leaders place a premium above all on party unity as the essential prerequisite to driving through regime change.

The other model of party management is more combative and challenging. The "doctrinal model" of leadership strategy does not seek to conciliate in the face of divisions which result from his or her initiatives. These leaders did not seek to fudge the extent of political change which they advocated but bluntly presented the party with the issue as a major point of departure for British foreign economic

policy. This style of party management is inevitably more likely to produce bitter rifts inside the party as the leaders themselves become partisans on one side of the argument, refusing to mediate between party factions.

The Repeal of the Corn Laws

Sir Robert Peel's abandonment of the agricultural protectionist regime in 1846 produced a major party split and a political realignment. Even today this is cited by Tory leaders, like Douglas Hurd, as the nightmare scenario, which could result from the party's current divisions. The intensity of the arguments over the Corn Laws occured because Peel adopted the doctrinal style of party managment. He made no effort to spare the party from the stark choice presented by Britain's development into a mature industrial economy.

The Corn Laws were the symbolic centrepiece of a system of mercantilism safeguarding domestic agricultural producers from foreign competition. Protectionist legislation was enacted by a legislature dominated by the landed interest. This protectionist regime and the class interest which underpinned it became increasingly exposed to assault by the industrial middle classes by the mid 1840s.

For Peel the politics of power indicated two things. Firstly, that the new manufacturing interests would be best able to seek more open and expanded markets if they were able to exchange their goods for primary products from other countries, the system of protection impeded them from doing this. In addition that British agriculture in the long run would not benefit from the artifical prop of tariff-induced price competitiveness but from greater productivity.

In the politics of support, Peel's calculation was that, irrespective of the economic benefits of abandoning protection, the existing regime was acting as a rallying point for both the middle and working classes against aristocratic government. The longer protection remained in place the more likely it was that the middle classes would make common cause with other groups in society against the landed classes.

The most obvious sign of this possibility was the agitation of the Anti-Corn Law League, which mounted a populist campaign against higher food prices and as a result attracted working class support. In addition to the class alignments which were encouraged by protectionism, the issue also became a focal point for other sectional opposition to the landed classes, such as the dissenters (McCord 1968: 26).

Peel's decision to wind down and the abolish the protectionist regime from 1842 onwards was dictated by his fear that aristocratic government was becoming untenable because it had too narrow an economic base which exposed it to charges of sectionalism. He wished to launch a broad alliance between all forms of property as the basis of the Conservative Party. The Irish potato famine of 1846 was the external shock which forced Peel's hand in making the symbolic shift from a protectionist to a free trading regime. In the 1842 budget Peel had already abolished

750 duties and so corn only has such historical centrality because Peel's opponents inside the party chose to give it such a status.

In 1846 Peel resigned after pushing through the repeal bill although two thirds of his own party voted against him in the lobbies. In the debate Peel made an uncompromising speech, demanding that his party either oppose his stand outright or get behind him. This "take it or leave it" attitude to partisanship forced a major political realigment with the virtual expulsion of Peel and his supporters from the Conservative Party and the formation of a separate Peelite grouping. Peel's corn law repeal measure brought in a decisive acceptance of internationalisation in British foreign economic policy.

Chamberlain and Tariff Reform

The next major Tory adaptation to structural change was the Tariff Reform initiative put forward by a dissident member of the Tory leadership, Joseph Chamberlain. Chamberlain's initiative took place in the context of German and American challenges to Britain's trading supremacy.

Chamberlain's initiative addressed the politics of power imperative to create a new foreign economic regime which would stop any further erosion of Britain's trading position in the world economy. Now that Britain had serious commercial rivals he believed that free trade no longer worked in the UK's favour. His politics of support concern was that the challenge of an emergent labour movement in the political market necessitated social reform. He sold tariffs as a means by which social reform revenues could be raised, thereby maintaining working class allegiance to the Conservative Nation and its imperial project, rather than the socialist alternative. Chamberlain's foreign economic policy initiative was a reassertion of national sovereignty in this field.

The boldness of Chamberlain's initiative presented Prime Minister Balfour with huge problems. Chamberlain had provoked a divided response to his call for the ditching of free trade. A Free Food League was set up by Lord Devonshire inside the party dedicated to campaigning against protectionism. Correspondingly, his policy attracted significant Tory support in the constituencies and amongst some backbenchers - the factions then were quite evenly balanced.

Facing the prospect of an imminent general election, Balfour followed the conciliatory model of party management. He was acutely aware of the fact that the government could be brought down if he was seen to repudiate either tariff reformers or free traders. Balfour was thus pushed into a nebulous position of endorsing the objective of imperial unity whilst expressing doubts about the practicability of tariffs. He then tried to move the argument onto the less dangerous ground of whether the policy would be electorally saleable.

Balfour's difficulties can be best seen in the March 1905 debate on a Liberal motion condemning preference, which was deliberately tabled to make mischief out of Conservative divisions. When the vote was called on the motion Balfour and his

frontbench walked out of the chamber. Nevertheless 35 Tory Free Traders voted with the Opposition in the ensuing division. In addition Balfour's stance did not prevent Chamberlain and his supporters mounting a factional upsurge from the grassroots in order to impose their policy on the party (Barnes 1994: 340).

Europe and Structural Change

The Macmillan Application

Britain's gradual and agonised retreat from empire from the late 1950s onwards was the latest stage of Conservative adaptation to structural change. It began with Harold Macmillan's application to join the EEC in 1961 and continued with the succesful Heath application in 1971-2. The opening to Europe was the direct result of decolonisation and the deeper underlying shift in the pattern of British trade which was gathering pace in this period.

In the 1950s and 60s there was a structural change in the pattern of British trade, with a flow of UK trade away from the traditional "Empire Circle" towards Europe and North America. In the 1955-65 period, exports to Western Europe and North America increased by £1390 million, whilst exports to the overseas sterling area (OSA) countries increased by £403 million. The share positions of the two trade areas were almost exactly reversed, with the OSA share falling from a half to a third and the share of Western Europe increasing from a third, to a half of all exports (Sanders 1990:118).

These economic patterns of disengagement from empire ran alongside other political changes. The British will to secure her colonies against nascent nationalist agitation was sapped by her relative decline. The series of decolonisations which resulted were accompanied by a slow withdrawal from the East of Suez strategic military presence, at the end of the Wilson Government and at the outset of the Heath Government. The internal coherence of the Commonwealth as a diplomatic as well as an economic project for British foreign economic policy, was undermined further by the new British restrictions on immigration from the Commonwealth and by the Rhodesian crisis.

The Suez crisis, in which Britain's subordinate economic and military role in relation to the United States, was so cruelly revealed, was the symbolic shock which prompted policymakers to undertake a strategic reappraisal of the imperial regime. Either Britain retreated into isolationism as advocated by Enoch Powell, became even more closely tied into the Special Relationship, or it became a fully-fledged European power inside the EEC.

When Macmillan made his application to join the EEC, he returned to the internationalisation tradition of his party's foreign economic policy. Like Balfour he adopted the conciliatory model to ease his party into an acceptance of its reduced world role and the need to bind itself into a European destiny. So Macmillan presented membership as a commercial option and not as a major strategic choice for British foreign economic policy (Neustadt 1969:141).

Macmillan did not court disaster at the early stage of 1961 by openly dismissing the Commonwealth as a viable project. Macmillan's cautious advocacy of the European option was motivated by his anxieties about the possibility of a party split on the issue. The latent divisions which he believed existed indicated that delicate handling of the issue was essential. His fears seemed to be confirmed from the outset when on the division in the first application debate in August 1961, thirty Tory MPs abstained on the government motion and one rebel, Anthony Fell, voted against.

His friend, Edward Boyle, wrote to him after the August 1961 vote, agreeing with Macmillan's own appraisal of the divisiveness of the European issue for the party and drawing parallels with the Corn Laws and Tariff Reform. It is significant that Conservatives themselves perceived that the European issue was comparable to past epoch making splits. Macmillan quotes from Boyle's letter in his memoirs. Boyle argued that Macmillan should not attempt to straddle his party's divisions on Europe:

I don't see how the Conservative Party can avoid some sort of split on this issue. But the example of Balfour after 1903 surely suggests that the attempt to avoid any split, on some highly contentious issue, may simply result in a far greater and more damaging one (and in electoral disaster) (Macmillan 1973: 16).

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The Heath Government and Europe

Heath was a much more doctrinal leader than Macmillan on European policy. His resolve to push through British membership of the EEC stimulated strong backbench dissidence. This dissidence had many common features with the campaign waged by the Euro-rebels in the 1990s. Both Maastricht and British accession to the EEC led to ferocious backbench campaigns and forced the Conservative frontbench to take draconian measures against dissident Tories. A comparison between 1972 and the 1992/93 debates also shows crucial differences in the nature of the European debate, especially in terms of the attitude of the Tory Right.

In 1972 when the European Communities bill (the legislation facilitating British accession to the Community) was being debated, the Heath Government faced a strong Tory backbench campaign to defeat the bill, with many parallels to the battle against Maastricht ratification that will be discussed later on in this chapter.

The anti-marketeers exploited a comprehensive range of initiatives available to a backbencher dissident, in order to oppose government policy. Like the Euro-rebels in 1992, the anti-marketeers struck early on in the new parliament by tabling a hostile EDM. In the motion they urged the Heath Government to:

Not to seek or accept terms which do not safeguard British sovereignty and our ability to decide our own economic and social policies, and to protect the interests of the Commonwealth and our EFTA partners. (Norton 1978: 66)

The EDM contained 44 signatures, 18 of whom were new members in the 1970 Parliament. On 28 July Teddy Taylor resigned as Scottish Office Under Secretary of State due to his opposition to EEC accession. Organisationally, the anti-marketeers made efforts to cement their numbers and discipline their support in the face of the government whipping operation. Powell, Biffen and Marten, the diehard anti-marketeers of the 1972 battle met regularly to discuss tactics in their campaign. Biffen acted as an unofficial whip and recorded the votes of likely anti-marketeers. Powell voted against the EEC bill on a total of 80 divisions, Biffen on 78 and Marten on 69 (Norton 1978: 80). Norton describes the anti-EEC dissidence as the, *most persistent Conservative intraparty dissent in postwar history* (Norton 1978: 80).

Many of the rebels also had a track record of being ardent supporters of imperial and Commonwealth ties. The rebels were forced to concede that Commonwealth trading preferences were a diminishing asset and did not represent an alternative foreign economic strategy. They felt far more secure in concentrating on the political aspects of membership rather than the economic case (Gamble 1974: 194-5). The political case against membership had two facets - parliamentary sovereignty and the global conception of British power. The rebels saw Europe as a retreat from a global role. One of the leading accession rebels was Sir Robin Turton:

I believe that Sir Winston Churchill was right; that our role in the world is something much wider than an inward looking Community and that our future depends on our ties with open seas HC Debates, 21/10/71, Vol. 823, Col. 944).

At this stage Conservative pro-Europeans were much more self-confident. The neo-liberal Tory Right were also supportive of British membership. The bulk of the Tory neo-liberals, who later became identified with Margaret Thatcher's leadership, supported British membership. Patrick Jenkin MP, who later became a minister in the Thatcher Cabinets asserted that Britain would face "a grim struggle for existence" if she remained outside the Community (Gamble 1974: 193).

Heath's legislative and political tactics in pushing through the accession legislation were a precursor for Major's struggle to ratify the Maastricht treaty. Heath faced a scenario not dissimilar to that of Major in the Paving bill in 1992 and on the Social Protocol in 1993, when the second reading of the accession bill was threatened. Heath used the general election threat which was also Major's trump card. Heath personally lobbied opponents of his European policy in order to stop them pushing his government over the brink. Heath saw nine anti-marketeers in order to press home the confidence nature of the vote. Heath said that if the legislation were defeated then the 1970 parliament "could not sensibly continue" (Col. 742, Hansard 17/2/72). Like Major in the early 1990s, Heath was forced to make European legislation an issue of confidence in order to secure parliamentary backing and even then he only survived by a slim margin.

Heath won a second reading for the bill by the slim margin of 8 votes. On this occasion, 15 Conservatives cross-voted. None of the dissenters had the Conservative parliamentary whip withdrawn. Had the government not attracted the support of 5 abstaining Labour MPs and 5 Liberals then it would have gone down to defeat. As *The Times* observed on the following morning after the vote:

The Government came within a hairsbreath of falling in the Commons last night (The Times 17/2/72).

Biffen, later a Maastricht Euro-rebel, described the second reading opposition as the highwater mark of the rebellion in 1972 (Norton 1978: 74).

Both Heath and Major were forced to raise the stakes in their battle to drive through European legislation. The Tory European rebels in both periods were prepared to risk the fall of a Conservative Government in order to push forward their opposition to European policy. This indicates the intensity of the passions which Europe arouses within the Conservative Party.

The Thatcher and Major Governments

Post- Single Market Europe and Foreign Economic Policy

By the time of the Thatcher and Major Governments the British economy had become even more structurally integrated into the European Union. The European Union represented the largest share of Britain's exports of goods and services. The single market was a major step in accelerating Britain's integration into the UK

economy. The consequences of this integration meant that the British economy was increasingly subject to the policies of other European member states. In particular the UK economy was influenced by the German Mark. These developents formed the context for the conflict over European foreign economic policy which took place after the proposal for economic and monetary union (EMU) in 1988. British participation in EMU would entail the most fundamental step in British foreign economic policy since the abandoment of the Corn Laws.

Thatcher As Opposition Leader

The great conflicts which Thatcher provoked over Europe after 1988, followed a period in which she followed the conciliatory model of management of this isssue. When Margaret Thatcher took over from Heath as leader of the Conservative Party in the mid-1970s, she was seen as a unifying force on Europe (Aughey 1978: 24). She was committed to British membership but lacked the doctrinal stance of her predecessor. Therefore Thatcher's stance was far less provocative to the anti-marketeers. Thatcher's pragamatic European stance was in evidence with her support for the Labour Government's guillotine motion to secure direct elections for the European Assemby (as it was then known (Ashford 1980: 116). She also criticised the Labour Party for its refusal to join the new European Monetary System (EMS). On both the Parliament and the EMS, Thatcher's attitudes drastically hardened in the later years of her premiership.

When Thatcher became Prime Minister, the early phase of her European policy was dominated by negotiations over Britain's contribution to the EC budget. When the Conservatives came to power the new Chancellor signalled that the problem of Britain's contribution to the European budget was worse than the Conservatives had realised in opposition (George and Sowemimo 1996: 247). Thatcher and her Foreign Secretary, Lord Carrington, fought a prolonged four year battle to reduce the UK's contribution to the EC budget. Eventually, Thatcher succeeded in gaining a budgetary rebate at the Fountainbleau summit in 1984.

The Single European Act 1986

After the budgetary conflict, the Conservative Government's relations with the European Community entered a phase which was more amenable to Margaret Thatcher. The negotiation and ratification of the Single European Act (SEA) provided temporary reassurance for Thatcher that her free market views had prevailed in Europe. The SEA passed through the House of Commons in the face of a tiny Tory rebellion: 2% of the Conservative parliamentary party, voted against the second reading of the legislation. Significantly, only a handful of MPs were present to participate in the debate on the Bill, compared to the intense interest over the Maastricht negotiations six years later. In the House of Commons Second Reading debate on the Bill to enact the Cockfield plan, Sir Geoffrey Howe strenuously played down the implications of the new powers that had been given to the Community:

I know that the small and enthusiastic group of my hon. Friends who are in the House are anxious about references to European Union in the preamble to the Single European Act 1986. Such declarations are not new in the Community. (HC Debates 23/4/86, Vol. 201, Col. 325)

We are not talking about the declaration or proclamation of a United States of Europe or about vague political or legal goals. We are talking about practical steps towards the unity (not union) that is essential if Europe is to maintain and enhance its economic political position in a harshly competitive world. (HC Debates, 23/4/86, Vol. 201, Col. 325).

However Bill Cash, Tory MP for Stafford, laid down a marker for his later dissent over European union, when he tabled an amendment at the bill's Committee stage to the effect that: "nothing in this Act shall derogate from the sovereignty of the United Kingdom Parliament" (Cash 1991: 3). Cash's amendment indicated that a section of the parliamentary party supported the creation of the single market in the belief that it would not erode British constitutional preogatives.

The SEA was a blueprint and timetable for a genuine Common Market, a barrier free Europe, apparently institutionalising the British neo-liberal policy agenda across the whole of the Community. Subsequently Mrs. Thatcher has conceded that she was mistaken in her reading of the implications of the SEA. The consequences of the Act were to accelerate moves towards economic and political integration in the EC. Mrs. Thatcher now admits that she had "her fingers burned" after acceding to the SEA. (Guardian 6/5/93). Yet at the time the SEA was hailed by the Government as a successful rearguard action, reached in unfavourable circumstances.

The Milan European Council was presented with the Draft Treaty on European Union (Spinelli Report) which proposed full-blooded federalism. This document had been passed by the European Parliament on February 14th 1984. It called for a federal European Union to have tax raising powers and for the national veto to be abolished within ten years. At Milan in 1985 there was strong pressure for an increase in competence for the supranational institutions of the EC. Thatcher was originally publicly hostile to any new institutional reforms leading to Treaty amendments (Times 1/7/85). It was at this juncture that Conservative anti-federalist, Jonathan Aitken MP, put it to Mrs. Thatcher that it might be time to consider whether there should be a two tier Europe as the French President had suggested (Times 3/7/85). However at this stage Thatcher responded in disagreement.

Thatcher had resented being bulldozed, as she saw it, into an intergovernmental conference (IGC) at the Milan summit. Nevertheless at this stage she was vigorously opposed to detaching Britain from mainstream EC developments. She took a pragmatic stance that an "empty chair" policy, similar to that of De Gaulle, would do Britain no good. She resolved to make the best of the IGC (Thatcher 1993: 551).

At the Luxembourg IGC the deregulation paper written by Lord Cockfield formed the basis of the Treaty amendments. The Cockfield White Paper, freeing capital and labour movements, was an attractive extension of Thatcherite domestic deregulation. The single market programme was a move towards "deep free trade"

whereby if a product or service meets the requirements of any member state of the EC then it can be sold in any other member state. This involves mutual trust in each other's regulatory standards (Willetts 1992: 172).

However in order to facilitate the dismantling of trade barriers, the Government was forced to concede to institutional reforms which it might have opposed had they been put forward in their own right. The Government saw majority voting in areas like banking, insurance and services as a means of gaining national leverage for the Conservatives' neo-liberal policy objectives, stopping states like West Germany, Greece and Spain blocking market liberalisation (Taylor 1989: 12). Thatcher was only prepared to support supranationalism to achieve a specific end, believing that market opening agreements could be exploited primarily by British firms. Young has argued that Germany was prepared to acquiesce in the loss of markets in these sectors because the SEM as a whole represented a move towards greater progress in Europe (Young 1993: 149). She has subsequently said that the price to be paid for market liberalisation was majority voting (Thatcher 1993: 553).

Thatcher now argues that her concession on QMV has been abused by the European institutions and that the measure has been used to initiate social legislation. At the time of the SEA's ratifiction Thatcher saw the legislation as a means to achieve market liberalisation. By the late 1980s Thatcher saw proposals for enhanced European powers as a threat to British free market objectives.

The Turning Point of 1988: Delors and the Social Chapter

The turning point for the Conservative Party's relationship with Europe was the summer of 1988 and the EC German Presidency. The presence of a major EC state in the chair is usually very influential in setting a new direction for the Community. In this case the British Government was alarmed because the German Christian Democratic administration now looked to be siding with the French Government on economic and monetary union. This alliance set the foundation for the integrationist push in the European Union which led to the Maastricht treaty..

It was at this stage that Thatcher abandoned the consensual model of European party management which she had adopted as Opposition leader. Unlike Macmillan and Balfour, she decided to pursue a rigidly doctrinal approach. The Bruges speech was not designed to unite the Conservative parliamentary party but marked the moment when Thatcher became a partisan in the European controversy. Unlike Macmillan, Thatcher did not seek to finesse the issues involved but argued that the EMU was of epochal importance. She made no concessions to party unity and as a consequence broke with key allies like Lawson and Howe. Lawson noted that the Conservative Party could only be led from the centre on European policy (Lawson 1992: 923).

The key initiative which set the course for confrontation with Europe was the establishment of the Delors Committee at the Hanover summit in June 1988. The remit of the committee was to investigate the feasibility of a common European monetary policy. With the German Presidency setting this type of pace, the

federalist President of the European Commission, Jacques Delors, felt emboldened to raise the stakes in his drive for union.

In July 1988 Delors made a speech to the European Parliament predicting that, within ten years, 80% of all economic and some tax and social legislation would be of Community origin. He followed up his assault with a more overtly ideological challenge to the British Government at the TUC Annual Conference where he argued that the single market had to be accompanied by a social dimension.

The prospect of a Delors style social Europe, rather than a minimalistic free trade area, in which employment and other social regulations were the preserve of member states, appalled Thatcher. Delors' TUC speech symbolised her fear that Europe was now becoming a threat to British deregulation and free market policies. Delors' federalist advocacy also brought home to Tory MPs the ambitions of many European actors to go beyond a Europe limited to being a free trade area. These European ambitions were augmented by the publication in 1988 of the EC Commission's Social Chapter setting out Community objectives for common standards of social and employment provision across the EC, including minimum wage and health and safety requirements.

In public Thatcher inveighed against the Charter as the reimposition of the socialist project on Britain after the Conservatives had succeeded in dismantling these fetters. In private however, when lobbying Community partners, she was more explicit about the nature and origin of the threat. She argued that the Charter was a German-inspired protectionist device aimed at forcing all EC countries to adopt Germany's high social costs. Therefore the poorer EC countries would be unable to compete effectively with the Germans on price terms (Thatcher 1993: 752). However on this issue at the 1989 Madrid summit she was again unable to prevail.

The Bruges speech in October 1988 was the most notorious of her challenges to Brussels and marks the beginning of her offensive against the "Delors phase" of European integration post single market. Much of the speech is an anodyne historical survey, together with a reworking of timeworn themes like CAP reform and completion of the single market. The striking elements of the speech are the doctrinal and confrontational ones, billed strongly by Bernard Ingham, the Prime Minister's Press Secretary (Teasdale 1993a).

In one section she unfavourably contrasts Europe with America to highlight her determination to pursue free enterprise values and policies:

> *But the whole history of America is quite different from Europe. People went there to get away from the intolerance and constraints of life in Europe. They sought liberty and opportunity; and their strong sense of purpose has over two centuries, helped create a new unity and pride in being American.* (Thatcher 1988)

The clear implication was that the individualistic culture of American was preferable to that prevailing within Europe and that a free market society made the creation of a federal union more acceptable and manageable. Then in the most

famous passage from her speech she engages directly with European federalism, as the second front in her challenge against collectivism:

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.(Thatcher 1988)

The combination of the Delors' social Europe proposals and plans for monetary union changed the debate over Europe within the Conservative Party. Thatcher set down the key doctrines of the Thatcherite Nationalist grouping in this early stage. Bruges also identified European integration as a threat to the Anglo-American alliance, the Thatcher free market project and to Britain's national identity. Her economic, foreign policy and constitutional critique brought across most of the Thatcherite grouping, like Tebbit and Parkinson. These individuals had previously voted for British membership of the EEC.

Lawson's break with Thatcher over Exchange Rate Policy and EMU negotiations

The dispute between Thatcher, Lawson and Howe over the exchange rate mechanism and EMU was the major breach in the ranks of the Thatcherite grouping. These three key figures had been united around the monetarist policies of the early 1980s. By 1988 Lawson and Howe's perspective on the conduct of British and European monetary policy became divorced from Thatcher's views. Nigel Lawson as Chancellor of the Exchequer advocated an alternative strategy for negotiating with the EU. The essence of his case was that the Government should embrace the exchange rate mechanism (ERM) for diplomatic as well as economic reasons, whereas EMU should be rejected in principle. Thatcher opposed both the ERM and EMU. She believed that fixed exchange rates were a dangerous stage on the path to a single currency.

Lawson had already become convinced of the need for an external financial discipline to reinforce domestic anti-inflation policy. He saw the exchange rate as an easily understandable and less esoteric guide than a panopoly of monetary targets, to achieve price stability. He also saw the anchor with the German mark as a responsible guide given the successful track record achieved by the Bundesbank in sustaining price stability (Lawson 1992: 507). The decisive moment for Lawson in shaping his attitude to the ERM was the 1985 sterling crisis (Thompson 1995: 255).This was because sterling suffered far more from the dollar's appreciation than did the ERM economies (Thompson 1995: 256).

However for Thatcher, joining the ERM had, by 1988, become the ultimate symbol of weakness of resolve and abdication. Seeking to subcontract the management of monetary policy to German monetary targets was an admission of failure in British policy (Thatcher 1993: 706-7).

Lawson believed that the structural changes in the financial environment accelerated by Conservative policy made domestic monetary managment increasingly deficient. Lawson was concerned about the extent to which exchange rate movements could

occur due to the gyrations of a global financial market, when these movements were unrelated to economic fundamentals. For Thatcher, once free market economic disciplines had been introduced, then it was wrong in principle to seek to intervene and "manage" the deregulated market. She believed that attempts to do so would bring about the very distortions which the Conservatives had been keen to eradicate in the first instance.

Lawson's ability to force Thatcher's hand in negotiations within the EC had been undermined by an earlier attempt to subvert her opposition to fixed exchange rates, between the winter of 1987 and March 1988. Lawson had attempted to shadow the Deutschmark, thereby "living in sin" with the ERM. He had set an exchange rate target which he pursued through intervention in the foreign exchange markets. At the same time Thatcher was insisting publicly that no target existed and that the pound was free to float against all other currencies. Challenged by the Opposition Leader, Neil Kinnock, in the House of Commons on the 10th March 1988, over the shadowing of the mark, Thatcher made a concise but telling assertion, summing up her attitude to economic policy:

My Rt Hon Friend the Chancellor and I are absolutely agreed that the paramount objective is to keep inflation down. The Chancellor never said that aiming for greater exchange rate stability meant total immobility. Adjustments are needed, as we learnt when we had a Bretton Woods system, as those in the EMS have learnt that they must have revaluation and devaluation from time to time. There is no way in which one can buck the market. (Thatcher Quoted in Lawson 1992: 797)

Eventually Lawson was forced to concede defeat and the pound was uncapped above its three marks to the pound level. Lawson believed then and still does now, in the economic case for membership of the ERM but his main purpose in advocating it after the setting up of the Delors Committee, was diplomatic.

The Delors Report was published in April 1989 and recommended a three stage move to full monetary union. In stage one all member states would become members of the ERM. In stage two a European Central Bank would be set up and finally in stage three a single currency would replace all the national currencies.

Lawson also had a diplomatic rationale for backing ERM membership. He hoped to detach stage one, from the final two stages. He hoped that if Britain accepted ERM membership then it would face less Community pressure to back the remaining stages. Lawson argued within Whitehall that the UK needed to join the ERM so that it could slow down the momentum towards EMU (Thompson 1995: 263). He feared that if Thatcher rejected the whole package, then Britain would be totally isolated in the negotiations. Anthony Teasdale, former Special Adviser to Geoffrey Howe as Foreign Secretary, argues that the Foreign Office's primary objective at this time was to break the linkage between stage one and two/three (Teasdale 1993a). Lawson made a series of public initiatives which gave a political rationale for separating the three stages:

The ERM is an agreement between independent sovereign states.....Economic and Monetary Union by contrast, is incompatible with independent sovereign states with control over their own fiscal and monetary policies. (Lawson 1992: 910)

The Madrid Summit and its Aftermath

In the aftermath of the European elections the Conservatives faced the crucial Madrid summit on the 23rd June, which was to examine the Delors Report. Before the summit a Howe-Lawson axis was in operation determined to prevent the Government being isolated at the summit due to Thatcher's negotiating style. Lawson and Howe decided to give Thatcher an ultimatum on Madrid, either she agreed to accept the ERM, subject to a series of conditions or they would both resign. This ultimatum marked a new stage in the deterioration in the relationships of Thatcher's early 1980s praetorian guard. It emphasised the fact that Europe had now split the Thatcherite grouping within the leadership of the Conservative Party.

At the summit the other heads of government were taken aback by the new chastened and softly-spoken British Prime Minister. Thatcher announced her agreement to the Madrid conditions as they became known, to the House of Commons on the 29th June. Teasdale believes that Madrid was a window of opportunity for Britain, which Thatcher failed to exploit, due to the surprise of the other member states at the new British conciliatory line (Teasdale 1993a). Significantly the final summit communique did not endorse the Delors Report but merely noted it as a basis for further work.

The Madrid conditions were that Britain would enter the ERM subject to a shopping list of requirements on inflation, capital movements and competition policy. In public Thatcher subsequently sought to emphasise the pitfalls involved in these conditions, whilst Lawson and Howe were able to claim that the conditions were not much more than a formality. The Madrid conditions unexpectedly led to a brief truce between the parliamentary protagonists. The opponents of EMU were able to claim that Thatcher's rejection of stages 2 and 3 was a victory. Tory pro-Europeans took comfort from her movement on the ERM and her new conciliatory approach. So the formula allowed both parties a degree of flexibility. However Thatcher's resentment at the Lawson-Howe ultimatum ensured that the truce was to come to an abrupt end.

On July 24th Howe was informed by Thatcher that she was relieving him of the Foreign Office in a dramatic reshuffle, in which half of the Cabinet were moved or sacked. In October Lawson became the next victim as he chafed under the strain of seeing Thatcher's personal economic advisor, Sir Alan Walters, contradict the Madrid formula. Lawson resigned on 26th October and was replaced by John Major at the Treasury. Lawson notes in his memoirs that both he and Howe who had been in the vanguard of the Thatcher revolution were now, ten years later, on Thatcher's blacklist (Lawson 1992: 958).

The Ridley Resignation, Aspen, The Vibert Paper and the Hard ECU

The next resignation over Europe was Thatcher's most loyal supporter, Nicholas Ridley, one of Thatcher's closest ideological allies. Ridley gave a Spectator interview to Dominic Lawson in July 1990 which was seen to be too closely and

publicly expressing Thatcher's own sentiments about Europe for him to remain in the Cabinet without huge diplomatic embarrassment. Ridley's inteview was evidence of the Thatcherite Nationalists' growing antipathy to what they saw as Germany's political dominance within the EU and their belief that a federal Europe would reinforce Germany's power.

In his idiosyncratic interview Ridley made a passionate denunciation of the German desire to take over Europe. His most memorable quote, comparing Hitler's Germany to Kohl's federalist ambitions, was taken up by the cartoonist Garland on the magazine's front cover. However his most revealing quote was his detestation of Germany's growing economic domination. Ridley spoke of his detestation of 'Simply being taken over by economics' (The Spectator 1990).

Ridley saw the structural power of the German economy in Western Europe as far more insidious than German territorial conquest because the market had a legitimacy that war could never achieve. After preaching the virtues of market forces, it was galling to see Britain placed in a subordinate position to Germany due to the operation of the marketplace.

As the European tensions became increasingly public and embittered in 1990, one Tory commentator noted how party alignments were being remoulded by the issue:

A new breed, the Brugeite has replaced the old dogs of the European Reform Group (that dwindling band of maverick anti-Europeans, whose number had dwindled to 11 in this week's Commons vote on the ERM. The Brugeite is a more domesticated breed.....And cutting completely across all Right/Left distinctions, there is a strand of free market Euro-enthusiasm which thinks that the sacrifice of sovereignty is a small price to pay for the creation of a continent-sized test-bed for free trade and enterprise. (The Spectator 27/10/90 p.8)

Thatcher's concerns about the effects on the UK of European integration stemmed from a more expansive conception of foreign economic policy. She was concerned that a federal Europe would turn inwards and become a protectionist bloc, cutting its stategic, commercial and security ties with the United States. For her, resistance to the Delors project was allied with a determination to maintain the Atlanticist security/economic relationship.

Thatcher sensed that the Bush Administration was seeking disengagement from Europe after the collapse of the Warsaw Pact and would endorse faster European integration in order to manage the transition of Eastern Europe from communism to capitalism. Thatcher made a key-note speech at Aspen, Colorado in the US on the 5 August 1990 putting forward an alternative political and economic project to insular European federalism. She called for the creation of a free trade area encompassing North America and Western Europe. The Aspen speech showed that in the post-Cold War world, Thatcher continued to see the Anglo-American alliance as central to British foreign policy.

Thatcher also briefly flirted with the idea of putting forward her own alternative agenda for institutional development to the IGC. Thatcher was already contemplating how European competence could be limited to single market

jurisdiction and excluded from matters which she regarded as of purely domestic concern. She had seen a paper written by Dr Frank Vibert, then of the Institute of Economic Affairs. Vibert's paper called for a remodelling of the EC along intergovernmental lines. Vibert says that he was called in to brief Thatcher on his paper and that she was strongly supportive of it (Vibert 1994 & Letwin 1992: 294). Vibert's paper proposed that the Commission not only lose its right to initiate legislative proposals but be downgraded into becoming a mere civil service agency. The fiscal and monetary powers of the Community would also be constitutionally constrained. This latter proposal would have weakened the EU's ability to be the vehicle for reflationary social democratic policies.

Thatcher had already been distressed to discover that on assuming the Chancellorship, Major began to adopt a pragmatic approach to monetary union and was preparing to compromise with other EC countries on the issue. Thatcher argues in her memoirs that Major had been startled by the apparent strength of commitment shown by the other EC states at this time to push ahead with the Delors project. Thatcher dismissed Major's concerns about the spectre of a "two-speed" Europe, with Britain relegated to the slow lane. Subsequently she has accused Major of "swallowing the slogans of the European lobby" (Thatcher 1993: 720-1). This was the beginning of the divorce betwen Major and Thatcher's European policy. Major was determied to leave open Britain's options in respect of a single currency, in case an inner core EMU was formed. Thatcher however was opposed to EMU in principle and wished to veto it.

During the summer of 1990 Major had also launched a British counter-initiative to the single currency, the "Hard ECU", a common currency. The Hard ECU was essentially a political and not an economic proposal. Major hoped that acceptance of his proposal would shift debate away from the simple political objective of a single currency and onto the practical questions of economic convergence of member states' economies. If the ECU proved popular enough in the market place it would then be able to develop from a *common* currency into a single currency. The Hard ECU was the first in a series of procedural devices which Major deployed to attempt to manage Conservative divisions over Europe. As in the case of his later EMU opt-out, the Hard ECU deferred the question of a single currency.

The concept of a thirteenth currency available to all EC citizens if they so wished, was presented as a pragmatic, constructive and evolutionary route to EMU. The proposals proved attractive to the Tory Party, because it was a free market road to economic integration and did not bind the EC to the goal of a full single currency, the hard ECU's political nature meant that the Germans and the French dismissed it as a spoiling tactic and did not support it. They were encouraged in this view by Thatcher's own steadfastly negative approach. In her statement after the Athens summit she declared that she did not think that anyone would use the ECU anyway, thereby subverting the purpose of her Chancellor's proposal within months of its being announced. Sir Charles Powell argues that the Government "was too late into the field with the hard ECU" and that the potential attractiveness of the proposal was stymied by Thatcher's obstructive attitude (Powell 1994).

ERM Membership and Thatcher's Resignation

Before Thatcher's downfall the weakness of her political position, with bad opinion polls and the legacy of Lawson's departure, forced her into accepting ERM membership. Ironically membership in October 1990 came about despite the fact that the Madrid conditions had still not been met. In the end it was the political factors and not the economic case which were paramount in pushing Thatcher to join in the face for pressure for Douglas Hurd, her new Foreign Secretary and John Major. Although Thatcher had seized the initiative after Madrid and broken up the Howe-Lawson axis, the political fallout from the reshuffle, with the disquiet that it had caused on the backbenches, forced her into a weakened position vis-a-vis her new top ministers, Major and Hurd.

ERM membership finally came in October 1990, on the final day of the Labour Party conference and was received almost rapturously by Tories after the protracted divisions at Cabinet level on the issue since 1988. In the House of Commons debate on the ERM dissent was still confined to the handful of monetarist free floaters, like Nick Budgen and John Biffen. The rest of the parliamentary party acquiesced with varying degrees of enthusiasm in the policy in the mistaken hope that it would ensure a "golden scenario" of falling interest rates in the run-up to the election.

Biffen, as a classical monetarist, opposed what he saw as the distortion of economic behaviour to meet an artificial exchange rate.He feared that currency intervention would presage wider supply-side intervention:

The truth is that we are providing a sign post to a planned economy in which first government exhortation and ultimately government intervention will be used to bring about economic behaviour that accommodates the politically chosen exchange rate. (HC Debates, 23/10/90, Vol. 178, Col. 230)

Despite ERM entry, within a matter of a month Thatcher was forced to resign anyway, due to the aftermath of the EC Rome summit in October 1990. At this summit Thatcher was isolated as the other states agreed a timetable for the beginning of monetary union. She reacted violently insisting that the other eleven were "living in cloud cuckoo land" (Baker 1993: 377). On her return from Rome Thatcher made a House of Commons statement in which she departed from her script and dismissed Major's Hard ECU initiative and denounced federalism with the words, "No, No, No!"

It was this performance that prompted Howe finally to resign from the Cabinet on 1st November. Howe had increasingly chafed at Thatcher's absolutist opposition to EMU. Howe had given a series of veiled warnings about what he believed were the dangers of Thatcher's position on EMU. His most famous intervention came at the Tory Party conference at a fringe meeting of the Bow Group:

The next European train is about to leave, for a still undefined destination, but certainly in the direction of some form of EMU. Shall Britain this time be in the driver's seat? Or in the back-carriage? (Howe 1994: 640).

He had attempted to claim that in the past Thatcher had publicly opposed moves to European integration, such as the SEA but she had signed up at the last minute. As Howe admitted in his resignation speech, he had attempted to "stretch words beyond their meaning" in order to reconcile his disagreement with Thatcher. The whole basis of Howe's speech was that the Government must continue to negotiate from within the Community if it were to be able to protect British interests, Britain could not afford to be absent from decision making institutions.

Howe's speech established some of the key themes which the Neo-Liberal Integrationist Tories subsequently articulated. Principally, he warned of the diplomatic consequences if Britain allowed herself to become excluded from any aspect of the Union's decision making. Howe voiced these arguments in a powerful personal statement on the floor of the House:

How on earth are the Chancellor and the Governor of the Bank of England, commending the hard ECU as they strive to, be taken as serious participants in the debate against that kind of background noise? .....It is rather like sending your opening batsmen to the crease only to find, the moment the first balls are bowled, that their bats have been broken before the game by the team captain.(HC Debates, 11/12/90, Vol. 182, Col. 464).

Howe's speech ended with an implicit call to insurrection against Thatcher. The next day Michael Heseltine duly challenged her for the Conservative leadership. On the first ballot Thatcher failed to gain the requisite majority. Before nominations closed for the second round Thatcher was forced to withdraw and resign as party leader by her Cabinet colleagues. After a second ballot, John Major emerged as the new Conservative leader after he and Hurd stood against Heseltine in the second ballot.

The Major Government and Europe

Major's inheritance as leader was the enduring wounds after the coup against Thatcher and persisting divisions over Europe. He was forced to accommodate the disparate strands within his party after Thatcher's divisive final two years as leader. Major conforms to the consensualist model of Tory leadership on foreign economic policy. Major committed himself to the over-riding objective of keeping the Conservative Party united.

Major has chosen to manage the European divisions which his predecessor fuelled. In 1991 Major faced an imminent intergovernmental conference (IGC), set up to negotiate amendments to the Treaty of Rome to move towards a European union. The IGC would reach its end in December 1991 and so the negotiations would occur in the run up to the general election. Major's overriding priority was to keep the party united whilst restoring some political and diplomatic capital amongst the other member states.

To achieve these objectives Major launched an external diplomatic offensive with key EC players like Chancellor Kohl and President Mitterand. His style was conciliatory and accommodating, abandoning the abusive style of his predecessor. He spoke about Britain being "at the very heart of Europe." In particular Major

sought to cultivate Chancellor Kohl as a political ally, recognising that it had been the German influence which was pivotal in initiating the IGC on EMU in the first place.

At home Major walked a tightrope between the two factions of his party. By using bellicose language about the dangers of a centralised European super-state, Major held the anti-federalists in check. Correspondingly, the pro-Europeans were wooed by his diplomatic style and promise to negotiate in good faith. As Lawson points out Major's priority was to keep the Conservative Party together in the run-up to the general election (Lawson 1992). The success of Major's party management in this phase was identified by several commentators:

Mr. Ridley has made a speech against monetary union, in which all the most combative passages were all quotations from Mr. Major. (The Spectator 22/6/91)

Despite his pre-summit balancing act, Major still had to contend with the suspicions of anti-federalists that he was determined to sign a Treaty because of his fear that Britain would be consigned to the slow lane of a two-speed Europe. They were urging Major to reject outright plans for monetary union and did not believe that a separate opt-out status for Britain would be tenable in the long term:

If the Prime Minister is convinced that we cannot be excluded from the single currency, he cannot afford not to sign the Treaty. If that is so, he is not negotiating but pleading for terms.(HC Debates, 18/12/91, Vol. 201, Col. 481).

At the summit itself Major was hailed as having pulled off a negotiating triumph. The bulk of the proposals of the avowedly federalist Luxembourg draft of the European Union Treaty were rejected in favour of much more watered down proposals in the political union sphere.

The Significance of the British EMU Opt-Out

The Maastricht Treaty established a constitutional mechanism for an economic and monetary union. However, crucially for John Major, the IGC gave him a procedural device to maintain party unity on the European issue. In a special protocol the British government and parliament were granted the power to make a separate decision about whether it wished to join in a full monetary union before or after the target date. This EMU opt-out gave Major the ability to claim that he had delivered on his undertakings to his party and resisted the imposition of a single currency on Britain. Major hoped that the EMU opt-out would cool his party's passions on the issue but in fact it brought a very temporary relief.

The British opt-out from monetary union was the centrepiece of Major's consensual approach to European policy. Major deferred the issue of whether Britain would join a single currency and thereby sought to pacify the Thatcherite Nationalists, who were opposed to EMU in principle, whilst reassuring pro-European Conservatives. However the opt-out was later to create its own problems for Major and it became a focus for division and conflict. It was because the issue of British membership was deferred, that the Government had an agnostic stance on EMU, saying that it would

decide whether or not join if the circumstances arose. The Government's official agnosticism created a vacuum into which the Nationalists were able to vocally campaign for Major to reject British membership of EMU.

The Aftermath of the Summit

The British Press having raised the stakes in the negotiations, by portraying Maastricht as a "high noon" encounter for Britain with other member states, gave the Government favourable coverage. Major received an adultatory reception from Conservative backbenchers and stories of an imminent pre-election rift in the party disappeared.

These feelings were summed up in the House of Commons post-Maastricht debate by one veteran anti-EC campaigner:

It was a tactical success and a considerable achievement. Certain qualities of steel were required beside mere negotiating skills. Like Horatius, the Prime Minister held the bridge. (Jonathan Aitken MP, HC Debates, 18/12/91, Vol. 201, Col. 336).

In the Commons vote immediately after the summit only diehards like Tebbit and Nick Budgen opposed the settlement. Even Teresa Gorman and Bill Cash did not oppose the IGC's outcome at this stage. Thatcher abstained in the Commons vote. In December 1991 there was little sign of the furious revolt which developed a year later. However there were a large number of abstentions in the division, including Thatcher and Cash. Budgen now says that at this stage, just months before a general election, many of his colleagues `held their fire' but fully intended to reopen the debate after the election (Budgen 1994).

What the Treaty Contained

The core of the European Union Treaty (EUT) is the section on EMU. Whereas the Delors Report outlined the three stages on route to EMU, the EUT set down binding convergence criteria to which member states had to adhere, in order to set up a single currency, the convergence criteria were essentially narrow financially geared conditions entrenched in the Treaty at the behest of an informal alliance of interest between the British Government and the Bundesbank.

They clearly bear the mark of a monetarist perspective focusing on the attainment of price stability rather than output and employment. Participating states had to attain an inflation rate of no more than 1.5% above the average of the 3 states with the lowest prices and a public debt not exceeding 60% of GDP. 1996 was set as the first date for an attempt to form EMU subject to qualification according to the convergence criteria of a majority of states in the new European Union (EU). By 1999, the qualifying states would automatically adopt a single currency even if there were only two on this occasion. The single currency would be operated by a European Central Bank.

The convergence criteria were a second insurance policy for the British Government. They were designed to slow down achievement of a single currency, thereby reducing the political pressure on Britain to join a single currency if it were formed. Here Major had a coincidence of interest with the Bundesbank. The Bundesbank were concerned that if they were to be displaced by the EMI then currency union must come about on German terms - an anti-inflationary discipline. Arguably the strong monetarist credentials entrenched in the EUT were further evidence of the saliency of neo-liberal economics inside the EU. It was these characteristics of EMU which made Howe and his neo-liberal integrationist supporters attracted to the single currency project. Whereas for Thatcher and her supporters EMU was abhorrent because of its constitutional implications.

Maastricht After the General Election

On April 9th 1992 the Conservative Party was elected to a fourth consecutive term of office. It seemed likely that Major would be able to use his new mandate to push through the bill enacting the Treaty swiftly. After the general election the Tory truce on Europe ended and a hard-core of MPs emerged to oppose the Maastricht treaty and the federalist project. These MPs were given a lead by Thatcher herself and many of the senior figures of the Thatcher Governments. Their campaign proved to be the most cohesive and persistent dissent in Conservative history.

The Second Reading debate was held on 20th May and the Government received a massive majority, thanks to a Labour abstention and Liberal Democrat support. However from this point onwards a hardcore of Tory Euro-rebels emerged, opposing the bill's second reading. These Tories were to prove pivotal to the remaining stages of the bill, when wholehearted Opposition support was withdrawn and the Government found itself in the ignominious position of running a minority administration on Europe.

Major's problems in ratifying the bill began with the Danish Referendum in June 1992. After the narrow "No" vote in Denmark, Major found that his even-handed stance became less tenable and more politically exposed in managing the party. Unfortunately the Referendum coincided with the start of the British Presidency of the EC, giving Major the responsibility for accomodating the Danes, as well as his own party at Westminster.

Major could either choose to lead a movement in Europe for the Treaty to be ditched, as European law required its ratification by all member states, or he could decide to press on with British ratification whilst steering through a separate side-deal for the Danes. Major's decision to opt for continued ratification meant that the Euro-rebels now firmly identified the Government as being the opposing camp to themselves.

Some moderate Tory MPs would have wished to seize on the opportunity to repudiate Maastricht. A Treaty which at seven months earlier was seen as a strong rearguard action in hostile terrain, they now had the excuse to dispose of altogether. As George Walden MP put it, " the Government seemed prouder of what it had

excluded from the Treaty than what was actually contained within it" (Spectator 1992: 9). This backbench feeling was summed up in an Early Day Motion (EDM) calling for a fresh start in the Community, signed by 69 Tory MPs on 3 June 1992. Eventually 85 Tory MPs signed the motion, nearly a half of the backbench parliamentary party. The text of the EDM was as follows:

That this House urges Her Majesty's Government to use the decision of the Danish people to postpone the passage of the European Communities(Amendment) Bill as an opportunity to make a fresh start with the future development of the EEC and in particular to concentrate its efforts on the chosen agenda of the British presidency which is to extend the borders of the EEC and to create a fully competitive common market. (Spicer 1992: 201).

The neo-liberal Conservative press then began their campaign to undermine the Treaty. From then on the Thatcherite Nationalists had the solid backing of large amounts of the British press, amplifying and reinforcing their key themes. The Spectator leader caught the mood of the Right of the parliamentary party, arguing that Maastricht had never been a triumph for Major and that the Treaty still represented something abhorrent:

It has been seen by the Danes for what some of us knew all along that it was - a brazen attempt to create a federal European state of a crypto-socialist nature, by robbing individual countries of crucial elements of their sovereignty. In standing up for their rights the brave and individualistic Danes have stood up for all citizens in the EEC. They deserve our congratulations and gratitude. (Spectator 6/6/92: 5).

Black Wednesday and its Aftermath

Although the Conservative parliamentary party had welcomed ERM membership, the party's attitude to a European monetary policy ended in bitterness and disillusionment two years after Britain's entry into the system. This legacy had long term consequences for Conservative attitudes to Europe. Sterling's departure from the ERM convinced the anti-federalists that European integration could do serious damage to Britain's economy. For the integrationists the ERM fiasco reinforced their belief that Britain had to deepen integration if it were to avoid such vulnerabilities in future. The ERM further polarised Tory opinion.

In the late summer of 1992 the Government faced the slide of the pound in the foreign exchage markets. With no sign of the two year recession abating, the ERM was criticised for impeding the Government from slashing interest rates. This climate reinvigorated the anti-federalists. They could now make a plausible association between European integration and economic slump. Their concerns were now seen to be less peripheral and of direct relevance to the pressing concerns of most Tory MPs.

The anti-federalists argued, "If this is what a fixed exchange rate is doing then imagine what damage EMU would cause." At a meeting on the 23rd June 85 Conservative MPs met at a meeting of the European Reform Group, to consider the question of whether the ERM was leading to an overly tight monetary policy and the prolongation of the recession (Taylor 1992).

Finally on 16th September 1992, as the speculative pressure on sterling became irresistible, the Government was forced to leave the ERM, thereby devaluing the pound by 15%. The ejection of sterling from the ERM came as the whole system came under severe strain due to the impact of high German interest rates, with the lira also being forced to leave the system. The anti-federalists now deployed the persuasive economic case that European monetary arrangements were attempting to force common policies on divergent economies. Once the pound was left to float, the authorities were able to drastically cut interest rates in order to stimulate Britain's depressed economy. At the same time the remaining members of the ERM laboured under high rates.

The derailing of the Goverment's entire macroeconomic policy, after Black Wednesday, further emboldened the anti-federalists. They now claimed that it was due to the ERM/EMU project that the recession had been unnecessarily lengthened. Black Wednesday prompted a second EDM, number 549, on 24th September, on the fixed exchange rate issue. It welcomed the departure from the ERM. Many of its signatories had also put their names to the Fresh Start EDM in June.

Black Wednesday crystallised the main dynamics of the Conservative divisions over Europe. The German Government's dominace of the ERM fuelled Thatcherite distrust of Germany's likely power inside a monetary union. Yet for integrationist Tories the Bundesbank's disproportionate weight on the ERM was a reason for moving to a European wide bank, which they claimed would give other member states a say in monetary policy. The breakup of the ERM also enabled the Euro-rebels to argue that the economic divergences between member states made EMU an unworkable ambition.

The Paving Motion and New Dimensions to Conservative Dissidence

After a domestic policy retreat on pit closures, Major sought to rally Tory MPs in support of the Government and the increasingly unpopular European cause. The bill had already been referred to committee after its second reading and so a further motion was technically superfluous. He hoped to regain a mandate for his determination to drive the Treaty through the Commons whilst he was attempting to accommodate the Danish Government's post-referendum concerns. His move seemed to have backfired when Labour took this unexpected opportunity of opposing the motion, arguing that it was a vote of confidence in the Government and not an endorsement of the Treaty.

Major dramatically raised the stakes in his public fight with the rebels over the Paving Motion. Like Heath in 1972, Major personally lobbied rebellious MPs and in another parallel with the accession struggles, he let it been known that he would have to resign if the paving motion was defeated in the Commons. MPs like Sir Rhodes Boyson who visited the Prime Minister said that Maastricht had become an issue of confidence.

The strength of the Government's whipping operation also indicated the seriousness of the rebellion. MPs complained of interference in their constituencies and

"unethical pressure" being brought to bear on them through their personal lives (Baker, Gamble and Ludlam 1993). Robin Hodgson, chairman of the West Midlands regional Conservatives, wrote to *The Times* calling for Cash and Budgen to be deselected (Gorman 1993: 117).

During the Paving Motion debate in the House Major spelt out the familiar "staying on the train" case for ratifying the treaty - that if Britain did not ratify then she would have no influence in Europe:

I know that it is the wish of some that the Maastricht treaty might not have been proposed by others in the Community. The fact is that it was. It is equally the case that we got the best out of it that we could in our own national interests.

Those who argue that, because we did not propose the treaty, we should take advantage of the present circumstances to ditch it do so in the belief that we could have everything we want in Europe and sacrifice nothing. I have to tell them that argument is not real to the way in which the Community conducts its business (HC Debates, 4/11/92, Vol. 214, Col. 295)

The intensity of the pressure succeeded in picking off two of the hitherto hardcore rebels, Michael Cartiss and Sir Gerard Vaughan. These two were persuaded to pull back from the brink by desperate last minute lobbying from Major himself during the division.

The fact that Major only succeeded in getting his motion passed by 3 votes in these circumstances and only with the support of the Liberal Democrats, was indicative of the extent to which the anti-federalists were pushing out the frontiers of Tory parliamentary dissent. Despite making Europe an issue of confidence and even indirectly threatening that defeat might result in another election, a hardcore of 26 dissenters defied Major. They were immune to all appeals for party unity and loyalty. Such behaviour is unprecedented in modern Conservative history. Of these 26, 18 had also opposed the Second Reading of the Maastricht bill in May 1992.

In the face of brutal whipping and Prime Ministerial lobbying this hard core of anti-federalists held up well. Eighteen of their number carried forward their rebellion from second reading to the motion. The majority of the rebels are strongly Thatcherite in their policy stances. Previously Tory rebellions have been sporadic, unorganised and geared to single issues, like the poll tax. After an issue has been resolved the loose alliances that have been formed to campaign on an issue will break up and no factions are created (Gamble 1974: 8-9).

At the Edinburgh summit, in the aftermath of the Paving Motion, Major as President of the European Community steered a Treaty "clarification" in order that the Danish Government's position could be accommodated and the new provisions submitted to the Danes in a second referendum. The Euro-rebels were further enraged that another opportunity of casting aside the Treaty - the Danish veto had been frustrated by the Conservative Government. However, the Government used the chastened atmosphere caused by the first Danish referendum to claim that British caution about the direction of the Community was now in the mainstream of European thinking:

Maastricht changed all that. For the first time, the sort of questions that Britain had been asking were asked in other Community countries as well (The Economist 1993: 23).

Major and Hurd strongly urged the Danish people to back the Treaty dispensations of foreign policy and EMU that the British Presidency had secured for them. They implied that, if the Danes did not back the Treaty, then they faced isolation and possible expulsion from the Community. This provoked Tebbit on the 26th April to attack Hurd as merely acting as a messenger for German threats. The conjunction of the British Presidency with the splits in the British Government's domestic constituency further intensified the opposition of the Euro-rebels.

The Committee Stage of the Bill

The Maastricht hardcore grouping have in addition to opposing Major on a vote of confidence also pushed out the boundaries of parliamentary dissent in other ways. During the passage of the European Communities Bill in 1972 a hard-core of six Tories opposed the government relentlessly. During the ratification of the Maastricht treaty, the hard-core of dissidents increased to 20. However the cohesion of the accession rebellion was fairly weak. The rebel numbers during the committee stage of the 1972 legislation fluctuated wildly from 1-17.

The cohesion of the Maastricht rebels can be shown with reference to a survey compiled by Mark Leonard, research assistant for Calum MacDonald MP, on the pattern of Tory resistance to ratification. Nine Tories, headed by Bill Cash and Nicholas Winterton, voted against their party over forty times. But beneath them is a cluster of a further ten who notched up votes into the thirties. The figures covered 63 divisions. The top nine MPs voted against the government at nearly every single opportunity during the legislative process, from second reading to the end of the committee stage (Guardian 5/5/93).

The rebels consistently demanded that unless the government granted a national referendum on the legislation they would continue to resist ratification using any expedient to do so. The referendum demand was clearly motivated by an expectation that if the Treaty was put to the people then it would be rejected. The referendum campaign allied with the national phone-in endorsed by Thatcher received some support from influential opinion formers, such as *The Times* newspaper on 29th March 1993 and also from eminent Tory historian, Lord Blake.

The rebel operation was far more sophisticated than that of their predecessors in the 1972 European Communities bill. They established a permanent base at 17 Great College Street and a parliamentary group, taking forward the momentum achieved by their succesful EDMs - the Fresh Start Group. The first meeting of the Group was held at committee room nine on the 24th September 1992 (Sunday Times 25/7/93:13). Spicer became the organiser for the group with Cash as the spokesman for the media and especially television. Both the group's base and the establishment of a whipping operation by Christopher Gill and James Cran ensured that the group was able to solidify its ranks.

The establishment of Bill Cash's European Foundation in October 1993 also placed down a marker for future anti-federalist campaigning inside the Conservative Party. The Foundation's director is Ian Milne and Bill Cash is the head of its editorial board. The Foundation publishes a periodical, *The European Journal*, which is by no means confined to institutional issues. The journal has broadened its critique to the wider issue of the costs and benefits of British membership, it has re-opened many of the issues, like the CAP and the operation of the ECJ, which the anti-marketeers campaigned on during the 1970s. Its contributors include continental anti-federalists, like Phillipe Seguin. This indicates the desire of the editors to bring together a coalition across Europe in order to bring pressure to bear on other national goverments.

The rebel operation was taken very seriously by the Government Whips Office with officials admitting that the vigour of their campaign forced the Government into a minority administration on Europe. The Whips Office contained a billboard listing all the rebels and their voting record on the Treaty (Gorman 1993: 55). At committee stage the Maastricht hardcore voted against procedural motions, such as closure and have backed opposition wrecking amendments. Generally these MPs have done anything to frustrate the bill's progress. Francis Pym (Chief Whip at the time of the European Commmunities bill) noted in an interview on *Channel Four News* that whereas in 1972 the anti-marketeers opposed the government on principled motions, they did not attempt to frustrate the government from getting its business through the House.

One instance of the procedural tactics adopted by the hardcore was their support for amendment 28 on 8th March 1993. Here the Government suffered its first defeat on an Opposition attempt to democratise the new Committee of the Regions. Their motives here were purely to slow the progress of the bill in a war of attrition with the Government. The high watermark of rebellion was reached on 20th May 1993 on the Third Reading of the Bill, marking the end of the Commons stage. Labour had decided to abstain in this division and so the whips unusually were secure in the knowledge that the legislation would sail through with a massive majority. Safe in the knowledge that their votes would not jeopardise the bill's passage to the Lords the rebels' numbers rose to 41 with 5 abstainers. Whereas the hardcore of rebels consisted of an older generation of MPs, many of the Third Reading rebels came from a younger generation, such as Bernard Jenkin and John Whittingdale.

Further evidence that the division inside the Conservative Party went much deeper than the relatively small number of rebels would indicate is provided by the Edward Leigh resignation. Leigh was sacked in the Lamont reshuffle and subsequently denounced the Maastricht Treaty and said that he regretted voting for it on Third Reading. In an interview with *The Spectator,* the Right's general distrust and antagonism towards the Prime Minister's government was revealed (Spectator 5/6/93). Leigh specifically claimed that as many as half a dozen junior ministers shared his antipathy towards Maastricht. Some credibility was provided for this claimed by two other events. One was the apperance of the Employment Minister and No Turning Back Group member, Michael Forsyth, in the House of Lords

during Thatcher's speech on Maastricht, as if to show silent endorsement of her views. Gorman claims that Leigh made a representation to the Prime Minister on behalf of 14 like-minded junior ministers, concerned by the expansion in the competence of the European Court of Justice and its ability to reverse parliamentary legislation (Gorman 1993: 169).

Far more revealing were the unguarded off-the-record comments of the Prime Minister himself, when speaking to an ITN journalist, which were leaked on 25th July. Major referred to three unnamed Cabinet colleagues who opposed his line on Europe as "bastards". These Cabinet members were assumed to be Peter Lilley, Social Security Secretary, Michael Portillo, the Chief Secretary to the Treasury and Michael Howard the Home Secretary. Major's unguarded comments indicated the fact that unlike the divisions over Europe in the early 1970s, the split over EMU went all the way up to Cabinet level.

The Social Protocol Issue

From the beginning of the European controversy the primary threat that Thatcher identified in Europe was the social dimension. Opposition to the social dimension is one of the few European policy issues on which the parliamentary party is united. There is a virtual Tory consensus that European social legislation would harm British competitiveness and increase unemployment. The Major Government has been resolute in its drive for greater labour market deregulation. The Maastricht treaty established a "social chapter" through which member states could legislate for social measures. The chapter brought forward the aspirations incorporated in the 1989 Social Charter. Major and Hurd secured a legal protocol as part of the Maastricht treaty, exempting Britain from social measures decided under the chapter's provisions.

The securing of the social chapter opt-out, in a separate protocol of the Maastricht Treaty, was Major's proudest achievement at the summit. It also caused the most virulent opposition from the Labour Party, which pledged itself to do all it could to reverse the opt-out. The Government and virtually all backbench MPs persisted in their claims that the opt-out was vital to Britain retaining her competitive edge, in terms of lower social costs than other EC member states. Without it Britain would become less attractive to inward investment and would be less competitive with the countries of the Pacific Rim. On his return from the Maastricht summit Major presented the social protocol opt-out as a triumphant protection for a deregulated British economy:

The Opposition cannot credibly claim that such extraordinary provisions would not recreate precisely the kind of national bargaining - but now at a Community level - which created what was called the "British disease" of the 1960s and 1970s, so I rejected those proposals.(HC Debates, 18/12/91, Vol. 201, Col. 282).

When the opt-out provision of the Treaty was endangered by the Euro-rebels, the Government chose to dramatically raise the stakes and threaten to ditch the entire Treaty if the House of Commons did not ratify it as negotiated. The frontbench's

threat showed the extent to which the Conservatives now saw European integration as a threat to British deregulation.

The Euro-rebels were dismissive of Major's social chapter opt-out "negotiating triumph." The rebels agree with the Government on the objective of resisting social legislation but they believe that the European treaties would enable other member states to impose these measures on Britain through other means than the social chapter. They believe that the Government has empowered the European institutions to extend their competence into areas like social affairs. Sir Teddy Taylor argued in a briefing paper issued to members of the Conservative European Reform Group, that the Commission has shown a determination to push ahead regardless with new social directives using the powers given by the SEA. He cites the 48-hour week as an example, where the Commission argued that it was empowered to make regulations in this sphere using the SEA Treaty base (Taylor 1992).

Labour put down an amendment which they hoped would force the Government to accept the social chapter. The rebels immediately demanded to know whether the Government would ratify a Treaty complete with the chapter.On 20th January 1993 Tristan Garel-Jones and the Frontbench insisted that this was inconceivable and that by voting for the amendment Labour and the Liberal Democrats were putting ratification at risk. The rebels immediately sensed an opportunity to scupper the treaty. The Government were forced to accept Labour European Affairs spokesman, George Robertson's amendment 27 to the bill or face defeat, as the Euro-rebels were going to support the amendment in any case.

The rebels were therefore incited to vote for the amendment as a procedural tactic to stop the Maastricht bill becoming law. Despite their abhorrence of the social chapter, they now saw it as an expedient to prevent the treaty coming into force. After the failure of the referendum vote in the House of Lords on 14th July, the rebels knew that their only remaining hope of killing the Treaty was if they backed Amendment 2 as 27 now had become post-committee stage. In the run-up to this vote the Prime Minister refused to declare his hand about whether he would ratify a Treaty-plus social chapter. Nevertheless the crescendo of rhetorical attacks on the Treaty continued unabated. This ensured that the Government had effectively boxed itself into a corner and could not accept the chapter without a massive loss of face before its own parliamentary party and the wider electorate.

Two votes took place on 22nd July 1993. The first was on Amendment 2 and the second was on the main Government motion, *That the House has confidence in the policy of HM Government on the adoption of the Protocol on social policy*. This motion endorsed the Treaty as negotiated. The first vote was won by the Government by majority of 1 using the Speaker's casting vote. However the second vote saw all but three of the Maastricht rebels vote with the Opposition and the motion was defeated, despite the Government having secured the support of the Ulster Unionists in the division.

Major then immediately slapped down a vote of confidence for the following morning. The new motion tied a vote of confidence in HM Government to an

endorsment of its line on the social protocol. This tactical ruse had been agreed before the vote as a contingency measure which could be deployed to reject the social chapter if the motion on 2 went against the Government. On this occasion Major quite unambiguously claimed that if he lost the vote he would ask the Queen for a dissolution and a general election. The threat of a general election at a time when the Government was in third place in the opinion polls effectively blackmailed the rebels into voting with Major in the division lobbies on the Friday afternoon.

As part of a deal between the Frontbench and the rebels, designed to defuse the acrimony and bitterness created by the Government's tactics, Hurd agreed to make a conciliatory gesture to them in his winding up speech on the confidence motion (Gorman 1993: 226). The significance of this gesture was clear. The Government had been startled by the strength of the rebels' rearguard action against the Treaty and wished to pre-empt further trouble over European legislation in the future. The FCO clearly had an eye on the 1996 review date when the European Council would decide on any further Treaty amendments. Although the rebels had failed to sink the Treaty they had established themselves as a force to be reckoned with in the parliamentary party on the issue, reinforcing the Government's own hostility to European political integration.

Ratification was finally achieved after they had won the vote by a majority of 39 and when Lord Rees Mogg withdrew his legal challenge in the High Court. Ironically EC-wide ratification finally came on the day in which the ERM, the linchpin of the monetary union convergence process, had broken up.

The Government's European Strategy After Ratification

After the ratification of the treaty the Government hoped to shift attention away from institutional questions and monetary union and onto their ambitions for an extension of deregulation in Europe. The breakup of the ERM in July 1993 added weight to the Government's arguments that the economic conditions in Europe had pushed the achievement of EMU into a remote timescale. They also attempted to redefine British relations with the EU by the use of language as they did in the case of subsidiarity. The Government's objective was to persuade mainstream Tory MPs that the EU could accommodate Britain's preferences for a free trading relationship with Europe. A Government insider said that this tactic while essentially presentational, is in fact useful in dispelling the nightmares about European integration (Interview 1994).

Major and A Multi-Speed Europe

During the European Election campaign Major launched a new presentational theme which had earlier been trailed by the Foreign Secretary in speeches at Inverness and Poland. In a speech at Ellesmere Port on May 29th 1994, the Prime Minister described his vision of further institutional development in Europe developing along the lines of *variable geometry*. Central to the speech was Major's call for a "multi-speed Europe". Major argued that with the imminent enlargement of the EU to incorporate the Scandinavian countries and eventually Eastern Europe, the old

monolithic structure of the founders and the Treaty of Rome had become inappropriate and should be replaced by one providing more flexiblity. Multi-speed meant different nations could integrate in different areas and at different speeds:

I have never believed that Europe must invariably act as one on every issue. Trying to make every country conform to every plan is a socialist way of thinking; it's not for us. I don't happen to think that it threatens Europe if member states are free to do some things in their own way and at their own speed. It's simply good old-fashioned commonsense (Major 1994).

Multi-speed essentially evaded the question of whether Britain should or should not join a single currency if one was formed. It was not a prescriptive policy. Instead multi-speed simply described the objective developing reality of the EU in terms of the convergence criteria for EMU, the Schengen agreement, the likely association status for Eastern Europe and the introduction of the "pillars" in the Maastricht Treaty. A Government insider has admitted that the Government's use of the multi-speed notion is merely a presentational device which finesses the Conservative Party's divisions (Interview 1994).

A fortnight before Major's speech one of the Euro-rebels, Michael Spicer had made a speech in Prague which also called for a Europe based upon a multi-track approach. Spicer's approach went much further than his leader because he challenged the Government to take its multi-speed/multi-track rhetoric to its logical extent. As the Government had already "opted-out" of Schengen, the social chapter and had a right to opt-out of the single currency, Spicer argued that opting out should become a universal right for EU members across all policy areas and that Britain should exercise this right far more extensively:

A many layered Europe where groups of countries are able to come together to pursue common policies for mutual interest while retaining control over areas of solely domestic concern.

It is no longer realistic to demand a total acceptance of the "acquis communautaire" and the "finalite politique" from new members (Spicer 1994).

The Euro-rebels appropriated the rhetoric of a multi-speed Europe in order to push forward their demand that power should be repatriated from the EU back to Westminster competence. The debate over the future institutional development of the EU continued in the autumn of 1994 with contributions from the French Prime Minister and from the German CDU. Balludur called for a three tiered Europe whereby a top-tier participated in the single currency, a medium tier was outside EMU but present in all other institutions and a third layer was to include Eastern Europe.

Chancellor Kohl's CDU produced a position paper written by Karl Lamars and Wolfgang Schauble. The CDU argued that an inner core monetary union should develop and named a series of likely participants. Lamars also called for the "top-tier" of members to integrate across all fields of policy, including defence policy. This might create what Lord Howe has described as a "military-monetary union" (Financial Times 30/1/95).

However the British Government reacted with annoyance to the Balludur/CDU agenda and asserted that these proposals did not represent a genuine multi-speed approach. Hurd and Major argued that notions of inner cores were exclusive and did not genuinely allow member states to choose the areas which they wished to participate in. In his William and Mary lecture at the University of Leiden on 7 September 1994, the Prime Minister dealt head-on with the German proposals for an inner core of states within the EU:

If we try to force all European countries into the same mould we shall end up cracking that mould. Greater flexibility is the only way in which we shall be able to build a Union rising to 16 and ultimately to 20 or more Member States.

No Member State should be excluded from an area of policy in which it wants and is qualified to participate.....So I see a real danger, in talk of a "hard core", inner and outer circles, a two-tier Europe. I recoil from ideas for a union in which some would be more equal than others (Major 1994a:6).

A Government insider insists that the Lamars proposals are not a logical development from the convergence criteria and would create institutional difficulties inside the EU. He poses the question, "would inner core states have a separate institutional status and body within the EP for example, while the rest of the EU legislated aside from them?" (Interview 1994).

The Pro-European Counter-Mobilisation

The professionalism of the anti-federalist mobilisation eventually provoked a counter-mobilisation by the pro-Europeans within the party, worried that they had lost the initiative to the Cashites. Tim Renton conceded that the parliamentary *Positive Europeans* do not enjoy the same cohesion as the Euro-rebels. Renton argues that the Positive Europe Group is fairly heterogeneous, comprising those who are merely supportive of Britain's membership to those who advocate further integration (Renton 1994). It is also clear from the membership of the group that they are an ageing body with a dearth of younger members from the 1992 intake.

By the autumn of 1994 the *Action Centre for Europe* (ACE) had been founded. It is headed by former Euro-MP, Michael Welsh. ACE's Advisory Council was headed by the business and Tory Party elite, especially representatives from the financial world, including the former governor of the Bank of England, Lord Kingsdown, David Hunt, Lord Howe, Lord Whitelaw and Tristan Garel-Jones. Andrew Marr described it as *a mobilisation of the pro-European establishment unlike anything seen since the original referendum campaign* (The Independent 20/10/94). ACE was an important stage in the coalescing of the interventionist-integrationists and the neo-liberal integrationist into a common Tory pro-European front. ACE incorporates representatives from both groupings.

ACE in its first three months succeeded in raising £80,000 from a number of blue chip companies, like Grand Metropolitan and Glaxo (The Independent 10/1/95). ACE plans to set up a series of study groups on European policy, with the aim of issuing a document of its own to counter the tracts produced by the European

Foundation. Tim Renton MP argues that the pro-Europeans were advised by the Whips Office during the ratification process to take a calm line and to be supportive of the frontbench. Renton says that these tactics are now likely to change as the pro-Europeans can see the extent to which the anti-federalists have made the running inside the parliamentary party (Renton 1994).

Michael Welsh, ACE's director, says that ACE was conceived as a network bringing together pro-Europeans from business, politics and academia. He says that it will eschew a direct campaigning role and will not be a pro-European equivalent of the European Foundation. Instead ACE will furnish the public with facts and analysis about European integration, such as its 1995 pilot study on EMU. However he anticipates that partisans, such as Lord Howe, will wish to use this material to push their own case (Welsh 1995).

In addition to ACE, a group of Tory pro-Europeans have also formed an elite dining club called the *Positive European Group* or PEG. PEG has sixteen members and meets on a regular monthly basis. It includes Tony Teasdale, Peter Cropper, former Special Adviser to Lord Howe, Adam Ferguson and is chaired by Michael Welsh. PEG meets at the Carlton Club or the Reform Club (Teasdale 1994). There is also a more secretive dining club, known as *88*, which includes a number of pro-European Tory ministers, such as Stephen Dorrell, the Heritage Secretary (Interview 1994a). The parliamentary *Positive Europeans* are chaired by Ray Whitney and include MPs like Jacqui Lait and David Nicholson.

The Demand for Withdrawal from the European Union

Another significant development was a call for the first time by a prominent Conservative for the party to consider withdrawal from the EU. Norman Lamont's argument highlighted an emerging theme articulated by the rebels. Rebels like Gorman insist that Britain has lost the argument on economic policy and political integration within the EU. Furthermore, a more integrated and interventionist Europe would fatally damage Britain's competitiveness. Lamont took this argument to its logical extent by concluding that in these circumstances, it would be in Britain's interest to withdraw from the European Union. In a speech to the Selsdon Group at the Conservative Party Conference on 11/10/94, the former Chancellor, Norman Lamont, set out a series of options for the party's European policy in the run up to the 1996 IGC. Lamont argued that Maastricht only deferred the question of British participation in EMU. He also challenged Hurd's assertion that the debate in Europe was at last turning in Britain's favour on institutional issues:

The plain fact acknowledged by every continental politician except those on the fringes of power - is that the eleven other members want a European Union that is a European State

We deceive the British people and we deceive ourselves if we claim that we are winning the argument in Europe..... There is not a shred of evidence at Maastricht or since then that anyone accepts our view of Europe (Lamont 1994).

Lamont for the first time contested whether the EU provided any commercial advantages which would not be available from another source and argued that Britain could have an economically viable future outside the Community:

As a former Chancellor, I can only say that I cannot pinpoint a single concrete advantage that unambiguously comes to this country because of our membership of the European Union

If Britain were not a member of the European Union today, I do not believe there would be a case to join.

It has recently been said that the option of leaving the Community was "unthinkable". I believe that this attitude is rather simplistic.

Lamont proceeded to contextualise Britain's position in the global economy in a way in which Europe appeared to be of less value than it had hitherto been. He argued that Britain was neglecting the new Asian markets in its concentration on the EU (Lamont 1994: 14). Increasingly the Nationalists drew attention to the opening of markets in Asia and the Pacific and argued that it is here that the real commercial opportunities lie and not in Europe. The Thatcherite Nationalists are aware that if they are to argue against European integration, then they need to outline a positive economic future for Britain outside Europe, as well as drawing attention to disadvantageous European structures like the CAP.

Lamont outlined his optimal alternative to membership of a federal EU. The Lamont alternative was for Britain to negotiate an "outer tier membership" whereby the UK participated in only the free trading provisions of Rome treaty. Such an outer tier would be based upon the EEA but would give Britain a say rather than just consultation rights, in the institutions of the Community. Like Spicer, Lamont saw this minimalistic option as ensuring the benefits of being in a free trade zone, whilst avoiding the undesirable features of the social dimension and a single currency.

In a further passage in his Selsdon speech, Lamont made a virtue out of a two-speed Europe, arguing that it would accommodate the differing aspirations of Britain and her European partners. Other member states would be free to integrate faster, whilst Britain could choose its own destination and speed of integration:

But what have we to fear if others choose a different destination and different institutions for governing themselves? Far from fearing a two-speed Europe we should positively welcome it, advocate it and warmly support it (Lamont 1994: 20).

The European Finance Bill Vote

There was further conflict over European policy when the European Finance Bill had its second reading. A large number of the Euro-rebels had signalled their intention over the summer to oppose the bill's provisions for an increase in the Community's own resources. This increase had been agreed at the Edinburgh summit in December 1992. The rebels were given political ammunition by a report from the Court of Auditors identifying large scale corruption and waste in the operation of the CAP. However on the day of the Queen's Speech the Prime

Minister let it be known that the bill would become a vote of confidence. Immediately the bulk of the rebels acknowledged that the government had won on the issue.

However, a handful of the rebels still refused to capitulate. Kenneth Clarke then declared that if the government lost the bill then the whole Cabinet had agreed in advance that a dissolution would be inevitable. The purpose of Clarke's "suicide pact" declaration was to foreclose the option of one of the Cabinet members merely replacing John Major and continuing to govern. The rebels were infuriated at the stakes having been raised even higher. Before the vote on 28th November they met under the aegis of the Fresh Start group and a hardcore of 8 MPs agreed to abstain on the confidence motion.

The Chief Whip had already warned the rebels that if they did not support the government then the Conservative whip would be withdrawn from them. Hours after the abstention of the eight rebels this threat was carried out. Philip Norton has noted that there is no twentieth century precedent for the Conservative whip being withdrawn *en masse* (Norton 1994: 39). The eight rebels were joined by Richard Body who resigned the whip in protest after having voted with the government on the Finance bill. The other rebels were Michael Cartiss, John Wilkinson, Nick Budgen, Teresa Gorman, Sir Teddy Taylor, Tony Marlow and Christopher Gill.

Conclusion

This chronology of events clearly shows that 1988 and the Delors Report on EMU was a watershed in Thatcher and her party's engagement with the European Union. The chronology also shows that a key factor in the European controvesy was Margaret Thatcher's identification of European integration as a threat to her domestic free market reforms. The chronology also shows Thatcher's commitment to the Anglo-American alliance and her desire to lock Europe to US leadership.

Thatcher's most heartfelt theme was her insistance that EMU was an unacceptable assault on the integrity of the British constitution. However her opposition to Britain's participation in a European currency union divided Conservative opinion. Thatcher's stress on sovereignty in foreign economic policy has deep roots within the Conservative ideological tradition as has been discussed in relation to the Corn Laws and Protection.

The Maastricht treaty's provisions for EMU were therefore targeted by Lady Thatcher's followers. These rebels were given additional impetus by sterling's departure from the ERM in September 1992. The strength of the rebels convictions on EMU is witnessed by their voting cohesion and the sophistication of their organisation within Parliament. They also maintained their pressure on the Major Government in the aftermath of the treaty's ratification. The rebels' resolve also held up well in the face of all but the most draconian leadership sanctions. The intensity of the revolt would suggest that the European controversy involves issues which go to the heart of British Conservative politics.

The next chapter will identify the centrality of nationhood ideology for the Thatcherite Nationalists and examine its roots in Conservative history and ideological development. It will show that from the beginning, European conflicts with the globalist aspect of Conservative nationhood ideology.

CHAPTER THREE

THE CONSERVATIVE PARTY AND NATIONHOOD

England has outgrown the continent of Europe....she is the metropolis of a great maritime empire...she is really more of an Asiatic Power than a European (Benjamin Disraeli quoted in Wilson 1987: 5).

We are the trade union of the nation as a whole.
(Rt Hon Edward Heath MP 20/2/74)

So we today at the heart of a vanished empire amid the fragments of a demolished glory, seem to find like one of her own oak trees, standing and growing, the sap still rising from her ancient roots to meet the spring....England herself. (Rt Hon Enoch Powell)

It would be interesting to study in greater depth the reaction of individual British Conservatives to the abandonment of empire. A few, suprisingly few, actively resisted it....The majority, including Winston Churchill and Harold Macmillan, accepted the change with weariness rather than enthusiasm. They successfully clothed it with phrases and gestures which the Conservative Party would accept. (Rt Hon Douglas Hurd MP, An End to Promises, 1979: 45)

The persistence of the sovereignty issue in Tory foreign economic policy is due to the Tory ideology of nationhood. Chapter one also identified the reverence with which the Thatcherite Nationalists view the defence of nationhood. This chapter will examine why nationhood is so central to the Conservative Party. It will also show how the traditional Conservative conception of nationhood is in conflict with European integration.

Nationhood can be defined as membership of a common cultural community, with shared values, language and history. The individuals which make up the nation are usually constituted within a state. People within a nation share a common identity. Nationhood is often expressed as a desire to protect or advance this identity. There are two dimensions to the politics of nationhood. There is an internal dimension which focuses on the institutions, values and historical attachments which contribute to the nation's identity. There is also an external dimension to nationhood, which stresses the nation's identity in the wider world. This aspect of nationhood focuses on the nation's affiliations, commitments and affinity with other national groupings

and states. It is this aspect of nationhood which is most relevant to the development of the Tory European controversy.

The Tory conception of nationhood celebrated membership of a common community as a form of political identity, in order to bind the British electorate to the Conservative Party. Disraeli conceived of the nationhood appeal as one which would supersede antagonistic class alignments. Tory leaders have sought to use the ideology of the nation to counteract the legitimacy and attraction of class politics in Britain. Conservatives see the celebration of national identity as their main point of contact with the electorate.

However, the primary aspect of Conservative nationhood ideology was Britain's global role. Chamberlain and Disraeli developed this globalist conception through the glorification of empire. Pride in Britain's global role was deployed as a form of electoral populism. The Thatcherite Nationalists in the 1990s also wish to use opposition to European integration in order to revive this patriotic electoral appeal.

In the postwar period, Churchill decided that Britain's global role could only be secured through an alliance with the United States. The Thatcherite Nationalists have inherited Churchill's commitment to the Anglo-American alliance. However the imperialist Tories in the 1950s saw both Anglo-America and the EEC as a retreat from Britain's global role.

The internal dimension of the Conservative ideology of nationhood confered great importance on the central institution of Parliament. Parliament expressed the will of the nation. However by the time of Disraeli, Parliament had already developed in a manner which gave primacy to the executive. This executive also presided over a centralised British state, a state whose character complements the elitist nature of the Conservative Party. The three elements of Parliament as a symbol of nationhood, the concentration of constitutional power in Westminster and the elitism of the Conservative Party are synergetic. They have combined to make many Tories revere the national institution which has traditionally concentrated all constitutional power in their hands.

The Crisis of the Old Toryism

Conservative theorists have been consistent in their emphasis on the importance of nationhood . It was Edmund Burke who was the first Conservative to develop a conception of nationhood as a central form of identification and loyalty for British civil society. He conceived of society as an organism, a partnership between the living, the dead and those about to be born. Burke attempted in his counterblast against the egalitarian ideals of the French Revolution, to assert the superiority of a society based upon a notion of interdependence rather than antagonistic groups and agents. Common values, customs and local affiliations gained through membership

of a national community were too precious to dispense with in pursuit of a Utopian egalitarian project.

Burke's Tory romanticism is particularly relevant to the world and environment which the Tory "Country Party" inhabited before Sir Robert Peel became Tory Prime Minister. Burke's organic conception of society assumed that society was composed of active and passive classes - the leaders and the led. In this world traditional agrarian Toryism with its hierarchical conventions was becoming increasingly overtaken by the drive from urban industrialised towns. The social system of the estate-based countryside could not be transferred into the proletarianising industrial towns.

Burke's romanticism was the forerunner for Benjamin Disraeli's political platform when he became Conservative Party leader and Prime Minister. Disraeli's aspiration, revealed in his political novels, *Conningsby* and *Sybil*, was to reconstitute the old elitist feudal conception of society in a manner which could be relevant and attractive to the potentially hostile urban constituency, thereby ensuring the party's survival. Disraeli was the first modern Conservative leader because he was prepared to exchange last ditch traditionalism for tactical opportunism in order to achieve the survival of the values of the old squireachy. If the Tories were to survive they had to run with, rather than against, the grain of society.

The mechanism by which the Tories hoped to achieve this was the ideology of nationhood. The stream from Burkeian thought through to Disraeli represents a transitional process where the Tories were convulsed by the implications of moving from an agricultural society to an industrial one (Harris 1972: 16).

The critical nature of this transition can be seen with reference to the strategic weakness that the Conservative Party faced in the mid-nineteenth century. The party had previously suffered the Peelite schism over the abandonment of the old protectionist regime (see Chapter Two). The Peelite schism was also a product of the trauma involved in the Conservative Party's struggle to reconcile itself to industrialised Britain. Electorally and demographically the party was in decline. The Tories drew their greatest strength from the shires and rural boroughs. Palmerstonian foreign policy and orthodox finance seemed to put the party in the shade. The party's constituency was dwindling, it faced a strong incumbent government and its appeal was waning.

Apparently the least likely figure to rescue the Tory Party from this oblivion was Disraeli, who had previously been the leader of the diehard squires in their failed defence of the old priviliges of the landed aristocracy. Disraeli had been one of the most articulate opponents of Peel's pragmatic engagement with liberal political economy and he assumed the party leadership substantially on the basis of this record. However once he became Tory leader Disraeli also discerned the need for Conservatism to widen its politics of support. Peel had been concerned to widen the

Tory coalition to all forms of property. Disraeli now sought to augment Peelism with an awareness of the need to gain the consent of the working classes for elite rule.

Broadening the Tory coalition beyond even Peel's ambitions meant that the Party's ability to maintain the cohesiveness of its coalition became even more difficult. His ambition to reach out to the urban middle classes whilst at the same time to conciliate the working classes involved the management of several conflicting interests. The Tories triumph in the 1874 election was still based upon very insecure foundations. The Conservative decline in the medium sized boroughs was serious and they still trailed the Liberals in large urban constituencies.

Therefore Disraeli's speeches of 1872-3 became less and less concerned with the land. After 1868 the new voters in the towns were the great unknown for the Tory Party. These urban voters were unsocialised in rural aristocratic values. Disraeli's electoral coalition building was further complicated by the saliency of the religious/cultural cleavage which prevailed amongst the middle classes. Issues such as, Church/State relations, Catholicism and ritual, were all matters of public controversy. Disraeli needed a project which would finesse these conflicts whilst incorporating these heterogeneous groups inside his expanding coalition.

The Tory romantic of Young England thus became the advocate of enlightened Tory paternalism. In *Sybil* Disraeli fulminated against the "two nations" which industrialisation had created. It is important to note that his objection was not to inequality *per se* but to the breakdown of traditional hierarchy based around the priniiple of aristocratic leadership. Disraeli was emphatic that private property and the hereditary principle were an indispensable bastion against tyranny and social revolution.

Disraeli's charge against Whiggery was that it had failed to recreate the old organic polity of rights and reciprocal responsibilities that existed under feudal society in industrial Britain. Disraeli was aware that the capitalism of the Whigs threatened to polarise society and arouse such class antagonisms that property as a whole might be overthrown. For Disraeli the nation was a device which could counteract these class antagonisms and maintain elite rule and privileges inside a new Tory politics of support. Gamble identifies why the Tories had little alternative but to articulate a more encompassing appeal:

> *For as the party of property, they could scarcely hope otherwise to secure the votes of the most industrialised, urbanised and proletarian nation in Europe....One Nation is not an ideological frill for the Conservatives. It expresses the conditions for their survival as a poltical force.* (Gamble 1974: 18).

Disraeli's Politics of Support

Disraeli's Crystal Palace speech can be interpreted as a defining event of the development of nationhood ideology. The Conservative leadership hoped to universalise their interests and political values in order to maintain political power. The notion of the Tory appeal to English nationalism and the wider patriotism of empire was given even greater coherence by Joseph Chamberlain's Social Imperialism.

In his Crystal Palace speech Disraeli combined three interlocking appeals: nationalism, imperialism and paternalism. In the speech Disraeli excoriated the Gladstone Government for weakening the colonial Empire and advocated a renewed "forward policy" in imperial affairs. Secondly, he dedicated the Conservative Party to defend the institutions of the country, such as the Church and the Monarchy. Finally and most significantly, he promised that the Tories would dedicate themselves to alleviating "the condition of the people." He sought to make these institutions political symbols identified with the Conservative Party.

Disraeli began from the premise that elite rule was desirable and justifiable. The political point he contested with the Liberals was the foundations and legitimacy for elite rule. Here he sought to make a virtue out of Toryism's aristocratic roots. Disraeli argued that aristocratic leadership was preferable to the Liberal millocracy because of the latter's tendency to degenerate into oligarchy. He supported privilege but not privilege without social obligations. The Whigs unrestrained individualism was leading to popular disaffection with the nation's rulers. Disraeli argued that Toryism recognised that privilege could only rest upon social responsiblity on the part of the privileged towards the lower classes. He argued that Conservatism's aristocratic roots made the party more sypathetic to the plight of the working classes.

However Disraeli hoped to reach beyond mere paternalism and articulate a form of political identity between rulers and ruled. It is in this area of a bond of identification between the rulers and the ruled - a unifying political identity - that Disraeli's imperialism and nationalism is relevant. By popularising the empire and celebrating national identity, Disraeli wished to synthesise economic interests and cultural identification. Disraeli's highly politicised imperialism can be seen as an attempt to put forward the empire as a project providing global benefits for the whole of society. Disraeli wished to cast the Conservatives' imperial project as of general benefit to other social classes.

Once Disraeli believed that his three-pronged appeal of nationalism, paternalism and imperialism had created a point of identification and common interest across civil society, he could then risk incorporating the working classes within the British state. This came about at first with the 1867 extension of the franchise. He argued that the consent of the working classes for elite rule could only be obtained in return for their participation in the government of the country. He was certain that the potential of the working class to endanger the integrity of private property as a

result of the extension of the franchise would not be realised in actuality. The trauma involved in this step can be seen with the response to his initiative inside the Tory coalition. Lord Salisbury summed up the collective fatalism of many Tories during the final Commons debate on the bill:

The Conservative Party have to my mind dealt themselves a fatal blow by the course which they have adopted (Quoted in McKenzie and Silver 1968: 8).

Nevertheless, as McKenzie and Silver point out, subsequent elections have vindicated Disraeli's confidence. Whilst no causational link between the Crystal Palace project and the Tories electoral dominance can be established, the stress on nationhood has been attributed in Tory folk memory as the means by which the Tories escaped from electoral oblivion. Certainly Tory policy reflects a belief that an appeal to nationhood is electorally attractive.

The ideology of nationhood did not of course just manifest itself in political rhetoric but was evident in the conduct of Conservative foreign and imperial policy. The two major foreign policy initiatives associated with Disraeli's forward policy were the Eastern Question and the purchase of the Suez Canal shares from the Khedive. Although imperial policy under Disraeli did not markedly differ from Palmerstonian or even Gladstonian policy, what was distinct was the ideological stamp which he placed upon it and its triumphalist tone. His grand vision was clear - an empire which was a centralised military unit supporting Britain's role on the world stage. In fact in the actual conduct of policy, Disraeli's approach was distinguished only by its inconsistency (Eldridge 1973: 208).

Nationhood and Tory Electoral Politics

Tory leaders have sought to popularise nationhood as an electoral ideology. For Disraeli the ideological character of his foreign policy was directed at maintaining the cohesiveness of his electoral coalition during this transitional period. The Conservative Party's propaganda in the period following Disraeli's departure from office saw the party endeavour to persuade the working classes that they had a vested interest in an assertive nationalistic foreign policy. In the 1990s, the Thatcherite Nationalists wish to use opposition to European integration as a patriotic appeal in the 1997 General Election.

The conflicts and strains within the Tory coalition referred to above meant that an assertive foreign policy was a seductive escape from the contradictions of reconciling these pressures in Tory domestic policy (Cornford 1963: 701). Suez and India both qualify as policies of national distraction. The glorification of empire, which both these issues represented, was an umbrella under which Disraeli could reassure the middle classes that the Tories were a respectable alternative to Gladstonian radicalism.

As previously discussed, it is not possible to assess conclusively the effectiveness of the nationhood appeal to voters. However the party's campaigning messages indicate that the Conservative leadership believed that the "patriotic card" was an effective one. Tory Central Office propaganda from this period exemplifies these calculations.

During the period 1886-1903 the Liberals became increasingly the target of swingeing Conservative attacks on their patriotism and loyalty to empire. Whilst the Conservatives had united around the Disraelian concept of empire, the Liberal Party became divided on imperialism. The Conservative propaganda in this period actively sought to capitalise on these divisions to further cement their image as *the* British political party - the patriotic party.

The National Union leaflets viciously attacked the Liberal Government of 1892-95 for propagating a series of iniquities on the "English race", such as Irish Home Rule and the Scottish Grand Committee. In the present day it would seem inconceivable that the Tories would seek to explicitly exploit tensions between different nations within the Union but this is precisely what is evident from Tory literature. The English chauvinism of the party's electoral campaigning is demonstrated by the following quotation:

The present mongrel political combination of teetotallers, Irish revolutionists, Small Englanders, English separatists and general uprooters of all that is national and good.....(Quoted in McKenzie and Silver 1968: 57).

Evidence for the popularisation of the notion of empire as the provider of material advantage for all classes can also be found in the party's literature:

Why should we have a strong Navy?
Because the Bread of the working man depends upon it.
If we went to war and our Navy was defeated, the price of the loaf would rise above a shilling.
(McKenzie and Silver 1968: 59).

When the Labour Party replaced the Liberals after the First World War, Conservative propaganda was redirected towards them. Yet the basic charges of ill-intentions towards empire and lack of patriotism remained unchanged. However the fact that the Tories now faced "Socialist" Labour as their opposition meant that the ferocity of their attacks knew no bounds. Variations on the above themes were continuously re-used in issues like the General Strike and the Zinoviev letter.

When Labour formed its first minority administration the bitter attacks on the party were also mixed with condescension. For example, Baldwin told Tories that he had held back from a greater opposition to the minority Labour Government because the party needed an education in the responsibilities of managing empire. The purpose of Baldwin's condescension was to ensure that, even when Labour achieved office,

the electorate judged the party on criteria that were most favourable to Conservatism - the defence of Britain's global prestige. Baldwin hoped that Labour would be judged according to Tory terms.

The Thatcherite Nationalists in the 1990s are again reviving patriotic electoral appeals in the context of Europe. John Redwood and his supporters argue that opposition to European integration would enable the party to achieve electoral victory. They argue that the electorate are opposed to European integration.

There is still time to put right our European policy as the IGC goes forward and before the manifesto is completed. If we were to give the public what they want - Euro-realism at the IGC and a referendum, perhaps on General Election day itself, we will wrong-foot the Labour Party and establish a winning position at the General Election (Cash 1996: 41).

The rebels believe that Conservative acquiescence in European federalism risks the party losing its principal point of contact with the British electorate. Although the public opinion poll evidence on this point is ambiguous, the Nationalists themselves consistently argue that anti-federalism would win votes for the Conservative Party. They believe that anti-federalism would clearly differentiate the Conservative Party from the Labour Party. Their argument that European integration is at variance with the Conservative Party's self-image as the patriotic party, allows them to claim legitimacy and stature from the party's historical tradition.

Chamberlain and Social Imperialism

Chamberlain's Tariff Reform campaign was examined in chapter three. Chamberlain took the Disraelian politics of support strategy to a more advanced and developed level. He wanted to rally Toryism behind a platform which would satisfy the distributive demands of the working classes and create a popular identification with the nation and the empire. Chamberlain hoped that his imperial policy would create an ideological imperative which would reach across the class divide and therefore ensure Conservative electoral hegemony. Chamberlain progressed beyond Disraeli's conception of empire as a common British "partnership of glory" and sought to persuade the electorate that their material aspirations could only be achieved through reinvigorated imperialism. Chamberlain also sought to convince the Tory leadership that protectionism would reinvigorate British capitalism.

The context of social imperialism is also of importance. After the Liberal landslide of 1906 the Conservative leadership and many of their backbenchers feared that the arrival in parliament of the Labour Representation Committee was a prelude to a social revolution. The Tories at this stage in their evolution had already begun to absorb much of the middle class urban vote and were increasingly the party of property and of capitalism. Therefore this popular perception of their constituency left them more exposed to working class mobilisation.

Prominent Tories such as Wyndham and Milner read into the election returns the portents of revolution. It was this perception which informed the social imperialist desire to counteract the notion of class interest, incentives and identification. Chamberlain's rival conception of political conflict in the twentieth century was that there was an elite and popular consensus on the desirability of social reform.

The conflict was whether the revenue to finance such reform would come from either the existing stock of wealth in society or additional resources. If it came from the existing stock then this would mean confiscation and redistribution of private property at the behest of a Socialist Government. Chamberlain's preferred route was to increase the resources available from tariff revenue inside the capitalist world economy. He wanted to establish the link between the empire and social reform, giving substance to the sentimental notion of Disraelian partnership.

"One Nation" for Chamberlain was the clear synthesis of paternalism, the overriding bond of nationhood and the claim that imperialism could render universal benefit across society. Social imperialism gave greater coherence to Disraeli's attempts to combine identification with the nation and social paternalism. It was the attractiveness of this unified appeal which meant that a substantial section of the party tenaciously campaigned and lobbied for imperialism and specifically tariff reform even though it proved continually electorally unpopular. Leo Amery was the most eminent Tory advocate of the imperial strategy. Amery clearly articulated imperialism as a way of preventing class warfare from displacing Conservative rule:

The one thing I dreaded ..... has been a cleavage based on class, on the desire for the material gain of one class of the community at the expense of others and of the banding together of those others in defence of their possessions. If my long political life has had any meaning it has lain in my constant struggle to keep the Tory Party true to a policy of Imperial greatness and social progress, linked with a quite definite economic creed of its own, and to prevent it drifting into becoming the party of a mere negative laissez-faire anti-Socialism (Amery 1953: 254-5).

The rejections of the tariff reform platform by the electorate in 1906 and 1923 failed to deter Tories from campaigning in favour of the policy inside the party. Lord Blake has commented on the enduring appeal of protectionism for the party in defiance of the electoral response:

Yet Tariff Reform remained an article of faith in the party. Like Clause Four in the Labour Constitution it seemed irremovable, in spite of its obvious unpopularity with the public.....seldom has a party persisted so long in such an unpromising cause (Blake 1985: 183-4).

Nationhood and Foreign Economic Policy

Chamberlain's social imperialism unified nationhood ideology with a foreign economic policy strategy. After Chamberlain's death, his mantle was taken up by a strong imperialist wing of the party. They were committed to a vision of nationhood which would celebrate Britain's global identity by intensifying economic and diplomatic links with the British Empire. Nationhood for them was not a bland

assertion of national identity and heritage, it involved the defence of a strategic position for Britain in the world. The imperialists also sought to link domestic economic demands with the strength of the empire. Interwar Tory debates about the depression were not contested between those who believed the state should intervene in the domestic economy and those who believed in a limited state. Instead the salient controversy was a debate between those who believed economic recovery could only come about through a revival of imperial preference and those who supported free trade.

The Alternative Political Economy of Empire Free Trade

Throughout the interwar period the imperialists advocated an alternative foreign economic policy to the laissez faire orthodoxy. The imperialists were the only prominent opposition to the consensus of Gladstonian economics and during the period's economic crises, such as the 1931 sterling crash, their alternative was the only one which gained any hearing.

The alternative project advocated by the imperialists was built around two pillars. The first was an extension of preferences to the empire, especially the white dominions of Canada and Australasia. The second pillar was far more ambitious in its intent - a total reshaping of international political economy on the basis of their favoured ideological model. The imperialists rallied to the first pillar whenever domestic economic conditions reached crisis, urging greater fiscal unification of the empire. For example in 1931 during the financial crisis, Beaverbrook proposed a substitution of higher tariffs for the planned expenditure cuts (Barnes and Nicholson 1988: 176). In September 1931, Leo Amery, former Colonial Secretary, demanded that the National Government fight the election on tariff policy. The extent of imperialist support for this protectionist economic project is shown by the 200 Tory MPs who were members of the Empire Industries Association formed by Neville Chamberlain in 1923.

Amery was also foremostly amongst the imperialists, the politician who made the case for the second pillar of their economic project, a restructuring of the global economy. Amery argued that laissez-faire had outlived its usefulness by the twentieth century. He followed an extension of the Churchillian argument that it was dangerous to chart the economic and political course of the 1930s according to the maps of the 1840s. Realpolitik dictated that one could not fly in the face of nationalist resurgence but you had to adapt to it. He believed in the universal application of protectionism by bringing together:

> *Nations large enough to satisfy the technical requirements of modern production and yet also sufficiently held together by some common ideal, some cooperative purpose, to enlist the forces of economic nationalism on their behalf.* (Amery quoted in Barnes and Nicholson 1988: 111-2).

Conservatives and the Globalist Ambition

The intensity of Conservative imperialist agitation reached a peak during the period of rapid decolonisation in the 1950s and 1960s. The period is the vital context in which the Conservative divisions over European integration have to be assessed. The arguments over Europe became bound up with the legacy of empire and a global role. A large section of the party saw both the American alliance and the EEC as a repudiation of Britain's global ambitions and identity. The cultural attachements formed as a result of the empire meant that the imperialist Tories believed that Britain's global role could not be divorced from close economic and political relations with the Commonwealth. They were not prepared to accept that the Atlantic alliance or EEC membership could ever be an alternative means to perpetuate a global role.

The most powerful theme that emerges from an analysis of the discourse of the postwar imperialists is the appeal of British global leadership which empire had bequeathed to the Conservative Party's psyche. The ideology of the empire and globalism became an independent identity, detached from the structural realities of postwar capitalism and the acceleration of British decline. These dynamics saw trading patterns shift decisively towards North America and Western Europe. In the postwar world Britain could bear less and less the costs of maintaining an empire. Even though Conservatives have now lost the political and territorial aspect of empire, the empire of 'the mind' still has a hold over the Nationalists in the party.

The Conservative attachment to globalism gained intellectual reinforcement from the political thought of the historian, John Seeley, in the nineteenth century at the height of British imperialism. Seeley argued that however wide the dispersion of colonies and however remote, they were governed by basically Anglo-Saxon insititutions, they were extensions of England. This was especially true of the white dominions in Australia, New Zealand and Canada. Seeley's hegemonic project conceived English influence, values and institutions permeating into other lands. The impact of this dissemination was far more profound and enduring than treating the colonies as a resource to be exploited. It was this political and not economic hegemony which was so attractive to the imperialists. Seeley described a world remade in Britain's own image:

> *It creates not properly an Empire, but only a very large state. So far as the expansion itself is concerned, no one does or can regard it but with pleasure.* (Seeley 1885: 296)

The second aspect of Seeleyism which is relevant to Churchill is Seeley's attitude to post-independence America. Seeley bemoans the secession of the American colonies from Britain and draws wider lessons from this historical experience. The treatment of America he identifies stems from the British attitude to a colony as between a

master and a slave. The attitude which he advocated was the treatment of a colony as a child.

This paternalistic concept of empire was one which had great resonance inside the imperialist wing of the party. For Tories like Amery and also amongst the wider and less committed party, even when the empire became less relevant to British capitalism, this vision of Britain's cultural and political shaping of international affairs was a seductive one. Britain did not only have a world role because that is where her economic interest led her but because of the network of associations and obligations which economic imperialism had brought into being.

These cultural imperial attachments were the factor which ensured that globalism persisted in the Tory psyche, in defiance of economic realities. It had become an independent source of authority, validation and compensation for many Conservatives. Tories were forced to come to terms with Britain's economic weakness and the consequential loss of her former colonies. What they were least reconciled to was the loss of "Britannia" the cult of British prestige and influence which the Conservative Party had celebrated for the previous seventy years. This conflict between the reality of imperial decline and the attraction to the political/ideological conception of globalism was symbolised by the Suez trauma. The emotional concept of a common imperial British identity and citizenship became detached from the economic realities of the post-war global economy. This detachment increased because the Tory leadership refused to create a genuine economic imperial union which would have erected tariffs in opposition to the rest of the world (Gamble 1974: 169).

The tenacity of the imperialists' attempts to reinvigorate the preference system in trading relations with the countries of the overseas sterling area (OSA) was not because they recognised that their vision had to have some firm economic underpinnings. They could see that the direction of British trade was making the achievement of their vision less likely. The desperation of the Tory imperialists to maintain their idealistic and cultural attachment to empire, led them to push for meaningful economic linkages, in order to shore up the political conception of British globalism. The preferences which they demanded were increasingly artificial linkages designed only to perpetuate the ideal of British leadership in the world - the ultimate magnification of British power and patriotism. Epstein argues that the Suez Group members were not unreconstructed romantics who wished to see a return to the halcyon days of empire in 1900 (Epstein 1964: 53).

The Antecedents for Atlanticist Conservatism

In the wartime period all Conservatives were united around the objective of maintaining a global British role. The disputes arose about how to secure this objective. Whilst Tory imperialists wished to perpetuate an independent global role, the party leadership from Churchill onwards came to a reluctant acceptance that this

objective was unrealistic. Chamberlain, the former Tory Prime Minister, had sought to avoid war precisely because he feared that it would lead to a diminution of British power and a dependence on the United States.

Nevertheless, after the war Churchill made the assessement that a British global role could only be pursued through a junior partner role in the Anglo-American alliance. Churchill's commitment to the Anglo-American alliance established a foreign policy tradition which the Thatcherite Nationalists have drawn upon. Churchill sought to make a virtue out of the transfer of supremacy from Britain to America after the Second World War by stressing the cultural basis for such an alliance. Charmley is dismissive of Churchill's Anglo-Saxon pretensions and stresses that the American political class was unmoved by Churchill's sentimentalism (Charmley 1995: 72-3). The imperialists resented American supremacy because it threatened the pursuit of an independent colonial role and identity for Britain. Suez was the symbolic moment when this conflict between these aspirations and American power was resolved. During wartime itself Churchill struggled to come to terms with the transfer of economic and diplomatic power to America. Anthony Eden, his successor, found the accommodation between globalism and US leadership even more difficult. Suez was the symbolic flashpoint which finally made clear to Tories the terms of the partnership with America.

Throughout the war, in an exchange of letters and cables between Churchill and Roosevelt, it is apparent that the Anglo-American economic relationship was in the final phase of being a competitive and conflictual rather than the warm alliance, which Churchill was later to celebrate. Some American politicians were strongly opposed to British imperialism and pressured President Roosevelt to take advantage of Britain's economic dependence vis-a-vis the US, in order to dismantle Britain's imperial preferences. Five US Senators said that America was a "global sucker" by letting Britain take advantage of its military and economic assistance without any reciprocal trade advantages (Hitchens 1991: 222). Churchill's correspondence with Roosevelt contains many pleas for America to respect British imperial interests. In one instance Churchill violently objected to an American proposal to load an American warship with 30 million pounds worth of South African gold and carry it to the US as insurance for British debt. Churchill's immediate response was to describe the US action as akin to "a sheriff collecting the last assets of a hapless debtor" (Hitchens 1991: 205).

In the aftermath of the Second World War it became clear to Churchill that Anglo-American rivalry was at an end and that supremacy had now decisively been transferred from Britain to America. Churchill in his years as Opposition Leader gradually came to terms with this reality, especially after the US revocation of the Lend-Lease agreement, which provoked a large Tory rebellion against the terms forced on the Attlee Government. Churchill believed that the only means for Britain to perpetuate its global role after 1945 was to seek a junior partnership with the new hegemonic power.

Churchill hoped to soften the blow of American dominance by stressing the common cultural ties which would ensure Britain's superior stature in Washington. If Churchill could not preside over Britannia then he was determined that an Anglo-Saxon hegemony should continue. In his famous speech at Fulton, Missouri in 1946 as Opposition Leader, Winston Churchill called for a "special relationship" with America and reiterated his proposals for a common citizenship. This proposal, scarcely taken seriously by anyone in Washington, was indicative of the extent to which the Tory leader was attempting to make a virtue out of America's new dominance of international relations.

However it is of course the "Iron Curtain" section of his speech warning against the expansion of Soviet influence in Eastern Europe, which is remembered. Churchill hoped to use the Soviet threat as an external device to bind Britain and America together. Churchill made his conception of "three circles" in which Britain's security interests would operate - the Commonwealth, the Atlantic relationship and Europe. Gamble argues that Churchill's formulation was deliberately designed to obviate making a choice between these circles (Gamble 1974: 185).

However there is little doubt as to Churchill's own choice and the emotional attachments which motivated it. If anything the three circles conception expressed the debate over economic and security alignments inside the Conservative Party. For Churchill, the Anglo-American circle was the key alignment. Britain's actions in the imperial and European circles would be subordinated to an Anglo-America partnership. Churchill's advocacy of a "United States of Europe" in the Fulton speech did not envisage Britain as a participant. Instead Britain would be an outside sponsor, coaxing and encouraging the defeated and crippled Western European powers to simultaneously achieve reconciliation and reconstruction.

Pro-Europeans have often tried to claim that Churchill would have endorsed their views. However in a record from a November 1951 at a Cabinet meeting, Churchill made his aloof attitude to British participation in any move towards European unity quite explicit:

I never thought that Britain or the British Commonwealth should, either individually or collectively, become an integral part of a European federation.....Our first object is the unity and consolidation of the British Commonwealth and what is left of the former British Empire. Our second, the"fraternal association" of the English-speaking world; and third, United Europe, to which we are a separate, closely and specially related ally and friend (CAB 129/48 C(51) 32).

The assymetrical nature of the Anglo-American alliance should not be underestimated. The total war strategy had ravaged the UK's manufacturing base and infrastructure and exhausted its financial position. The terms exacted by the Truman Administration under Lend-Lease and the curtailment of British imperial preferences under the GATT regime, were evidence of the power of the new American-led Western order. Indeed John Charmley argues that Churchill refused to

recognise that British and American interests were not identical in war and in peace (Charmley 1993: 593). Churchill acquiesced in the harsh terms of the Anglo-American alliance because of his desire for Britain to continue to play a global role.

Conservative leaders at this time were united around a strong commitment to the globalist conception of British power. However whereas Churchill's commitment led him to a belief in the necessity of a strategic partnership with the United States, Chamberlain, Churchill's predecessor as Tory Prime Minister, believed that British status could only be maintained through an independent stance vis-a-vis America and Europe. Charmley argues that Chamberlain understood that a British 'great power' role could only be maintained if Britain did not enter a debilitating and expensive European war. Chamberlain feared that war would undermine the foundations of British power (Charmley 1995: 8). Maurice Cowling also argues that Chamberlain's commitment to globalism made him believe that a war would lead to British dependence on America (Cowling 1977).

The imperialists were bitterly hostile to the influence of the United States in foreign economic policy, in particular US trade policy. The diehard imperialists in 1950s refused to bow to the logic which Churchill accepted at the end of the war - that the American "empire" had now eclipsed British claims and global independence. The colonial Right saw America as a threat to an independent international role, where Britain maintained trading preferences with the Commonwealth.

The imperialists saw the multilateral American led GATT rules, especially the Most Favoured Nation (MFN) clause, as an obstacle to their objective of reinvigorated imperial preferences. While Washington found it convenient to encourage a military and diplomatic British role in many of its former colonies, in order to resist Communist encroachment, Washington was opposed to Britain being able to retain its trading preferences with the empire. The postwar imperialists were a continuation of the Chamberlainite tradition in the party, in terms of support for empire but also in the linkage to social reform. Tories like Julian Amery, Lord Hinchingbrooke and Biggs-Davison could not be crudely described as being "right wing." They formed the backbone of the "Suez Group", the rebels who had opposed the original evacuation of the Suez canal zone in 1954.

The Impact of Suez

Suez was the major historic flashpoint which brought Conservatives face-to-face with the reality of Britain's diminished status and her subordination to the US. It has subsequently been interpreted as the symbolic shock which accelerated the shift towards decolonisation. However the interesting point is that the political actors at the time chose to portray the crisis in these apocalyptic terms, they raised the stakes of the conflict and invested them with a wider significance. This is clear from the speeches in the House of Commons and also from the stance of Anthony Eden, the

Conservative Prime Minister. This appears curious after Suez has been properly contextualised.

Firstly, the importance of the canal by 1956 was extremely dubious to say the least. The rationale of canal ownership and fortification had been to protect the short-sea route to India. However Indian independence had already been granted eight years before, rendering the canal of far less strategic significance. Commercially, President Nasser was still offering right of passage to international shipping through the canal.

Secondly, Churchill, previously the great apologist for absolute empire over India, had ordered the evacuation from the canal zone of British troops in 1954. It was at this point that the pass had been sold, with the recognition that Britain could no longer bear the burdens of empire to this extent. It was the evacuation from the canal zone which precipitated the rebellion of 25 Tory MPs and the formation of the Suez Group on the 29th July 1954. The evacuation meant that Britain no longer had the power to intervene militarily East of Suez to make or break governments in the Middle East.

So if the strategic significance of the canal had been removed, why did the issue provoke the crisis? The trauma would seem to lie in the sentimental attachment which had developed around the canal from Disraeli's initiative onwards even though the canal zone, the heart of the old empire, had been evacuated,

Nasser's nationalisation visibly brought home the extent to which Britain could no longer determine events in an important region of the world. Nasser confronted the Conservatives with the logical consequences of their withdrawal from the canal zone. Britain could no longer ensure that a group of client states complied with her interests or perceived interests. Nasser's actions stripped away the illusion of power which the Conservative leadership had attempted to perpetuate even after the evacuation in 1954. The following quotation from Peter Walker at the Conservative Conference in 1956 shows the symbolism with which the canal was invested with inside the party:

Suez is basic and vital to the economic survival of our nation and the nations of the Commonwealth. It would surely be unthinkable for a Tory Government to take any action than a resolute stand against a dictator threatening the very life line of British trade and commerce. (Quoted in CPCR 1956: 8)

When Eden launched the British-French action against Nasser he faced the wrath of the Eisenhower Administration and censure at the UN. This censure also had the effect of causing a momentary financial crisis of confidence in the British government. Both the US censure and the financial strictures which Eden faced brought home again the extent to which Britain's pretensions were no longer realisable in international relations. Churchill's actions in 1954 had facilitated the subsequent invasion but the Conservative coalition could not reconcile itself to the consequences of the 1954 policy change.

The reaction of the imperialists to the American intervention and the humiliating withdrawl of the Anglo-French forces was predictably furious. Yet their anger only highlighted to the non-diehard elements of the parliamentary party the extent to which Britain had lost its hegemonic role. Julian Amery MP argued that the UN had become a cover for US imperialism (Epstein 1964: 56). The Suez Group's indignant anti-American stance found a wider resonance at the height of the crisis when the famous Early Day Motion (EDM) appeared in November 1956, stating that the "attitude of the US Government was gravely endangering the Atlantic alliance." It was signed by 127 Tory MPs.

On 6th December 1956 15 Tories abstained on the withdrawl from the canal zone vote forced under the threat of US sanctions. They included Empire loyalists, like Fell, Maude and Naborro. These MPs were to form the core of the later diehard opposition to the EEC application. The rebels had a strong following in the country. This is exemplified by the warm reception given to Angus Maude by his constituency party at Ealing South, who presented him with a unanimous vote of confidence, after Maude had resigned the party whip.

Powellism and European Integration

Powell was the primary and almost only spokesman for another alternative strand of nationhood, breaking with globalist ambitions and Anglo-America. Powell argued that after Suez, Britain had to recognise that its imperial past was behind it and retreat to a role as a proudly independent island nation. Even though Powell's isolationism is repudiated by Thatcherites, his critique of European integration has been adopted by Thatcher and her followers.

Powell began his career as an imperialist, having studied in a Commonwealth country and formed emotional ties with the concept of empire. After Suez however, Powell rapidly and dramatically reappraised his views on imperialism, with an almost Pauline conversion speech at Trinity college, Dublin in November 1964. He now declared that the idea of Britain as a world power had been a myth but it was a `good myth'. He argued that responsible political leaders should give people good myths to inspire patriotism.

Powell wished to reaffirm a strong cohesive feeling of national identity. His hostility to immigration and multiracialism was therefore consistent with his conception of Britain's role in the world. Powell saw patriotism as a re-energising form of national pride which would allow Britain to regain its stature in a global economy:

Britain today needs desperately for its own sake of self-respect, to regain the confidence and the conviction that it can hold up its head in the world in competition with all comers in the world (Wooda 1965: 16).

Powell dismissed the notion of pooling sovereignty within the EEC because of his absolutist conception of the nation. Powell argued that only British political institutions have the legitimacy to govern the British people. He argued that a democratic state had to be socially and culturally homogeneous. If a state had a heterogeneous population, then it would not be able to command consent from these citizens. Powell argued that democracy was synonymous with the nation-state. In a homogeneous nation state an electoral minority would acquiesce with the majority's wishes, because of an underlying affinity with their fellow-countrymen.

Powell argued that the EEC's multinational nature denied it this basis of popular consent. He believed that the different regional, ethnic and national identities within the EEC, did not allow for common affinities and therefore consent for majority rule. This stress on the need for a common national culture to underpin government has been adopted by the Thatcherites. Norman Tebbit said after the 1991 IGC that "people will not be governed by those who do not speak their own language." Powell stressed that any democratic governing institutions had to be the expression of the will of a national community. If the European institutions were to gain legitimacy then there would have to be a common European identity:

To transform the assembly of the EEC into a true Parliament and the government of the EEC into parliamentary government, would require more than constitutional reforms, amendments and devices, It would require the transformation of the inhabitants of Western Europe, including the British Isles into a single homogeneous electorate.... Each must form his own judgment of how miraculous such a tranformation would be (Powell 1992: 472-3).

The virtue of Powell's platform of isolationism was that although it laid bare the decline of British power it did not subordinate Britain to another alliance, one in which she would not be able to be entirely independent. Powell believed that while Britain should abandon any pretentions to grandeur and a global role, it was essential that she should at least be independent in this diminished position. The celebration of a proud independent island nation made a virtue out of the retreat from empire in a way that EEC or Anglo-America never could. In Powell's world Britain could at least be master of all that she surveyed and could reconcile herself to that, rather than enter the broader stage but compromise her independence and distinctiveness. Whereas supporters of the Anglo-American relationship, like Macmillan, hoped that in return for a loss of independence, Britain could retain a global influence.

Europe As A Retreat From Globalism

For imperialists , Anglo-America threat to an independent British colonial policy. Europe, however, was an assault on the very essence of a globalist British identity. The EEC's trading rules and the supranational nature represented a negation of the global ideal for Tory imperialists. The EEC's common external tariff inevitably meant a diminution of imperial trading preferences. Diminished economic links with

the Commonwealth meant a diminished political relationship. Europe also represented Britain turning its back on a world role and focusing instead on a confined continental role. It is therefore unsurprising that many of the opponents of British EEC membership in the 1960s-70s were Tory imperialists, like Robin Turton.

Chapter Two considered the economic and political trends which led to Macmillan's decision to make an application to seek British membership of the EEC. Macmillan understood that the Commonwealth was no longer a viable alliance to underpin British foreign policy but he chose not to share this analysis with his party. He reluctantly came to the conclusion that the globalist objective was only attainable through membership of the EEC. It is because he appreciated the strength of internal party sentiment for the Commonwealth that Macmillan issued a series of disclaimers about the importance of the Commonwealth in order to reassure his MPs. He presented this fundamental change of policy as an alternative means to preserve Britain's existing commitments to the Commonwealth:

I ask myself the question: how can we best serve the Commonwealth standing aside from the movement for European unity, or by playing our part in its development (HC Debates, 2/8/61, Vol. 645, Col. 1484).

Whenever the party leadership was pressed specifically on whether a strategic choice was involved they sought refuge in a series of disclaimers, insisting that the EEC did not involve any strategic choice for the country about its global identity and affiliations throughout the world:

But I believe that my European friends will not misunderstand me if I say that if were forced to make this cruel choice I would unquestionably choose the Commonwealth....Happily we are not confronted with this dilemma. Europe fully recognises the importance of the Commonwealth (Rt Hon Duncan Sandys MP in HC Debates, 3/8/61, Vol. 645, Col. 1755).

Europe And The Loss Of Policy Independence

European membership and European integration did not only involve Britain symbolically turning its back on a global role but it meant placing limits on Britain's policy independence on domestic matters. It was galling enough for the Conservative Party to accept that the Americans could circumscribe British foreign policy preferences, as they did during the Suez crisis. European integration was even more traumatising. Europe did not only involve a diminution of Britain's external power but it threatened British policy independence over domestic issues. Tories who had celebrated Britain's government of India and other colonies, now had to face the prospect that Britain would lose domestic independence.

These constraints on British domestic policy were highlighted by Enoch Powell in his long campaign against EEC membership. Powell stressed that the nature of the contract involved in British accession to the Treaty of Rome was unparalleled

compared to other treaty obligations which Britain had entered into. The centrepiece of Powell's opposition to British accession was that membership bound Britain *in advance* to whatever others might decide (Powell 1992: 475). One example of such a binding common decision would be the judgements of the European Court of Justice.

Powell also dismissed the notion of pooling sovereignty put forward by Tory pro-Europeans. His absolutist concept of nationhood is followed through in his constitutional arguments about sovereignty. Powell says that if X is governed by XYZ then it is no longer self-governing, unless X always prevails over Y and Z. He acknowledges the diplomatic argument that Y and Z may be more favourably disposed to X in this arragement but this does not alter the fact that X has lost sovereignty. Powell says that even slaves or servants may be treated well by their masters (Powell 1992: 476).

European supranationalism therefore represented a further stage in the declining prestige of the Conservative nation. Further European integration with a consequent loss of British policy independence takes Conservatives even further away from the Disraelian ideal of a proud independent world power. Oliver Letwin, a former adviser to Margaret Thatcher in the Downing Street Policy Unit, succinctly summarises the loss of power which the EEC represents for many Tories:

> *Last time round the Empire was ours. We were not part of it. This time we will not run it; we will merely be part of it. Decisions - the decisions of our union will not be made at Westminster; they will be made in Brussels. Instead of ruling a large part of the world we will be supplicants at a court several hundred miles away* (Letwin 1989: 33).

The Thatcherite nationalists still have a strong commitment to Britain's global role, particularly in relation to the Anglo-American alliance. Like Churchill, they see Britain's natural role as a trusted junior partner to the United States. Increasingly, they see the development of the European Union as increasingly antithetical to this role. The next chapter will outline this conflict. The Thatcherites also increasingly resent the domestic constraints on British policy independence brought about by EU membership. Chapter Five will show how the integrationist dynamics in the European Union are incompatible with national independence.

The Conservative Ideological Tradition

The ideology of nationhood and its intertwining with foreign economic policy shown in the tradition of the Social Imperialism provides more substantiation for the Baker, Gamble and Ludlum 1993 conception of Tory foreign economic policy conflicts discussed in chapter three. These authors argue that the Conservative ideological tradition can be viewed as a conflict between demands for the assertion of sovereigny versus acceptance of greater interdependence.

Ridley and Spicer have consistent neo-liberal/national soveriegnty responses to earlier controversies in FEP. Both argue that a Conservative Government was wrong to return to the Gold Standard in 1925. In the same way this patterning is shown by the postwar imperialists from an extended government/ sovereignty position on the Baker, Gamble and Ludlam ideological quadrant (Baker, Gamble and Ludlam 1933). Sir John Biggs Davison is a good example of this patterning in the Tory ideological tradition. He argued that it was the system of national protectionism which brought Britain supremacy. He attacks Peel for surrendering the true Tory cause by his embrace of laissez-faire (Biggs-Davison 1957: 25).

For Biggs-Davison, free trade marked the decline in English fortunes. He says that the 1860 Cobden Free Trade Treaty mutilated the Cape's wine industry and sewed the seeds for the Boer War. Biggs-Davison assails the legitimacy of laissez-faire in the Tory tradition of political practice, attacking it as a Liberal policy. He gains historical stature for the superiority of his position by arguing that protectionism is in line with the paternal tradition of the English monarchy since the Middle Ages

Other imperialists, like Arthur Bryant, a writer of anti-EEC tracts after the Macmillan application, support the case of a recurring conflict over FEP inside the party, complete with contested versions of historical events. Bryant's identifies the great betrayal as Baldwin's in 1923 by not pursing his election pledge to introduce a tariff policy:

> *When a generation later the Conservative Party returned to power, despite a tentative and unsuccessful attempt by its new leader, Stanley Baldwin, to revert to Joseph Chamberlain's ideal, it continued to steer a nineteenth century course through the economic tempest of the twentieth century.* (Bryant 1962: 21).

Nationhood and the British State

The Conservative ideology of nationhood cannot be seen in isolation from other factors. Nationhood as articulated by Disraeli and his successors did not just involve celebration of a common cultural identity and Britain's global prestige. It was also closely identified with the character of the British constitution and the nature of the Conservative Party's organisation. Anti-federalist Tories are defending a particular conception of the nation, one which involved constitutional as well as cultural aspects. This conception has grown out of the interaction of a leadership-focused party, the centralisation of power within the British state.

Disraeli celebrated nationhood partly by celebrating British institutions. Chief amongst these institutions was parliament. Parliament and the monarchy were both institutions which were invested by the Tories with significance as symbols of the nation. However parliament was much more than a symbol because it was also the site of political power. It expressed the will of 'the nation' and therefore was a subject of particular Tory reverence. Parliament's institutional role within the

British state had also developed in a direction by the time of Disraeli which made it very difficult for Conservatives to countenance any diminution of its role.

By the time Disraeli became Prime Minister the slippage of sovereign power to the executive was well established. As David Judge has argued government was already the preserve of the executive (Judge 1993: 25). By the 1830s ministerial measures in parliament were given priority (Fraser 1960: 451). The Cabinet's formulative role in policy became routinised and the legislative initiative had moved from parliament to the executive. Judge also argues that the development of mass-membership national Conservative and Liberal parties as a consequence of the extension of the franchise cemented the adherence of MPs to executive policy (Judge 1993: 25). By the time of the Disraeli premiership the Conservative leadership was articulating its appeal to nationhood in the context of greater executive supremacy within the British state. Theories of representative government in Britain have conceived of the House of Commons as holding the executive to acccount. Whereas in actuality representative government has become the legitimation of executive power (Judge 1993: 6).

The executive supremacy of the British state complemented the elitist character of the Conservative Party. A state which places great power in the hands of the Prime Minister and Cabinet is attractive to a party which is dominated by its leadership. The Conservative Party is a leadership and not a member's party. Eccleshall argued that Conservatism is a ruling class ideology, one that identifies society as a command structure, where people are disciplined by firm political leadership (Eccleshall 1984: 91). Within the Tory Party's organisation, the formal centralisation of power legitimises and rationalises this ideology (Beer 1969: 92-98). Conservative Central Office and its chairman are within the patronage of the party leader. The leader is sovereign in making party policy with his or her position subject to the support of the parliamentary elite.

So in office a Conservative Prime Minister is a strong leader at the head of a strong executive in a highly centralised state. Judge argues that the nature of the British state has conferred upon politicians an 'executive mentality'. This mentality is one which accords with the Tory party's elitist character, where the party mission is to lead the populus rather than respond to wider democratic forces.

European integration is therefore a challenge to a Conservative conception of nationhood which stresses the sole legitimacy of parliament as the expression of the will of the British people. In this respect parliament is the nation. At the same time the increasing competence of the European institutions threatens the Tory Party's attachment to strong executive power. Every ruling of the European Court and every majority vote on the Council of Ministers represents a potential threat to the executive supremacy of the British state which the Tory leadership has so prized. A constitutional tradition based on a centralisation of power in Westminster, the Tory emphasis on national identity and its leadership driven character have combined to

encourage many Tories to defend British self-government to the death. Parliamentary sovereignty is therefore both a symbol of nationhood for many Tories and a doctrine which expresses the Conservative desire for political and constitutional supremacy in Britain.

Conclusion

Nationhood was conceived by the Tory leadership as a means of making an electoral appeal which overrode class divisions. This electoral ideology from the outset meant much more than an affirmation of cultural identity. From Disraeli onwards, nationhood centred on the celebration of the nation's external prestige in the world economy. The Tory attachment to global prestige was centred on the British empire. This emphasis on national prestige was used as a powerful electoral ideology by the Conservatives. The Thatcherite Nationalists also wish to use European integration to make a patriotic appeal to the British electorate.

In the aftermath of the Second World War the Tories' globalist ambitions, expressed through the Commonwealth, were confronted by American supremacy. Eventually, Britain's ability to conduct an independent colonial or foreign policy was undermined by American power, symbolised by the Suez debacle. Churchill's grudging accomodation with American power prepared the basis for the more full-hearted support for Anglo-America held by the Thatcherite Nationalists.

Europe was even more of a challenge to the Tory conception of nationhood than American power. EEC membership threatened the nation's ability to govern itself in domestic affairs whereas Washington only curtailed Britain's foreign policy independence. Europe also represented a retreat from world influence and global ambitions. The combination of domestic restraints on British sovereignty and a confined continental sphere of influence ensured that Europe was very traumatic for many Conservatives.

The next chapter will show how the intial Macmillan application for EEC membership was strongly influenced by Atlanticist considerations. Macmillan carried forward Churchill's conception of the US alliance by his attempt to lock Europe into American world leadership. It is this hostility to a more independent Europe which still strongly influences the Thatcherite Nationalists. However the two pro-European Conservative groupings see Europe taking on a more independent identity.

CHAPTER FOUR

EUROPE AND ATLANTICISM

As our economic influence declined in comparison with that of the Community, we should find that the United States and other countries would increasingly attach more weight to the views and interests of the Community (Reginald Maudling, Cabinet meeting 13/7/60)

A united Europe would augment, not check the power of a united Germany. Germany would pursue its interests inside or outside, while a Europe built on corporatist and protectionist lines implicit in the Franco-German alliance would certainly be more antipathetic to the Americans than the looser Europe I preferred (Margaret Thatcher, The Downing Street Years, p.784)

When it comes the crunch, Britain has invariably been America's only truly reliable ally (Sir Charles Powell in The Spectator 31/9/94).

More and more Europeans were coming to feel that when it came to the crunch, their governments had no real influence on America's strategic thinking and that established NATO mechanisms risked becoming unidirectional (Geoffrey Howe, Conflict of Loyalty , 32)

The Thatcherite Nationalists and the two pro-European Conservative groupings are divided on the issue of whether British foreign policy should be based on Europeanism or Atlanticism. The previous chapter examined Churchill's attempts to forge an Anglo-American alliance in order to adapt British ambitions to the harsh realities of the postwar world. In the aftermath of Suez, Macmillan strengthened his government's commitment to an Atlanticist project, designed to achieve common Anglo-American economic and security objectives.

Macmillan's Atlanticist project saw British membership of the EEC as a means to strengthen Britain's alliance with the United States. Macmillan's application was also designed to curb moves towards an independent Europeanist foreign policy. The Thatcherite Nationalists are committed to this Atlanticist project and it has become integral to their opposition to European federalism. However, pro-European Tories like Howe stand in the tradition established by Heath's Europeanist policy. Heath wished to see a more assertive and Europeanist foreign policy as a counterbalance to Washington.

The Thatcherites instinctively trust American leadership in the security and economic spheres. They wish to perpetuate an Anglo-American alliance in the post-Cold War era. They deeply distrust Europe in economic and security matters. They fear a federal Europe would undermine American leadership. The pro-Europeans

believe that Washington's past unilateral foreign policy actions, together with America's current disengagment from its post-Cold War role, reinforces the need for a more Europeanist policy. Tory groupings contest the meanings of crises like the Gulf War and the Bosnian conflict, in advocating their respective projects. The divide between these two opposing conceptions of British foreign policy is widening.

The Relevance of the Macmillan Application

The Nationalists' support for an Atlanticist project and rejection of a Europeanist stance has deep roots in Conservative foreign policy. Harold Macmillan's application to join the EEC was driven by a desire to reinforce the Anglo-American alliance and to check European foreign policy ambitions. The application stemmed from an Atlanticist project, combining a fundamental coincidence of view and interest between the British and American Governments. This project was reinvigorated by Thatcher and Reagan in the 1980s. An Anglo-American free trading project still influences the Thatcherites in their attitude to European federalism in the 1990s.

Both President Kennedy and Prime Minister Macmillan supported an American leadership role in order to defend a Western managed global free trading order. Both saw Communism as the primary challenge to this order. They also saw a more independent European foreign policy as disruptive to the defence of the Western order. However both leaders had to accept the reality of a revived Europe and needed to successfully manage diplomacy in relation to its existence. Macmillan realised that Europe's growing power would force it into the top counsels of Washington, however uncongenial its existence might be to the Americans. This development would be at Britain's expense. Whereas Kennedy knew that Britain's usefulness as an ally would diminish if she could not use her influence to steer Europe towards American foreign policy preferences. Therefore it was in both leaders' interests for Britain to join the EEC, in order to exert an influence on the direction of the organisation.

The Strategic Context for the Application

Chapter three examined Churchill's gradual accommodation with American supremacy. It also analysed Churchill's belief that Britain should be an outside sponsor and not a participant of European unification. By the time of Macmillan' premiership, the Conservative Party was forced into a recognition of the brutal realities of US supremacy. The Tories also accepted an Anglo-American alliance, with Britain as the junior partner.

By this stage the antagonistic relationship between British and American power in relation to Commonwealth trade had ended. Economically, this was due to the withering in value of imperial preferences. Politically, Suez had also demonstrated America's ability to dictate terms to Britain. Past imperial and territorial rivalry was now overriden by a common interest in repelling Soviet encroachment from British and American markets.

Macmillan came to Downing Street determined to secure an optimum position for British foreign policy influence within these parameters. Indeed it was he who was one of the pivotal figures in pressing Eden to abandon the Suez expedition under American pressure. As Chancellor of the Exchequer, Macmillan had been faced with the reality of the vulnerability of the British economy in the face of American and international pressure during the occupation of the canal zone. This political background to his assumption of the premiership made Macmillan more likely to seek to anchor Britain firmly within the Atlantic alliance.

Macmillan had two overriding objectives in his foreign policy. He wished to maintain Britain's global influence and role and secondly, he wanted to maintain diplomatic stature with Washington. Macmillan hoped that a closer relationship with Washington would avoid a repetition of the misunderstandings of Suez. Macmillan came to the conclusion that EEC membership was necessary for the achievement of these objectives. He hoped that the Atlantic alignment would be reinforced by British membership of the Community. Macmillan believed that the Commonwealth's gradual decline into a series of fractious bilateral relations and its economic weakness, made it unviable as a support for Britain's global aspirations.

Macmillan saw Europe as an alternative means to support a global British role. Macmillan had no intention of abandoning the global ambitions of his Tory predecessors. Young argues that Macmillan stressed the continuity of British policy in advocating Europe to the Tory party (Young 1993: 85). His application was not conceived as a radical break with Tory foreign policy, which would commit Britain to an exclusively European diplomatic alignment. Dutton notes that EEC membership was not envisaged by Macmillan as a replacement for Britain's external relationships but as an addition to them (Dutton 1993: 523). Young argues that Macmillan saw EEC membership as a means of propping up British power (Young 1993: 85). Macmillan's continuing commitment to a globalist conception of British power is shown in his own commentary on the application:

> *It was after all, asking a great deal of the Conservative Party, so long and so intimately linked with the ideal of Empire, to accept the changed situation, which might require a new concept by which Britain might serve Commonwealth and world interests more efficiently if she were linked with Europe than if she remained isolated, doomed to a diminishing power in a world in which her relative wealth and strength were bound to shrink* (Macmillan 1973: 5).

This passage shows that from the very outset the Conservatives' European perspective was not influenced by a commitment to the European project of Monnet, with the associated beliefs in federalism and Franco-German reconciliation. The decisive factor in the Macmillan application was not an embrace of these ideals but a conviction that a great power role and the Anglo-American alliance could only be perpetuated via the Community. Eisenhower had warned Macmillan that Britain had to become an EEC member if it wished to retain international importance (Middlemas 1990: 33).

Macmillan's realisation of Britain's diminishing diplomatic influence and relative economic decline at first led him to construct the European Free Trade Association

(EFTA). He saw EFTA as a device whereby Britain could reassert its authority and bargaining power vis-a-vis the EEC. However what he certainly did not wish to see was an economic and political division of Europe, with Britain stranded in the weaker "bloc" of influence. The formation of EFTA was a means of exerting more pressure on the EEC to move towards an accommodation with Britain.

By the end of 1960 Macmillan had resolved that membership of the EEC was becoming essential. The decisive factor for Macmillan was his fear that the new entity was not only becoming more commercially prosperous but that it was showing signs of becoming an independent "third force" in international affairs, between the US and the Soviet Union. Even though US administrations might feel a stronger identification with British foreign policy aims, they would give Britain increasingly less weight due to the sheer size of the EEC in foreign economic policy. This fear that Britain might be bypassed by the US in foreign policymaking, was put most cogently by Reginald Maudling, the President of the Board of Trade at a Cabinet meeting on the 13th July 1960:

As our economic influence declined in comparison with that of the Community, we should find that the United States and other countries would increasingly attach more weight to the views and interests of the Community (Maudling 1960).

George Ball, from the US State Department made the point even more starkly:

Did Britain wish to face a European coalition hostile to its interests, or a group of European nations working closely with the US that did not include Britain? To avoid these dangers Britain must try to become the leader of Europe (Ball 1982: 217).

De Gaulle's France was also diverging from Atlantic foreign policy and Macmillan feared that the Community would increasingly become the expression for "disruptive" French foreign policy preferences. Developments like the Fouchet Plan and early ideas for European political cooperation were potentially worrisome for Macmillan in this respect (Lord 1993). These concerns stemmed from the basic British fear of foreign policy isolation. Yet Macmillan was also opposed to the substance of Gaullist foreign policies and felt a much stronger identification with the traditional "containment" policies of the Kennedy and Eisenhower administrations.

In the New Year of 1961, Norman Brook, Macmillan's Cabinet Secretary, began drafting a memorandum to be sent to the newly inaugurated President Kennedy setting out the broad vision of which EEC membership was a component. Brook's memorandum is referred to by Macmillan in his memoirs as the "Grand Design." The Brook memo is highly significant because it shows the strong coincidence of interest and outlook between the US and UK governments at this time. It also shows the Macmillan Government was straining to seek the approval of the Kennedy Administration for the Grand Design project.

The overriding theme of the memo is the need to reinforce Western unity after the expansion in Soviet influence which had occurred in the 1960s. De Gaulle is constantly referred to in the document as a force for disunity in the Western alliance. Brook cites a series of issues like Laos, Nuclear Testing, the Congo and

NATO, where De Gaulle has been disruptive. The document states in stark terms the threat which it identifies in the Gaullist approach:

All this adds up to something like a repudiation of the concept of an Atlantic Community (Brook 1961).

The development of the Six as a separate political entity is a threat to the cohesion of the Atlantic Community. If, under French leadership, the Six continues to develop in the direction which it is now taking, Western unity will tend to be disrupted at the very time when it should be increased(Brook 1961).

The memo urges EEC membership so that the *bridge between Europe and North America*, can be maintained. However, it also goes further to raise more fundamental and prescient concerns about how the EEC might develop if it were not steered by British influence:

In the lcnger term it (the EEC) may be an instrument for a resurgent Germany. De Gaulle may see it now as a means of asserting French leadership in Europe but in the years ahead an association limited to the Six is more likely to be dominated by Germany (Brook 1961)

In order to maintain the Atlanticist "bridge", the memo's thrust is that British membership of the Community is the means to achieve this end. In Macmillan's own report of his first Washington summit with President Kennedy, he is even more explicit about the mutual advantage that British membership would bring in steering the EEC away from the Gaullist project:

I again made the point that although the French were the immediate problem it might soon be the Germans; the important thing was to deal with the problem presented by a revived Europe. He quite saw the point and repeated how anxious the Americans were for us to get into the Six.....Politically, they hoped that if we were in the Six we would be able to influence them, whatever might be the political personalities: In this connection he expressed some anxieties about the Germany that would come after Adenauer (Macmillan 1961).

Here Macmillan is characterising the British application as a bid to "Atlanticise" the EEC, to disseminate American foreign policy preferences inside the organisation and stop it developing as a third force. Macmillan's biographer also argues that the Kennedy Administration anticipated that as a member of the EEC, Britain would be able to act on America's behalf inside the organisation (Horne 1988: 295). By describing Europe above as a "problem" Macmillan shows that the Conservatives saw European integration not as an opportunity but a threat to their pre-existing conceptions of British power and its foundation in Anglo-America.

Macmillan, in seeking the endorsement of the Kennedy Administration, reveals the core identification in interests and outlook between British and American foreign policy, which he perceived. Macmillan was not applying for membership because of an attraction to the political project of the founders of the EEC. Instead the application was motivated by a fear that the existing Atlanticist project (of open trade and anti-Communism) was endangered by the growing success of European integration in the 1960s.

The Cold War context for the European application and American influences upon it were also reflected in the political rhetoric of leadership advocates of EEC membership. Before party activists at the 1961 conference, Macmillan was careful to place the application firmly in a Cold War context. He advocated British membership as a step towards solidifying the West and Europe against the Soviet Union:

We must now accept the fact that the bleak ideological struggle may last for another generation, perhaps even longer. We cannot retire, but we cannot wage it alone. It is this in mind that we have approached the question of Europe and of the Common Market (Ashford 1980: 100).

This geo-political appeal for membership clearly had some resonance within the party. Michael Spicer MP, who was a supporter of EEC accession but later became a Thatcherite Nationalist, describes how he advocated membership as a device to contain the Soviet Union:

As a Member of Parliament I fought the 1975 Referendum for a "Yes" vote for Britain's continued membership of the Common Market....I let them have it straight....what was bad for the Soviet Union was good for Britain and there was nothing the Soviet Union desired less on its doorstep, I argued, than a closely associated association of free trading states (Spicer 1992: 10).

Chapter One notes that during her period as Opposition leader Thatcher spoke positively about the EEC's role in combating the Soviet threat. Hugo Young notes that Thatcher's speeches during this period advocated the EEC as an anti-Communist Western European alliance (Young 1991: 184-5). However although the Cold War framework was useful to sell the Community to Conservatives in this period, this device subsequently unravelled. Once the Warsaw Pact had collapsed the ideological coalition which Macmillan and Heath had assembled to support the Community broke down. Free marketeers and Atlanticists, like Spicer and Thatcher, after 1989 no longer identified the European project with the imperative of defeating the Soviet enemy. The Atlanticist project was able to lock into support for the EEC many Tories who saw Europe as an alliance against Communism. However the end of the Cold War has enabled them to withdraw their allegiance from Europe. They are now able to view Europe independently of previous Cold War affiliations.

The American Perspective

The Prime Minister's fears appear well founded after an examination of the evidence of the Kennedy Administration's perspective on the application. George Ball, the American Under-Secretary of State, argued in a memorandum to Kennedy in May 1961, that Britain had pursued an outmoded "aloofness" with regard to Europe which had now become untenable. Ball recalled President Eisenhower being told by Macmillan in 1960 that if France and Germany pursued unity then Britain would have to lead a peripheral alliance against them (Ball 1982: 209).

Ball was describing what another US politician, Dean Acheson, the former US Secretary of State, had referred to as Britain's traditional attempt to balance the powers in Europe, not aligning herself with any one camp. Ball in his advice to

Kennedy was dismissive of this stance and regarded it as a failure to adjust to reality after the retreat from empire. Ball reveals in his memoirs the importance that he as a leading US foreign policymaker, attached to British membership of the Community:

Once in office, I saw my responsibilities as twofold: I would encourage the British to take the plunge, but at the same time, I must not let insular British elements destroy the institutional potential of the Rome Treaty and turn the EC into a mere trading bloc (Ball 1982: 210).

Ball's evidence underpins the theory that the US hegemonic interest as the leader of the Western alliance, coincided neatly with Britain's own economic and political interest in seeking membership. Ball says that the US was prepared to sacrifice some commercial interests to facilitate British membership because of the political advantages that it would bring for America. Arthur Schlesinger, Special Assistant to the President, is even more explicit in his memoirs, saying that the US anticipated that Britain as an EC member could offset the "eccentricities" of Paris and Bonn policy (Schlesinger 1965: 720). Ball strongly emphasised that the Kennedy Administration believed in the development of supranationalism in the EEC, seeing the Rome Treaty not cast in stone but as part of a dynamic process.

The desire of American governments to further supranational development of the Community has been a consistent view held in Washington since the Kennedy Administration. It has been motivated by a desire for the EC to develop a much greater identity and cohesion in order that it could share a larger part of the defence burden before and during the Cold War. However, during the Cold War the US Administrations also had a countervailing concern that this identity should not develop into undue independence, thereby undermining US leadership of the West. It is for this reason that the Kennedy Administration hoped to combine the burden-sharing role of the EEC with the steering role of their old ally - Britain.

Ball claims a greater enthusiasm in Washington for European integration than that which existed in London. For the reasons stated above the Americans had a bigger stake in supranationalism than the wary Conservative Government. Ball argues that Britain wanted the economic gains and diplomatic status without the political involvement. Britain had to be forced to recognise that no easy compromise between these two factors was possible, she either stayed aloof or became a full partner (Ball 1982: 214).

The Contradictions Within Macmillan's Personal Attitude to Europe

Anthony Sampson, in his biography of Macmillan, highlights the contradictions of his subject's views on the priority which should be given to the European and imperial alignments by citing an article which Macmillan wrote in *The Manchester Dispatch* in 1949:

The Empire must always have first preference for us: Europe must come second in a specially favoured position. Politically, strategically and economically, Britain is part of Europe, though she is also head of the Empire. We cannot isolate ourselves from Europe (Sampson 1967: 85).

Here we see the future Prime Minister being torn between two imperatives. The

first was the strong emotional attachment to the wider patriotism of empire, a sentiment which he also knew was deeply held within the Tory Party. He also cherished Britain's unchallenged leadership role within the Commonwealth. At the same time Macmillan's emotional instincts were countered by a strong *realpolitik* grasp of the extent to which the Commonwealth was a wasting economic and diplomatic asset, whereas the Six were emerging as a vibrant grouping. These strategic realities led Macmillan to make this sober and slightly grudging assessment on the eve of the 1961 application:

For better or worse the Common Market looks like being here to stay at least for the foreseeable future. Furthermore, if we tried to disrupt it we should unite against us all the Europeans who have felt humiliated during the past decade by the weakness of Europe. We should also probably upset the US, as well as playing into the hands of Russians....The question is how to live with the Common Market economically and turn its political effects into channels harmless to us (Macmillan 1972: 55).

The other issue which fuelled Macmillan's agonising about the EEC was a concern about the balance of power in the Community. He feared that the character of the EEC was such that Britain might never be able to assume a leadership role or even achieve membership. In his memoirs Macmillan analyses French and West German motivations for building up the Community and even at this early stage he shows his suspicion about the Franco-German axis and the prospect that it would exclude Britain from the inner councils of the EEC. In particular he argues that French leaders like Debre promoted the EEC as a means to provide stature for themselves as a global power (Macmillan 1972: 56). Ironically, although Kennedy wished to see British membership in order to steer the EEC towards American foreign policy preferences, Macmillan's own gut instincts seemed to show a fatalism about whether Franco-German influence would irrevocably confine Britain to a secondary and defensive role. These fears continue to resonate amongst the Thatcherites in the 1990s. They fear that Britain will never be able to take a leadership role in Europe because of the Franco-German axis.

The Influence of Heath's Foreign Policy

Edward Heath's four year premiership marked an aberration in the Conservative Party's European and wider foreign policy. However Heath established a minority tradition within the party which supported a more Europeanist foreign policy. This tradition has been drawn upon by both neo-liberal and interventionist integrationists.

Heath specifically sought to distance himself from the special relationship and believed that Britain should fully commit itself to a more independent and assertive European base, breaking free of deference to America. Heath also had a different conception of how the Western world should pursue its strategy of Cold War containment. Thatcher firmly believed in US leadership, to which Europe should give its support. However Heath believed that the US was less able to provide leadership on its own and secondly, that Europe had to assert its own authority in order to make the transatlantic relationship less asymmetrical:

What Europe is about is redressing of the balance on the two sides of the Atlantic - redressing the balance in trade, finance, defence and in political influence .... it is for the good of the Western

world as a whole that Europe should be developed, should be more prosperous, and should counterbalance the other side of the Atlantic (Col. 666-7 Hansard 17/11/66).

It is important also to note the context of Heath's tilt away from excessive dependence on Anglo-America. At the outset of his premiership the US's crumbling status as global hegemon was highlighted by the breakdown of Bretton Woods and the gradual disengagement from Vietnam. With the rise of Germany and Japan the world seemed to be becoming less unipolar and more multipolar. Heath then carried Macmillan's concept of interdependence a stage further by stressing that Europe now had an essential role in security and economic policy.

However an essential continuity in Conservative foreign policy was also present in Heath's assumptions about Britain's role in the EEC. Heath too shared the globalist ambition inherent in Churchill and Macmillan's beliefs. Heath's two predecessors believed that Anglo-America would underpin Britain's traditional role as a world power, whereas for Heath Europe was the focus for his desire to relaunch Britain as a world power. Heath's biographer, John Campbell, argues that Heath saw Europe as an opportunity for Britain to be great again (Campbell 1993: 335). Heath as Opposition Leader had opposed the Wilson Government's decision to repudiate Britain's East of Suez policy. Heath believed that Britain could take a leadership role in Europe which would give the country greater diplomatic stature in international affairs than merely being America's junior partner.

There were several instances in which Heath showed a coolness to initiatives from the American Government which Thatcher would never have considered appropriate. Kissinger's proclamation of a `Year of Europe' calling for an enhanced security role for Western Europe in 1973 was greeted with disdain amongst Britain's European neighbours and Heath did nothing to disassociate himself from their response.

He rejected special bilateral consultations with Washington (Dickie 1994: 146). Serious differences with the US emerged over the 1973 Arab-Israeli Yom Kippur war. Britain backed a weak but distinctive EEC line and refused to allow the US to overfly British airbases in order to supply Israel. Heath believed that US policy was unnecessarily subservient to Israeli interests and defended his policy as being even-handed between the combatants. On a personal level as well, Heath and Nixon did not have a special relationship (Dickie 1994: 144).

Campbell describes Heath's Europeanism as a "forward looking aberration" in postwar history. He was certainly the only postwar Tory Prime Minister to seek to distance Britain from the United States and not to claim a "special relationship." Heath's stance, however, did prepare the ground for Tory Europeans, such as Howe, who believed that Britain could not afford to place all its diplomatic capital in the alliance with the US and that Europe should become a more independent force.

The Atlanticist View

Earlier in this chapter, it was argued that Macmillan's application to join the EEC was influenced by strong Atlanticist considerations. Macmillan wished to see Europe locked into US foreign policy preferences. It was this principle which was carried forward by the Thatcherite Nationalists in the 1990s.

The Thatcherite Nationalists believe Europe should be supportive of and indeed subordinated to American leadership of Western institutions in order to safeguard global free trade. During the Thatcher premiership this convinction manifested itself in intimate cooperation with the US in the "Second Cold War" containment of Communism.

Thatcher is the key articulator of the Atlanticist view amongst the Nationalists grouping. For Thatcher, security and economics were two sides of the same coin - the preservation of the American-led politico-economic order. Thatcher saw America as the guarantor of global free trade and through Western institutions, like GATT, NATO, G7 and the IMF.

Thatcher says in her memoirs that there is "no substitute for the leadership of the United States" (Thatcher 1993: 821), making it clear that she believes in the importance of the US as global hegemon - the enforcer of the rules of the capitalist system. In a speech in 1976, Thatcher described her conception of the American role in succinct rhetorical terms:

We look to our alliance with America and NATO as the prime guarantee of our own security and in the world beyond Europe, the US is still the prime champion of freedom (Thatcher 1976)

Frank Vibert, the director of the right-wing European Policy Forum, encapsulates this view well by arguing that the US and the UK have a shared view of the role of the state in society, which is not held by Europeans (Vibert 1994). Seeing American leadership as a necessity, Thatcher and the Atlanticists oppose in principle any ambitions to make Europe an independent actor in international affairs. Thatcher expressed her belief that Europe should be locked into an Atlantic community in the 1988 Bruges speech (Letwin 1992: 302).

The Thatcherites have a strong sense of kinship with the United States which is both economic and cultural. Sir Charles Powell has said that Thatcher believed that America was the greatest country in the world and wished that Europe could more closely emulate the US (Powell 1994). Iain Duncan-Smith MP also insists that an underlying kinship will ensure that the Anglo-American alliance endures:

Two nations that share a common language, a common based legal system, and a profound belief in the philosophy of free trade and democracy (The Times 31/3/95).

In addition Thatcher also saw America as not only more robust in fighting Communism but as an instinctive free trading power unlike other European states. She believed that European federalism would intensify these protectionist tendencies (Thatcher 1993: 784). Thatcher believed that a protectionist federal Europe would eventually lead to a divorce between Britain and America, leading to the withdrawal of US troops and a destabilisation of the global economy (Thatcher 1993: 814). She

even proposed the creation of a joint North American and European free trade zone to forestall this scenario (Thatcher 1993: 725). This proposal was floated in the press briefings to Thatcher's 1990 Aspen speech (see Chapter Two). Jonathan Aitken, the Chief Secretary to the Treasury, has articulated the fear of a divorce between a federal Europe and the United States:

The Special Relationship between Britain and America has been the cornerstone of our democratic values and suddenly to start, as the federalists want, to throw that out of the window is quite wrong (Col. 336, Hansard 18/12/91).

The conjunction of Ronald Reagan's election as US President in 1980 and Thatcher's election victory in 1979 created an alliance not just on security issues but on economic policy. The realist foreign policy perspective shared by Republicans and Conservatives focused on maximising the interests of the entire developed capitalist world. However this commitment to the capitalist system was also to a particular model of capitalism, the free market Anglo-Saxon capitalism characterised by Albert and discussed in Chapter One. The rhetoric and policy platforms of the election campaigns of both Thatcher and Reagan were a direct appeal and response to popular revolts against "big government" or state intervention. These revolts were focused on the growing manifestations of big government in terms of rising tax burdens on middle class incomes. American and British Conservatives espoused one central doctrine, that the excessive growth of the state had stifled individual initiative and enterprise. In office the two governments pursued similar policies. Both deregulated industry, both cut tax rates for upper income taxpayers and pursued a tough monetary squeeze. Both governments asserted "managers right to manage" in the face of opposition from organised labour.

The New Right had five central economic contentions:

- lower taxes would provide incentives for individual enterprise.

- private entrepreneurs should operate in a commercial environment free of regulation and interference.

- the pursuit of price stability was a precondition for economic growth and therefore had to strictly control the money supply and curb inflationary expectations.

- government should repudiate demand management and aim instead to balance the nation's books in order to provide an economy based upon "sound money."

- that full employment was a desirable consequence of a prosperous free market economy but it should not become a policy goal which would lead to distortion of the market itself.

Having outlined these five key positions in New Right economics it is important to introduce two qualifications to them. Firstly, in intellectual terms, this list is a generalisation which does not address the disputes within the New Right itself on

many economic issues. One example is the dispute between Hayek and Friedman on the causes of inflation and the importance of the money supply.

The second qualification is that in political terms, the Reagan Administration and the Thatcher Government had far from identical macroeconomic policies. The most obvious and fiercely contested dissimilarity in the records of the two governments was on the question of America's huge federal deficit. "The Deficit" as it had become known in America, had grown in defiance of Reagan's balanced budget proclamations and Thatcher's espousal of good fiscal housekeeping. Indeed it was a cause of disagreement between the two leaders. Nevertheless on the key issue of a minimal state there was a shared policy agenda.

Internationally, there was also economic policy cooperation between the two governments. Britain withdrew from UNESCO in tandem with the Americans. At G7 summits Britain was as likely to side with the US as she was with France, Germany and Italy.

Cold War Influences On Thatcherite Nationalists

Thatcher's Atlanticism was forged during the Cold War. As Opposition Leader in 1976 at the earliest possible moment Thatcher identified herself with US leadership and more significantly with the nascent groundswell of the American New Right anti-detente reaction. In a speech at Kensington Town Hall, Thatcher placed herself firmly alongside the proponents of the "New Cold War" in Britain and the United States. This grouping had bitterly opposed the de-escalation of the Vietnam War and also the Nixon/Ford Administration's promotion of detente with the Soviet Union, culminating in the signing of the SALT treaty. In a speech at the beginning of her leadership of the Conservative Party, Thatcher expressed the fear that America and the West would not have the resolve to tackle a resurgent Soviet threat:

In the late 1970s... the US was undergoing a crisis of morale following its failure in Vietnam... Hobbled by this psychological constraint and by a Congress also deeply influenced by it, two presidents saw the Soviet Union and its surrogates expand their power and influence in Afghanistan, southern Africa and Central America.... by the late 1970s, the US, Britain and our European allies were faced by a Soviet Union in this second aggressive phase (Thatcher 1993: 9)

Eventually these New Right activists formed the mainstream of the Reagan Administration and committed US foreign policy to the confrontational approach to the Soviet Union in the 1981-84 period. In the Kensington speech Thatcher dismissed detente and the prospect of Soviet changed intentions:

We have seen Vietnam and all of Indo-China swallowed up by Communist aggression... Even now the Soviet Union and its satellites are pouring money, arms and frontline troops into Angola in the hope of dragging it into the Communist bloc. We must remember that there are no Queensbury rules in the contest that is now going on. And the Soviets are playing to win (Thatcher quoted in CPS 1977).

I would like to the first to welcome any evidence that the Russians are ready to enter into a genuine detente but I am afraid the evidence points the other way (Thatcher quoted in CPS 1977).

Thatcher endorsed in her speech the controversial "domino theory" beloved of the

American Right, that once an individual state had fallen under Communist influence then the others in the geographical vicinity would also be likely to succumb. She also invested great political significance in Angola as US New Right leaders like Reagan, Jean Kirkpatrick and Jesse Helms did at this time. The role of the Russians in Afghanistan and the Cubans in Angola and Ethiopia seemed to confirm the impression of a concerted Soviet drive into the Third World designed to weaken the West (Halliday 1986: 224).

When Thatcher became Prime Minister she set her government a mission statement which intertwined a crusade to restore the free market with a renewed drive against Communism:

Taken together these three challenges - long term economic decline, the debilitating effects of socialism and the growing Soviet threat - were an intimidating inheritance for a new Prime Minister (Thatcher 1993: 9).

The Europeanist View

Perhaps Europe's voice would be better heard in Washington if this Europe of ours spoke more with one voice and acted together more decisively (Hans-Dietrich Genscher quoted in Nuttall 1992: 184).

The two pro-European groupings within the Conservative Party have united around a Europeanist conception. Geoffrey Howe is now the key articulator of this conception. The Europeanist view is far less ideological than Thatcherite Atlanticism. Europeanism has been more recently articulated within the Conservative Party. Initially, Europeanism was strongly held by other EU member states but was fairly absent amongst Conservative politicians. However recent experience has led to a number of Tory pro-Europeans advocating a more independent and robust pro-European foreign policy. It has gained ground as a pragmatic response to circumstances. It has particularly flourished in the aftermath of the Cold War and American disengagement. However it has been strongly pushed by the Foreign Office since the 1980s and has been given renewed impetus by general moves towards European unity.

Europeanism sees the Thatcherite reliance on American leadership as unhealthy and undesirable. Many Europeanists accept that America as the last remaining superpower will take a leadership role. However they do not believe that the EU should simply defer to the US. They believe that an independent European foreign policy identity is even more necessary in the post-Cold War world, to prevent America taking a series of unilateral actions contrary to European economic and security interests. In general Europeanists believe that American power will be more sensitively and responsibly exercised if it is counterbalanced by a concerted and effective European view. Europeanists also believe that on a number of issues Europe has a distinctive view and perspective which is either not appreciated or not shared by the Americans.

Since the ratification of the SEA there has been a formal European foreign policy machinery inside the EU. This machinery has been seen by Europeanists as an embryonic European foreign policy. As was discussed above, President Kennedy

urged British EEC membership, partly because he wished Britain to have a say in Europe's foreign policy machinery. The Macmillan Government was alarmed at the prospect of being excluded from the EEC's Fouchet plans for foreign policy cooperation (Newell 1992: 39). This machinery has developed in sophistication and coherence since the 1960s. Europeanists now have ambitions to forge a supranational common foreign and security policy (CFSP).

Fouchet paved the way for an intergovernmental European Political Cooperation (EPC) structure within the EU. EPC created an organic and systematic process whereby British foreign policy has been continually influenced by the preferences of her partners for nearly ten years. EPC exists as a secretariat in Brussels which is headed by a Political Committee, composed of Political Directors from the member states' foreign ministries. Beneath this level are regional sectoral working groups considering European policy towards different regions, like the Ukraine and the Middle East. The Political Committee, after deliberating on these reports, places recommendations before the Foreign Affairs Council.

Frank Vibert of the EPF has argued that the Conservative Government instigated the incorporation of EPC into the treaties because they saw it as another means to enhance the stature of British foreign policy preferences in Washington (Vibert 1994).

European and Atlanticist Influences on British Foreign Policy in the 1980s

Throughout the period of the Thatcher Governments both Atlanticist and Europeanist foreign policy infuences can be seen at work. The meanings of the events which took place in this period, such as Grenada and the Falklands are contested by the Nationalists and the pro-Europeans.

However in this period, Thatcher ensured that the Anglo-American relationship was given primacy. Sir Charles Powell was Thatcher's highly influential foreign affairs private secretary from 1984-90 and was closely identified with her thinking on the Community. Powell has confirmed that there was a conscious strategy in government in this period to become as close as possible to the US in order to maximise Britain's influence and if this necessitated public displays of lavish praise then ministers were prepared to engage in this (Powell 1994). The best example of this behaviour was Thatcher's fulsome address to a joint session of the US Congress in 1985, received rapturously by the American elite.

Maximising British influence meant the government needed to be able to insert itself in debates going on inside the Reagan Administration in order to ensure that the outcomes of these debates were broadly favourable to Britain. This strategy was particularly successful because of the frequency of divisions within the Republican Administration (Hames 1994: 132). Thatcher was usually allied with or was indeed drafted by the State Department against the Defence Department and in particular, Richard Perle (Hames 1994: 129). Powell has, however, also conceded that the British Government itself was divided on many of these issues, the critical one being the Strategic Defence Initiative (SDI) or Star Wars.

On a series of issues the Thatcher Governments were subject to Europeanist and Atlanticst policy influences. On the declaration of Polish martial law Thatcher acquiesced in a distinct European foreign policy position. Britain backed an EPC policy postion which was far from identical with that of America. The German Government was anxious to preserve the vestiges of detente and opposed the US policy on sanctions. The US had proposed cutting airlinks, postponing a grain agreement and revising exchange arrangements. Eventually EPC produced a compromise in order that Greece could be exempted from imposing sanctions on the Soviet Union.

The more important Europeanist stance adopted by the Thatcher Government was the 1980 Venice Declaration. EPC had to respond to the aftermath of the Camp David peace accord signed by President Carter with Sadat and Begin in 1978. European leaders were determined to intensify the Middle East peace process and bring in the Palestinians. The Nine member states issued the Declaration setting out a series of objectives for the furtherance of the peace process, including the issue of a Palestinian homeland. The US however was resentful at Europe's intervention and wished to pursue Middle East peace outside its own Camp David process. Venice was an occasion where European policy departed from that of the United States Government. Nevertheless Lord Howe argues that Venice was a positive development. Howe argues that Venice's divergence from Washington's position was beneficial. He believes that it eased the US into a longer term acceptance of Palestinian rights and conciliation with King Hussein of Jordan (Howe 1994a).

On the SDI issue, Thatcher's Atlanticist approach came into conflict with Howe's Europeanist preferences. At Camp David in December 1984 Thatcher achieved a major policy coup by getting Reagan to agree to a four point accord which on paper restricted his ability to develop SDI. Thatcher's approach to SDI again showed how she came into conflict with other European leaders because of her desire for close relations with America. Thatcher was personally opposed to SDI as was Geoffrey Howe, yet she differed on tactics from Mitterand and Kohl. They favoured a clear and public opposition to SDI. However she was concerned above all not to antagonise the US (Hames 1994: 133). Her strategy was always to take the inside track and put constant pressure on Reagan to make SDI a bargaining tool.

At Camp David in 1986 Thatcher recommitted Reagan on paper to a restatement of the principle of nuclear deterrence and the development of nuclear weapons. This was in direct response to the dramatic breakup of the Reykjavik summit in 1986. At Reykjavik Soviet Leader Gorbachev had sprung a major multilateral arms reduction initiative on a surprised and unprepared American President. Gorbachev's proposal would also have involved the elimination of many of Western European nuclear arsenals. However, Gorbachev's price was an American commitment to abandon the SDI programme, which Reagan rejected. Although Thatcher, Mitterand and Kohl were privately pleased and relieved at the breakdown of the summit, they were dismayed that the bulk of their nuclear arsenals had nearly been negotiated away over their heads. However although Thatcher shared this analysis and concern with the other Europeans she again diverged from them on the question of how to

respond to the aftermath of the summit.

France and Germany decided to beef up Western European defence forces and cooperation in order to prepare for the contingency of American disengagement. Whereas Thatcher drew precisely the opposite conclusion - that preparations for this contingency made it far more likely to occur (Hames 1994: 133). Thatcher's response conformed to that of Macmillan in the late 1950s and early sixties: if American commitment to the special relationship and to Europe was in doubt, then Britain should react by endeavouring to deepen the relationship even further. Whereas the lesson that France drew from Suez above all was to continue to seek as much independence from US policy as possible so that she would be prepared for adverse circumstances (Powell 1994a).

While Thatcher attempted to modify the Reagan Administration's policy on SDI by playing the inside game, Howe took the unprecedented step of voicing European criticisms publicly. Howe believed that the EU should become the vehicle for the development of independent foreign policy views from the US and that these should be openly asserted and articulated:

> *And I had successfully pointed up a British alternative to Margaret's technique of influencing American thinking by starting from a premise of loudly proclaiming loyalty. More and more Europeans were coming to feel that when it came to the crunch, their governments had no real influence on America's strategic thinking and that established NATO mechanisms risked becoming unidirectional* (Howe 1994: 393).

However the most critical area in which Thatcher's influence was brought to bear was on Western assessments of Mikhail Gorbachev when he came to power. Gorbachev had been identified by the Foreign Office as the rising star of the Kremlin elite, likely to challenge old orthodoxies. Thatcher's famous meeting with Gorbachev at Chequers in 1984, when she said that "we can do business with Mr Gorbachev" prepared the way for a reappraisal by the Reagan Administration of the Soviet position.

Thatcher's stature with the US government meant that her favourable opinion of the new Soviet leader was seen as an authoritative endorsement of Gorbachev and therefore helped to persuade the President himself about Soviet intentions. At the same time Thatcher could meet the Soviet leader and gauge his intentions at a distance from US government circles; she could act as an interlocutor for the Americans without them being seen to be formally involved or committed. Max Kampelman, chief US disarmament negotiator at Geneva from 1985, argues that Thatcher's view on Gorbachev strengthened the President's resolve that this was the correct course to follow (Smith 1989: 147).

David Gergen, Reagan's Director of Communications at the White House in the early 1980s, cites an occasion at the Williamsburg summit when missile deployment was being discussing. Some European ministers wished to back a weak statement on the issue which the US group were prepared to live with. Yet when the statement was taken to Thatcher she rejected it and insisted on a redraft. She forced the German and Italian ministers to change the document. Gergen said that the

Americans were impressed with her performance (Smith 1990: 111).

Throughout Thatcher's premiership the intimacy and cooperation between Britain and America persisted, even surviving the fractiousness of the Grenada invasion. Two issues in particular, the Falklands and Libya, showed how the diplomatic capital which the Conservatives invested in the special relationship produced hard foreign policy returns. At the same time the reciprocity which the US expected for its assistance in the Falklands again underlined Thatcher's distance from other European leaders.

The Falklands Conflict

When Argentina invaded the Falklands, America's public stance was to mediate and be even-handed between the two parties. Reagan certainly hoped to avoid bloodshed even though he sympathised with the British case. Indeed there were divisions within the Administration on this issue. Jean Kirkpatrick, US Ambassador to the UN, opposed the setting up of the British taskforce and was supportive of Argentina. Kirkpatrick took the realpolitik view that Argentina's junta was supportive of the US within the Latin American region and that overt American support for Britain would jeopardise this relationship.

However eventually the Administration, or more accurately elements within it with Reagan's blessing, gave military support for the taskforce. Reagan gave broad authorisation for the Pentagon's military assistance to the British taskforce (Smith 1990: 87). Defence Secretary Weinberger was able to authorise intelligence support for the British war effort and the use of Ascension Island to provide fuel supplies. A satellite was moved from the North to the South Atlantic to assist the British and Reagan took the final decision to authorise this (Smith 1989: 84). Weinberger's efforts were able to come out into the open after the Senate passed a resolution endorsing the UN's call for the upholding of British sovereignty over the islands. The Senate resolution backed all efforts to reverse the invasion (Dickie 1994: 9).

In the eyes of Conservative MPs the American assistance deepened the warmth in the transatlantic relationship. Correspondingly, these same MPs noted what they saw as the flabbiness of Europe's response. Although France was strongly supportive of Britain's line, unsuprisingly, other countries with links to Latin America like Spain and Portugal, absented themselves from sanctions against Argentina. Ireland for its own domestic political reasons also refused to endorse British action over the Falklands. This episode, along with the Gulf War, reinforced a view amongst many Tory MPs of a reliable ally across the Atlantic compared to an irresolute and vaccillating EU.

American backing was seen to involve a *quid pro quo* when Thatcher gave her support to the US bombing of Libya in 1986, one of the most unpopular of recent foreign policy actions taken by a British Prime Minister. The French Government had refused permission for US F-1-11s to overfly their territory; Thatcher gave her blessing and subsequently suffered tremendous domestic political criticism. Significantly, as with the Gulf War four years later, Thatcher was to claim that

unilateral American action was justified under the terms of article 51 of the UN Charter, providing for "individual or collective self-defence against an aggressor."

The Grenada Incident

However, one incident in the early 1980s stands out as a turning point in the development of the Thatcher/Reagan special relationship and relations with Europe. This was the American invasion of Grenada in 1983. Grenada became the precursor to the divergence between those Tories like Thatcher who held to a belief about the value of the alliance and those like Howe who believed that America's unreliability meant that European integration should be encouraged to act as a counterweight to the US. Howe himself describes the Grenada episode as a "humiliation" in his memoirs.

Grenada was a former British colony and subsequently a member of the Commonwealth. In 1979 the independence government was overthrown by a coup led by the Marxist Maurice Bishop and his New Jewel Movement. The fact that Bishop then began to establish ties with Cuba and Moscow immediately raised concerns in Washington. By October 1983 Bishop himself was overthrown and replaced by a Revolutionary Command Council. At this point the Organisation of East Caribbean States called for military intervention in the island.

The Cabinet instructed the British Ambassador Oliver Wright to convey Britain's opposition to military action to the Reagan Administration. Howe spoke on the floor of the House of Commons on 24th October saying that he was in the closest possible touch with the US and Caribbean governments and had no reason to expect American intervention (Howe 1994: 328). On 24th October the President sent a tele-letter to Number Ten saying that he was giving serious consideration to an OECS request for military intervention by the US and welcomed Britain's advice. However within a matter of hours Reagan had dispatched another letter declaring that the US was "going in" with troops. In his memoirs Howe bluntly describes his anger at the US move after Reagan had signalled consultation:

> *What on earth were we to make of a relationship, special or otherwise, in which a message requesting the benefit of our advice was so quickly succeeded by another which made it brutally clear that that advice was being treated as of no consequence whatsover* (Howe 1994: 329).

Thatcher spoke on the hot-line in strong terms to the President. Thatcher and Howe then faced the ignominy of facing a House of Commons emergency debate on the 25th October. Howe says that:

> *The truth is that the government has been humiliated by having its views plainly disregarded in Washington* (Howe 1994: 331).

At the Security Council the British Ambassador abstained in a debate on the issue. Howe himself draws the comparison with the Soviet Union's unilateral invasion of Afghanistan and expressed his concern at the time that the US would believe that the military success of the Grenada invasion would be a model for other Third World incursions.

This incident led Howe increasingly to believe that in order to influence American policy public expressions of praise and seeking the "inside track" would be insufficient. Instead Howe believed that US policy was more likely to be influenced by exercising external leverage on Washington through a more unified European foreign policy line. Howe quotes approvingly in his memoirs a journalist who said that Britain had been living in a fool's paradise in looking to America first and Britain second.

In particular Howe made his own judgement in the aftermath of Grenada, that the Falklands collaboration would probably prove to be the exception rather than the rule as a model for US instincts (Howe 1994: 337). Implicitly Howe concedes that he made the appraisal that if America's views diverged from those of its allies then the US would press ahead regardless. For Howe the development of political cooperation within the EC was more than a contingency in these circumstances, it was a more secure long term foundation for ensuring that British foreign policy priorities were given greater weight in Washington.

The Grenadian aftermath and the SDI issue were the genesis of the divisions between Howe and Thatcher on Atlanticism versus Europeanism. Whereas Grenada convinced Howe of the utility of intensifying political cooperation in Europe, it left Thatcher's conception of the Anglo-American alliance unaltered. In her memoirs recalling the incident ten years later Thatcher reiterates her opposition to the invasion but then says:

Britain's friendship with the United States must on no account be jeopardised (Thatcher 1993: 333).

The American Tilt Towards Germany

Thatcher's belief in the primacy of the Anglo-American alliance eventually brought her into confrontation not only with the Europeans but also with the US Government itself. A number of key events provoked a strategic reappraisal on the part of the Bush Administration, principally the collapse of the Warsaw Pact and the end of the Cold War. The Bush Administration prepared the ground for the Clinton Administration's enthusiastic embrace of European integration. The Bush European policy encouraged the integrationist Tories in their belief that Britain had to work for a Europeanist policy but it also led to the Thatcherites straining even harder to maintain an Anglo-American partnership.

Previously, as Stephen George argues, US attitudes to the EU had always moved on a spectrum from partnership to rivalry (George 1992: 56). On the one hand the US felt a strong political and geo-strategic desire to support the EEC as a bulwark against Communism in Western Europe. Associated with this was America's desire to share the burden of Soviet containment. On the other hand, the US saw the Community as a commercial and trading rival in the global economy and feared that the EEC would pursue protectionist policies damaging to British interests. These contradictions were evident at the outset in President Kennedy's reaction to the Macmillan application.

However by 1989-90 the balance of US perceived interests had shifted decisively in favour of Bush's support for intensified European integration. In particular the new circumstances of post-Cold War Europe were seen by Bush and his Secretary of State, James Baker, as necessitating a new "special relationship" with Germany. Britain's role as the US's most reliable partner during the Cold War and America's interlocutor with Europe, was now played out. The new situation facing US policymakers in 1989 was to manage the breakup of the Eastern bloc and the Soviet Union whilst reducing America's own defence spending.

As we have seen the desire to maintain diplomatic stature with the US was a critical factor in Macmillan's decision to apply for EEC membership. In the final two years of her premiership Thatcher was prepared to risk this diplomatic relationship by confronting Bush's tilt towards Germany and desire for European unity. In particular Thatcher confronted Bush on the unification issue. Thatcher saw unification as the precursor of a reassertion of German power and believed that EU integration would augment this power. Thatcher's fears about Germany are shared by many other Thatcherite nationalists, like Bill Cash, Norman Tebbit and Bernard Jenkin.

It was the NATO discussions on short range nuclear forces (SNF) which first highlighted Thatcher's growing estrangement from the Americans. Germany opposed the modernisation of SNF missiles and Chancellor Kohl's opposition was strongly influenced by German public opinion. Thatcher however saw SNF as essential to the NATO strategy of flexible response (Thatcher 1993: 784). She also opposed the proposal for a "third zero" of matching US and USSR reductions in these forces. However James Baker decided to conciliate the Germans in the face of

these pressures. Teasdale argues that at this time the British Government feared that on the SNF issue Britain would be left in the side-car whilst the American and German limousines sped on past her (Teasdale 1994). Thatcher also has admitted that on SNF:

I found myself going to Brussels as the odd man out. Everyone else accepted the principle of SNF negotiations (Thatcher 1993: 788).

The eventual compromise enabled the Germans to argue that the prospect of early SNF talks had been preserved. Publicly Thatcher put a brave face on her defeat. However the really significant departure was on 31 May 1989 when Bush met Kohl in Mainz and declared that:

The United States and the Federal Republic of Germany have always been firm friends but today we share an added role - partners in leadership (Dickie 1994: 213).

It was at this point, when rhetoric was running in the same direction as policy, that Thatcher realised that the Anglo-American alliance was becoming superceded:

Unfortunately, even then the US State Department continued to put out briefings against me and my policies - particularly on Europe.... to some extent the relative tilt of American foreign policy against Britain in this period may have been the result of the influence of Secretary of State James Baker (Thatcher 1993: 783).

Three policymakers were at the forefront of the Bush Administration's tilt towards Germany and support for European integration; Robert Zoellick, State Department Counsellor, Dennis Ross, Head of Policy Planning and Condolezza Rice, at the National Security Council. Sir Charles Powell argues that Robert Zoellick was the key originator of the policy as chief advisor to James Baker. Powell says that Baker had entered the State Department with a feeling that Britain had "had things too easy during the Reagan years" in terms of access and influence (Powell 1994).

Zoellick had come with Baker from the Treasury and from the financial world, inevitably saw Germany as more central than Britain. Powell also says Eagleburger was a key articulator of the new policy (Powell 1994). Powell also argues that at this stage of the new US policy Thatcher was so self-assured about the enduring nature of the Anglo-American partnership, that she told her advisors that eventually the Americans would come around to realising that Britain was her only reliable ally (Powell 1994). The experience of the Gulf War clearly made Thatcher feel vindicated.

In November 1989 came the fall of the Berlin Wall and the beginning of the end of the old East German state. The speed of the disintegration of the Eastern bloc surprised the US Administration as it did most external commentators. It was at this juncture that the Administration began to see Germany as the new focus of US policy in Europe. The US Ambassador to Bonn, Vernon Walters was convinced that Germany would become the main driving force behind European integration and the rebuilding of the East. The Community, with Germany in a leadership role, should be encouraged to seek further integration, in order that the US could relieve itself of

many European responsibilities. To a certain extent therefore a strong Germany had now become in the interests of the United States. This led to the real point of schism with the Thatcher Government. The US also believed that the only sensible means by which Eastern Europe could develop an association of free market liberal democracies was through their engagement with the EU.

The highest level public statement reflecting the new US policy came from Bush himself in December 1989. Bush called in general terms for intensified European integration in order that the Community could manage the breakup of the Warsaw Pact. His remarks unnerved Downing Street and Bush was forced into a "clarification" for the press in which he said that he was not giving America's endorsement for the single currency project or for political union. Nevertheless Thatcher concedes in her memoirs that this public disclaimer was merely a public relations gesture and did not reflect the reality of the direction of US foreign policy.

Throughout the first half of 1990 Thatcher persisted in an attempt to delay German unification. In an interview with the *Wall Street Journal* on 25 January 1990, Thatcher argued for a drastic slowing of the pace of German unity. Some of her coded public expressions of anxiety about the prospect of German unity did illicit private sympathetic responses from other European leaders, such as President Mitterand. Powell claims that the French were even more concerned at the prospect of a united Germany than Thatcher (Powell 1994). However once Baker had swept aside Thatcher's misgivings, the other Europeans decided not to be seen to oppose the inevitable.

Embarrassingly, Thatcher's anxieties came into the open with the leak of minutes drafted by Charles Powell from a Chequers seminar on Germany. *The Independent On Sunday* on 15/7/90 reproduced the entire document and revealed that in attendance at the seminar were a motley group of academics and policy analysts whom Thatcher had called upon to advise her about Germany's future development post-unification. The seminar's guests included Lord Dacre, Professor Norman Stone and Tim Garton Ash. The seminar paper identified certain attributes central to the German character; "angst, aggressiveness, assertiveness, bullying, egotism and sentimentality" (Dickie 1994: 270).

Significantly, the seminar paper advocated a reliance on continuing good German behaviour in Europe as one means by which the consequences of her power could be managed. Yet the very cause of Thatcher's anxiety was that Germany would "revert to type" and become overtly nationalistic, thereby rendering extremely unlikely just the responsible behaviour which she hoped Germany would display to reassure her neighbours:

We wanted a continuing military American presence in Europe as a balance to Germany. We would want to see limits, preferably self-imposed through a further CFE agreement on the size of Germany's armed forces (The Independent On Sunday 15/7/90).

Conflicting Tory Attitudes to Germany

Tory protagonists have not only contested the meaning of specific events, like Grenada and the fall of the Berlin Wall, they also disagree fundamentally on their attitude to the nature and role of Germany within the EU. Conservative Party attitudes to Germany conform to a stark bipolar mould. The Thatcherites view European integration as augmenting German power and believe that Germany has consistent hegemonic ambitions. Whereas pro-Europeans place great faith in the postwar experience of the Federal Republic as a liberal democracy: they believe that German unity within the context of a more integrated EU will ensure that Germany will not dominate and will be subjected to the continuous influence of her partners.

The view of Germany expressed by Thatcherite nationalist leaders, like Cash and Thatcher essentially rests on a belief in the fundamental continuity of German hegemonic ambitions and character. Thatcher sees Germany as intrinsically threatening to its neighbours (Thatcher 1993: 791). Cash argues that Germany's sense of a national mission overrides any alliances or institutions to which she has been or is presently involved. Central to this view is a dismissal of what Cash calls the "zero hour" thesis. This is the view which argues that after Hitler's defeat, German history began with a clean slate - a zero hour in the country's history, when previous nationalistic and totalitarian passions were expunged from the state's culture.

In Cash's own revisionist view, Germany's postwar western orientation was only advocated and pursued by Chancellor Adenauer as an expedient (Cash 1991). Cash also uses America as a focus in order to criticise Germany for being both hostile to the free market and anti-Western. He puts the "augmentation thesis" very succinctly in the following quotation:

> *To hand her (Germany) the key to the legal structure of Europe within EMU... and EPU with a majority voting system gravitating around alliances dependent upon Germany simply hands her legitimate power on a plate...*(Cash 1991: 71).

Cash believes, along with many other nationalists, that Germany's economic weight is such that within a supranational EU she will effectively dominate. Cash seized on the German Christian Democrat parliamentary caucus position paper, *Reflections on European Policy*, in order to force home his argument that Germany will act unilaterally if it does not achieve its purposes through the EU. The CDU paper says that if European integration does not progress then Germany might be tempted to stabilise Eastern Europe on its own in the traditional manner. Writing in the *European Journal* Cash said:

> *So there we have it. Either we accept a single currency and majority voting on defence and foreign policy and a federal Europe, with the loss of our Westminster democracy, or Germany will go its own way* (Cash 1994: 2).

Chancellor Kohl's behaviour on the issue of German recognition of the Oder-Neisse line (the Polish borderlands) also gave ammunition to Tories who identified with Cash's position. Kohl argued before the German election in 1990 that it would be

impossible for West Germany to guarantee the security of the borderlands (with their German-speaking peoples) until the Bundestag of a united Germany had spoken on the issue. Kohl's ambiguity aroused diplomatic tensions in the crucial period during which unification was being negotiated with the Americans and the Russians. The Chequers seminar paper highlights this issue:

Kohl's handling of the Polish border issue, in particular his reference to the need to protect the German minority in Silesia, had given the wrong signals. Historic fears about Germany's `mission' in Eastern Europe, had been revived (Independent On Sunday 15/7/90).

Lawson has argued that EU integration is the only means, given Germany's history, in which she can achieve legitimation for a global role commensurate with her modern economic status:

For Helmut Kohl, acting very much under the influence of his long-serving Foreign Minister, Hans-Dietrich Genscher, a strong Germany aroused too much fear for it to be able to exercise the political power and influence beyond its borders that its strength warranted. The solution was for it to allay that fear by exchanging German clothing for European attire (Lawson 1992: 901).

Cash also draws historical comparisons to press home this same point:

I have always found the word "Europe" on the lips of those who wanted something from other powers which they dare not demand in their own name (Cash 1991: 80).

Bernard Jenkin MP (Cons: Colchester North) argues that the effect of German policy in Europe is gradually to establish a German hegemony by consent under a European label (Jenkin 1994). Thatcher's concern about Germany's volatile nationalism is so acute that she sees a role for the US in ensuring internal equilibrium in Europe free from German predominance. It is for this reason that Thatcher was so alarmed by the US's tilt towards Germany. In her memoirs she articulates her view why European federalism, German assertiveness and the US leadership role are intertwined:

Only the military and political engagement of the US in Europe and close relations between the sovereign states in Europe - Britain and France - are sufficient to balance German power: and nothing of the sort would be possible within a European superstate (Thatcher 1993: 791)

However the Nationalists' hostility to Germany is challenged by Tristan Garel-Jones, the former Minister for Europe. Garel-Jones argues that if the nationalists take their hostility to Germany to its logical conclusion then they face a dilemma. Either they support federalism as a way of constraining the exercise of German power or they treat Germany as an aggressive power, like the old Soviet Union:

They (the Thatcherites) *tend to be people who believe that there is a special demon in the German soul. The difficulty they have is that if on one level you believe Germany is dangerous..That's what Kohl believes. That's why he talks about binding Germany in and subsuming German sovereignty in the wider whole.*

So if you believe that you had better become a federalist. Either you become a federalist or you start pointing your nuclear missiles at these people. One or the other! If, like me, you don't believe that, I don't believe that there is a special evil in the German soul. I think that the reasons why fascism

prospered in Germany were complex but nothing to do with the inherent characteristics of the Germans (Garel-Jones 1994).

Lord Howe puts the opposing case to Cash and Jenkin from the pro-European perspective. He argues that Germany is more likely to behave in a manner conducive to the interests and feelings of partners and allies if it is continuously subject to the influence of other European states inside the EU. He says that "detaching yourself and shouting at Germany from outside" is not a satisfactory alternative. Yet even Howe concedes that his belief in continuous diplomatic engagement with Germany is not a failsafe policy (Howe 1994a).

The Gulf War

Saddam Hussein's invasion of Kuwait came as Thatcher had arrived in Colorado to give a major foreign policy speech. Thatcher's Aspen Speech (see chapter one), described by George as her "American Bruges Speech" was intended as a direct intervention in the US about what the future shape of Europe ought to be (George 1992: 59). Thatcher hoped to steer the Bush Administration away from its new focus on Germany and back towards the Anglo-American alliance. Powell concedes that the Foreign Office was reluctant to clear the speech but that the Prime Minister was determined to make it (Powell 1994). The speech called for a new Western Magna Carta of liberties and the pursuit of a North Atlantic free trade zone, an idea which Thatcher says was viewed unenthusiastically by the Foreign Office and the Treasury. Powell says that the Treasury was opposed to the proposal.

Thatcher's presence in the US gave her a prime opportunity to influence and identify with American policy on Kuwait. Thatcher was vigorous in her support for Bush's robust diplomatic response to the Iraqi invasion. Initially European unity was achieved on the UN economic and diplomatic measures taken against Iraq. The EU's trade provisions were used to instigate the economic sanctions against Iraq.

However by late Autumn of 1990 it looked as if the use of military force was a probability. It was then that splits emerged amongst the Europeans on the Gulf. As early as September, Thatcher had criticised other European countries for not doing more to support the US-led effort (*Wall Street Journal* 3/9/90). While France joined Britain in contributing to Operation Desert Shield, Mitterand took an independent line on the need for linkage between Iraq's expulsion from Kuwait and the settlement of the Arab-Israeli problem.

The EU by this time had procrastinated on the issue of aid to the frontline states. The last weeks leading to the war were the most trying for the Community as the linkage issue pulled apart the consensus which had been maintained in the summer of 1990. In particular Germany at best lukewarm on the need for military action, refused to commit her troops to Desert Shield. The only contribution which Germany made was to provide mineweepers for the Eastern Mediterranean to relieve other NATO vessels for duty in the Gulf. Germany's stance enabled Thatcher to publicly make the invidious comparison between Britain's steadfast reliability and Germany's abdication. Her coded message to the White House was

clear, "Germany is not fit for the role which you had anticipated for her." Francis Maude, then a Foreign Office minister, argues that the Americans having invested so much in Germany, were quite surprised at Germany's attitude to the Gulf (Maude 1994).

The EU had become a house divided; Britain had reverted to its old role as an Atlanticist power, Germany as a self-centred giant, reluctant to take on international responsibilities and France persisting in its Gaullist independence and the other Europeans mostly taking cover (Hella Pick in *The Guardian* 13/9/90). Even the Belgian Foreign Minister complained that the divisions over the Gulf had shown the hollowness of European ambitions for a common foreign and security policy (CFSP) (*The New York Times* 25/1/91). France's ferverent independence was shown by President Mitterand's unilateral eleventh-hour diplomatic initiative offering Saddam Hussein linkage between a Kuwaiti withdrawl and the Arab-Israeli dispute.

The successful Anglo-American cooperation during the Gulf War and Germany's hesitant and uncertain attitude encouraged the Thatcherites to believe that Britain would continue to have a strategic significance in the eyes of America which other European countries had disqualified themselves from possessing. Both Francis Maude and Bernard Jenkin are insistent that when the US faces a really serious international problem then it will turn to Britain as its only reliable ally (Jenkin 1994 and Maude 1994). Maude had said that the Gulf War had the beneficial consequence of shoring up the Atlantic relationship (Maude 1994). Iain Duncan-Smith argues that it is incidents like the Gulf which indicate that Germany is not ready to assume the role that both the Bush and Clinton Administrations hoped she would fulfill (Duncan-Smith 1995). Thatcherite Nationalists took comfort from these events as they believed that America's dallying with Germany during unification had ended with the US being jolted into a realisation of the continuing importance of Britain as an ally.

The pro-European Tories took an opposing view on the significance of the Gulf War. They argued that the disunited European view made the case for a more coherent and united common foreign policy. They also believed that it was unhealthy that the US was able to effectively dictate the direction of Gulf policy, especially in the aftermath of the liberation of Kuwait.

Immediately before the invasion of Kuwait, Thatcher was at an early stage of developing ideas for a post-Cold War renewal of the Anglo-American alliance. She believed that the alliance had to be perpetuated in order to safeguard other threats to Western interests. She wished to reorientate NATO so that it could intervene outside the European theatre, or "out-of-area" to protect these interests. Sir Charles Powell concedes that these ideas were at a very early stage (Powell 1994).

The Gulf War fortified Thatcher in her belief that American leadership was still relevant in order to prevent challenges to Western interests in the post-Cold War era. In a speech to the North Atlantic Council in June 1990, two months before the invasion of Kuwait, Thatcher had identified access to Middle Eastern oil as one of these Western interests. She cited this area as one which would support her belief

that NATO needed to assume an "out-of-area" role to protect Western interests:

There is no guarantee that threats to our security will stop at some imaginary line across the mid-Atlantic. It is not long since some of us had to go to the Arabian Gulf to keep oil supplies flowing ..... potential threats to NATO territory may originate from outside Europe (Thatcher 1993: 812).

The Impact of the Clinton Presidency

The Gulf War had left two legacies. It revived the old partnership and enabled Tory MPs to hope that Bush's pro-German policy had been an aberration. Also due to the divisions within Europe in supporting the UN action in the Gulf, ambitions for a more united European security policy were discredited. The former Defence Minister Alan Clark spoke scornfully about the Europeans "running to their cellars" (*The Financial Times* 8/2/91). The episode temporarily confirmed the Thatcherite view that Britain and the US had an underlying identity of view on security questions. Two years later however this view was challenged by the severe strains that emerged in the relationship on the crisis in former Yugoslavia.

More fundamentally, the new Clinton Administration renewed the strategic reappraisal of Bush in relation to Germany's post-Cold War role and European integration. President Clinton even broadened the strategic rethink by switching emphasis away from Europe altogether and focusing more diplomatic attention towards Asia. At the same time the shape of the new post-Cold War world changed the environment which policymakers operated and this too contributed to strains on the Atlantic relationship.

During the Cold War geo-politics and diplomacy had been forced into a bipolar mould, which actually increased in its rigidity during the Reagan years. In this context Britain under Thatcher was the most loyal supporter of the US containment policies in Europe and the Third World. The potential for division between the powers in this era was far more limited. All the western powers agreed on the objective of containing Communism; the only disputes which occured were on the specific means, such as Reagan's decision to develop SDI. It was because of the US/UK agreement on the need to contain the Soviet Union, that disputes like that over SDI were rare. More commonly, over the Polish crisis in 1981 and Cruise missile deployment, Britain and America agreed on the means of foreign policy as well as the mere objective.

However the "New World Disorder" which has developed in the aftermath of the collapse of Communism has broken the bipolar mould and created disputes not only about the means to pursue foreign policy but also the objectives themselves. The new situation has seen the emergence of a series of bloody regional wars in the place either of former Soviet clients or satellite states. The most obvious and notorious examples are in Bosnia and Somalia.

In this more fragmented context, there is far greater potential for greater foreign policy disputes between Britain and America, as well as other UN powers. For example on Bosnia, should the objective for the West be to curtail or merely contain

the conflict? If the objective were to curtail the conflict, then should the appropriate and effective response be the use of airpower or large scale ground forces? This new situation has a far greater potential to break apart previous alliances and this has occured over Bosnia.

In addition the Clinton Administration has continued and indeed stepped up, moves to give Germany a greater role in international affairs and to encourage European integration. Clinton welcomed Germany's ending of its constitutional prohibition on the use of force and held out the prospect of Germany becoming a permanent member of the UN Security Council. Even in personal terms, the new "special relationship" which existed between Reagan and Thatcher has now been transfered to Clinton and Kohl. The Kohl-Clinton axis has been in evidence on Russian and Bosnian policy.

Clinton described the relationship between America and Germany as "more immediately relevant" than that between Britain and America. At the same time Clinton and his Secretary of State, Warren Christopher shifted their diplomatic emphasis away from Europe and towards the newly vibrant markets of Southeast Asia and Latin America. After the collapse of Communism, America has now shifted in line with its economic interests towards the Pacific and has far less of a stake in Europe. Correspondingly, pressure has continued to mount from the US Congress for American troops to be withdrawn in large numbers from Western Europe. The Clinton tilt towards Germany stems directly from a desire to offload responsibilities onto another power. This strategic reappraisal is likely to continue under any of Clinton's successors, either Democrat or Republican.

More generally, it is now clear that American's post-Cold War attitude to Europe is symptomatic of a more fundamental reversion to pre-war isolationism. Congressmen of both parties, but especially the Republicans, are increasingly hostile to deploying US troops or financial resources outside their own borders unless in pursuit of the most narrowly defined national interest. These Congressmen are responding to a clear US public mood which is hostile to foreign adventures and expensive commitments. The Clinton Administration's concentration on domestic reform rather than foreign policy, directly stemmed from this popular mood. In the aftermath of the 1994 American mid-term Congressional elections and a Republican majority in both houses of Congress, the neo-isolationists seem to be gaining ground. In particular, Senator Helms, a noted isolationist critic of foreign aid, is now chairman of the Senate Foreign Relations Committee.

The Response of Conservatives to the Clinton Presidency

However the Thatcherites still insist that an Anglo-American partnership is indispensable. While they are privately bitterly critical of President Clinton's lamentable foreign policy record, they are not deflected from their ideological commitment to the alliance. Iain Duncan-Smith dismisses notions of American neo-isolationism. Duncan-Smith argues that Britain and America will continue to have coincidences of economic and security interests, such as the Gulf (Duncan-Smith 1995). Duncan-Smith argues that in the past there have been occasional "scares"

about the prospect of US disengagment which have come to nothing. He cites the Sam Nunn Senate amendment in 1984, which called for a big US troop withdrawal from Western Europe. This occurred at the height of the Cold War. Duncan-Smith argues that America has always been instinctively isolationist but successive American Presidents have been able to exert effective leadership in order to suppress this feeling (Duncan-Smith 1995).

Lord Parkinson argues that the continuing existence of NATO engenders an American belief in reciprocal obligations to Europe in the post-Cold War era. Parkinson says that British support during the Gulf should remind the US that "one good turn deserves another" (Parkinson 1995). Bernard Jenkin argues that in periods of weak presidential leadership, such as the Carter Administration, the Anglo-American relationship "goes to sleep" (Jenkin 1994). Jenkin argues that the State Department has always been disposed to downgrade Britain's role in the world, whereas the Pentagon has tended to recognise Britain's importance.

The pro-European Tories have seen the erratic record of the Clinton Presidency as the strongest possible argument for a robust European foreign policy. They also believe that Congressional hostility to American engagement in the world means that Europe must look to its own resources. Peter Luff MP argues that the mood in Congress means that Britain must work for closer European defence cooperation. He also believes that increasingly America will deal with Europe as a whole and not separately with Britain. Therefore he argues that if Britain wants to retain any meaningful relationship with the US then it must be part of the EU (Luff 1994).

The Impact of Bosnia

The specific issue which has acted as a flashpoint for the unravelling of the Atlantic tie is Bosnia. Bosnia has encapsulated a serious dispute on policy between the US and the UK, shown Clinton's preference for German views and has also indicated America's growing military disengagement from Western Europe. On assuming office, Clinton was already committed to launching air-strikes against the Serbs if they continued to defy UN resolutions. Initially, the President backed away from his campaign pledges and came to an agreement with France and Britain on measures to contain the conflict.

However in the late spring of 1993 with renewed atrocities taking place in Bosnia, Clinton began articulating the "lift and strike" policy of lifting the UN imposed arms embargo against Bosnia and accompanying this with air strikes against Serb artillery positions. While Clinton vaccillated and ultimately backed down on his threats to use airpower against Serb targets in 1993-94, he continued to publicly press Britain and France to support a UN resolution to lift the arms embargo. From Clinton's perspective this option had the virtue of enabling the Muslims to fight on their own behalf rather than committing American ground troops in their defence.

Clinton's position on the arms embargo was adopted even more vociferously by Congress. The desire of Congressmen to lift the embargo was also symptomatic of neo-isolationism. The supply of arms to the Muslims enabled the US to make an

internationalist moral gesture against the Serbs as the "aggressors" in the conflict, whilst avoiding an American ground commitment. John Wilkinson MP has argued that the absence of American ground troops could be a precursor to ultimate US military disengagement from Europe (Wilkinson 1994).

The lift and strike policy was opposed in principle by Britain. Major and Hurd had two fears in relation to Clinton's preferred options. Firstly, they feared for the safety of British troops supporting the humanitarian UNPROFOR relief effort. Secondly, the Foreign Office argued that lifting the embargo would create a conflagration in the Balkans and encourage the Serbs to launch a pre-emptive knock-out blow against the Muslims. Christopher was dispatched to London after the Serbs rejection of the Owen-Vance peace plan to rally British support for the plan but was met with a cool response. Meanwhile an unseemly war of words took place across the Atlantic with Senator Joe Biden expressing his outrage at British refusal to go along with airstrikes and Representative Susan Molinari calling for the arms embargo to be lifted irrespective of European views (Dickie 1994: 251).

American exasperation at the British line was matched by British annoyance at America chastising its allies while refusing to put troops of its own on the ground. Opinion poll surveys in America showed consistent hostility to US troops being deployed in Bosnia and in trouble spots more generally. These trends were clearly very influential on the Administration and encouraged Tory fears that America was sliding into neo-isolationism after the Cold War, just at the time when American leadership was even more necessary.

Bosnia not only involved British alienation from American foreign policy objectives and anchorage but also from Europe. Divisions emerged over Bosnia as pervasive as any that occured during the Gulf War. Western policy had originated via the EU. The EU and the Commission were keen to prove that they "were up to the task" of managing Europe's first security crisis after the end of the Cold War. The Owen-Vance peace mission was sponsored by the EU and its terms of reference were also instigated by the Community. The US was drawn into a leadership role because of Europe's failure to curtail the conflict or take more than a lowest common denominator response to the conflict.

It was the Croatian episode which showed the EU again to be a house divided and also reinforced Thatcherite fears about Germany's behaviour and orientation. After Croatia had pushed through its independence declaration, the Serb-dominated federal Yugoslav army launched a counterattack on Croatia, carving out enclaves of ethnic Serb areas but gradually expanding their conquests into the pursuit of a "Greater Serbia". From this stage onwards the British Government refused to consider military force. However, a Government Insider said that the Germans saw the issue as a "first order concern" because of their kinship with the Croatia (Interview 1994).

The Germans pressed for military action to be taken by the EU. They were met by the retort from Britain that as the Germans themselves were prohibited from participating in a military effort, this disqualified them from having any authority to

press the EU into such a course (*Financial Times* 18/9/91). Germany then pressed for early European recognition of Croatian sovereignty. Initially France supported Britain's caution on recognition but under German pressure changed its stance. The Germans were insistent and made it plain that they would recognise Croatia unilaterally if Europe did not do so collectively. German tactics bore fruit when EU foreign ministers reluctantly sanctioned this policy. On the arms embargo the EU was also split. The Germans favoured President Clinton's line and Clinton wrote to Chancellor Kohl in 1993 urging his assistance to change the EU policy on this issue.

German tactics left a legacy of bitterness amongst her allies and further polarised Conservative opinion. They also enabled the Thatcherites to argue that within a Europeanist foreign policy, Britain's preferences would be overuled by its allies and therefore the UK should retain its veto over foreign policy. For the Thatcherites, Germany's apparent bullying where her interests and views parted company from those of her partners, was a portent of future trouble between the former Fatherland and her neighbours. A Government insider admits that the Germans were "quite muscular" on the Croatian issue but argues that this situation is unlikely to be repeated with respect to any other regional issue (Interview 1994).

John Whittingdale MP has argued that the episode over Croatian recognition shows that where German views conflict with those of the rest of the Community, then Germany will get its way anyway (Whittingdale 1994). Garel-Jones concedes that Britain was bounced into recognising Croatia by the Germans but says the only dispute was over the timing of the EU's recognition. However he takes issue with Whittingdale's criticism of Germany by stating that any country in the EU has the ability to act alone, an option which Britain took up in its defence of the Falklands. In this respect Garel-Jones says that Germany is no different from anybody else (Garel-Jones 1994).

The dispute over Croatia highlighted another British concern over European ambitions for a CFSP. Britain feared other EU countries setting the direction of policy in any supranational framework, while Britain and France bore the main burden of any enforcement actions. It was not only the existence of foreign policy disagreements but British doubts about the means by which policy would be delivered, which reinforced the Conservatives' determination to defend an intergovernmental foreign policy.

Although this issue did more than any other to strain the Anglo-American alliance, one of the Thatcherite Nationalists - Iain Duncan-Smith - has argued that the breach with America took place mainly because of British miscalculations. Duncan-Smith argues that the US's desire to lift the arms embargo was right, as was its refusal to countenance US ground troops. He believes that Britain was persuaded away from this policy against its own better instincts because of countervailing pressure for a "European solution" through the EU (Duncan-Smith 1995). Duncan-Smith's argument shows that the Atlanticists are able to use Bosnia to argue for a reaffirmation of the link with America and a repudiation of closer European security cooperation.

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Common Foreign and Security Policy

After the Maastricht treaty the European Union developed a common foreign and security policy (CFSP) to build on European Political Cooperation. Some of the more integrationist member states in the EU like Germany and the Benelux countries wish to see develop a more supranational CFSP, which they believe will enable the EU to exert the political influence commensurate with its economic weight in the world. Naturally, calls for a supranational CFSP divide the Nationalists and pro-European Conservatives. The Thatcherite Nationalists are dismissive of Europe's foreign policy pretensions and would strongly oppose any use of majority voting in CFSP. The pro-Europeans take a pragmatic view, that whilst differences in outlook and national interest remain, CFSP has to remain intergovernmental but they are prepared to consider a longer term move to supranationalism in CFSP.

Conservative foreign policy faced a potential impasse as a result of disagreements with other EU states and due to the reappraisal of the Clinton Administration. The Bosnian episode shook the Tories assurance that America and Britain will take the same view on major security questions. In addition the growing isolationist trends in the United States also forces the Government to consider greater European contributions to its own defence and that this necessitates intensified European defence cooperation. However the disagreements between Britain and its allies on Bosnia and the Gulf make the forging of a common policy very difficult to sell to Conservative MPs.

Major and Hurd moved in a gradualist way towards supporting a clear European defence identity and an organisational framework for defence cooperation. The new Franco-British aviation corps may be an antecedent for such cooperation. The ultimate conclusion of such cooperation might be the enhancement of the Western European Union (WEU). However, if the EU did reinvigorate the WEU as part of a common defence policy then it would logically follow that they would have to have an effective common foreign and security policy, building on the achievements of European Political Cooperation. Yet although the Conservatives have qualified their foreign policy via EPC, a full supranational foreign policy would be a more radical departure.

On a basic pragmatic level the Foreign Office accepts that it makes sense for there to be a joint European approach to major regional issues, instead of member states pursuing separate national policies. Douglas Hurd has argued that on a series of regional issues, like the Middle East and on international questions, like nuclear non-proliferation, policy can only be effectively pursued if there is a joint European approach.

Each of the 12 member states could pursue and elaborate its own policy towards the Middle East but that makes no sense in today's world (Douglas Hurd quoted in Col. 171 Hansard 30/3/93).

However the divisions which emerged during the Gulf War within the Community, have convinced the Conservatives that in the absence of consensus, it would be

dangerous to move towards a CFSP where British troops could be committed in the teeth of the opposition of a British Government. The Conservatives also see the national veto as enabling the British Government to secure interests which are of particularly relevance, sensitivity or signficance to the UK:

All member states must preserve the freedom to act independently to defend their individual national interests, as is the case with Britain's bilateral agreements over Hong Kong and the Falklands (CPC 1994: 10).

At Maastricht the Government therefore resisted moves to make joint actions subject to majority voting. However Major and Hurd conceded a "double-lock" mechanism, where a unanimous vote the Council of Ministers could decide to define an area of joint action and then decide if this action should be subject to QMV. By facilitating future majority voting in foreign policy, the Government enabled the longer term evolution of CFSP once reassured about a convergence of view on foreign policy within the EU.

Douglas Hurd stressed in Luxembourg, that a move towards majority voting in foreign policy while these disputes exist, would only lead to a series of destructive schisms within the Community because member states would be unable to tolerate their fundamental interests being overidden:

These differences which arise from time to time, and have arisen in the case of the Gulf, they arise from differences of perceived interests. They do not in my view arise because of defective machinery, more efficient structures, would have imposed a tidier response. I must say that I rather doubt if that is correct.

Indeed I would say that had there been majority voting, if that had been the rule in foreign policy in Europe during the last six months, some member states would from time to time have been deeply dissatisfied with the majority verdict. They might have felt their own national interest perceptions and interests had been ignored, they might have felt obliged to break ranks, and that kind of imposed unity, imposed by the mechanisms of reaching decisions, might have been artificial and impressive only for the moment (Hurd 1991: 11).

Peter Luff MP (Worcester) and one of the new 1992 intake of pro-Europeans, concurs with Hurd's judgement and says that the really pro-European position is not to force the pace on CFSP before there is agreement on security issues. Luff says that if you try to bind CFSP together before it is ready then you risk the whole edifice falling apart (Luff 1994). His view indicates that the pro-Europeans fear that too precipitate a move towards a supranational CFSP could risk discrediting the whole enterprise because of the outstanding disagreements on security issues.

The 1994 European Election manifesto strongly attacked the opposition parties for their desire to give up the national veto in foreign policy in the absence of convergence on security issues;

Our objective is to build the CFSP brick by brick, identifying areas of foreign policy where it makes good sense to work together

Unlike the Labour and Liberal Parties we are utterly determined to maintain Britain's national veto (CCO 1994: 52).

A Government insider argues that the Foreign Office's objection to Labour and the Liberal Democrats stance was that they were moving ahead too fast towards CFSP in the absence of agreement in Europe and that policy was only effective if there could be such an agreement (Interview 1994).

So the EU has been able to agree a common policy towards South Africa and the Ukraine, where no member states' interests are at stake. However on issues integral to Europe's stability, like the disintegration of Yugoslavia, the Community has been rendered impotent by this lack of consensus and by the fact that Britain and France would bear a disproportionate burden of any military enforcement actions. Bill Newton Dunn, former chairman of the Conservative MEPs, has conceded that issues like Yugoslavia show the urgency of creating a European security policy but admits that the fear amongst states like Britain about being outvoted, has meant that an effective CFSP is unlikely to come about (Newton Dunn 1994). The requirement for consensus on foreign policy joint actions means that on the most explosive issues, like the Gulf and Bosnia, the EU has only been able to push for "soft-power" initiatives, like sanctions, rather than military force.

The lack of a security consensus within the EU, so cruelly revealed by the Gulf and Bosnia, has led Nationalist MPs to strongly oppose majority voting in CFSP. John Wilkinson MP has rejected any notion of co-decision making or majority voting in foreign policy. He poses the question, "What would have happened if we had had co-decision making in 1940?" (Wilkinson 1994). It is exactly this apocalyptic scenario of a major threat to British national security, which has convinced the overwhelming majority of Tory MPs to defend fiercely Britain's independent foreign policy prerogatives. Iain Duncan-Smith argues that the weakness and vacillation of European member states would ensure that a WEU-led defence policy would be a recipe for inaction (The Times 31/3/95).

Pro-Europeans like Tristan Garel-Jones reject these stark analyses. Garel-Jones insists that the problem of QMV in foreign policy is one of the perceptions which have arisen about Britain's ability to get its preferences adopted within any CFSP framework. His argument shows the extent to which the high profile and public disputes between Britain and other member states on the Gulf and Bosnia have deflected attention from the general consensus on security questions within the EU:

It's a difficult choice as I say. In 99 cases out of 100 we are in the majority and b.) the position paper has been written by us in a great number of cases.

As I say a lot of smaller countries always say, you know, "Why don't you have more QMV, you create the majority in the first place, you lead the majority, you know why don't you...they always say if we had QMV we could outvote Greece, we could outvote Germany on Croatia. They say, "Tell me the last time you were in the minority on an issue of foreign policy? You never are!"

A Sheffield University/ESRC survey of Conservative MPs shows that 87% of backbenchers agreed that *Britain should block the use of QMV in the areas of foreign and defence policy* (Baker, Fountain, Gamble & Ludlam 1994: 6). This finding shows the extent to which Tories view Britain's unfettered capacity to

defend its interests as essential to her sovereignty. Garel-Jones recognises the reality of the strength of Tory opposition and strikes a slightly exasperated note about the constraints which it places on British action:

And as I say, in the present Parliament, probably for the next decade or so, the idea that the balance should shift away from Britain still retaining the right to act independently is not on the agenda. I don't think that isn't yet sufficiently clear to colleagues in the House the extent to which we are almost always in the majority in the European Union.

However Tim Renton MP, a leading member of the Positive Europeans and a former Tory Chief Whip, argues that his colleagues' opposition to CFSP may also stem from an atavistic impulse. Renton says that the reality of Britain's economic position in the modern world is that she will only take action when she collaborates with allies, whether this be in the Gulf or in Bosnia. The only exceptions Renton sees to this would be the Falklands and Gibraltar. He says that many Tory MPs hanker after the days of grandeur when Britain "stood alone" and acted independently of any other power, as in the days of Henry V and Agincourt (Renton 1994).

Lord Howe has also raised an additional impediment to the pursuit of CFSP. Howe argues that there is a real question as to whether a system of common foreign policy would command loyalty and a sense of identification amongst the peoples of Europe. He argues that when British, French and American soldiers fought in the Gulf they did so out of a sense of national loyalty and obligation. Howe does not believe that this sense of allegiance can be transferred easily to an institution like CFSP (Howe 1994a). Here Howe shows his common ground with some of the anti-federalists. The latter always insist that federal institutions will not command popular loyalty because the peoples of Europe will not identify with them. Therefore the anti-federalists argue that the institutions will lack authority and legitimacy.

However Howe has made a suggestion designed to provide a way around the impasse over an agreed but effective CFSP. He points to the history of EPC where countries authorised the development of a common policy as long as they themselves were not expected to go the distance on implementing the policy. He agrees that the sanctions opt-outs provided for in the case of Ireland and Italy during the Falklands War are an example of a flexible operation of CFSP (Howe 1994a).

Howe also cites the operation of Five-Power cooperation on the UN security council as a better example. Howe argues that members of the "Permanent Five" have not used the veto on issues where their national interests are not immediately at stake in order that a common UN policy can be pursued (Howe 1994a). This restrained use of the veto system at the UN would apply to Russia's acquiesence in America's Haiti invasion and China's abstention on UN resolutions during the Gulf War. Howe lists an array of regional and global problems which he believes on a pragmatic basis are more effectively dealt with through a united European response.

Conclusion

The Thatcherite Nationalists and the pro-European Conservatives fundamentally disagree on whether Britain should support an Atlanticist or a Europeanist foreign policy. The Thatcherites have carried forward Churchill and Macmillan's view of an Anglo-American alliance with Britain in a trusted junior role. Thatcher and her followers also fear that European integration will break Europe away from US foreign policy leadership. The pro-Europeans believe that American power has to be balanced with a more assertive and cohesive European foreign policy role in the post-Cold War situation. Throughout the 1980s and 1990s foreign policy crises have only reinforced the views held by these groupings.

Thatcher's distrust of European security instincts makes her determined to resist any independent European CFSP. Equally, the misgivings expressed by Lord Howe about US foreign policy unilateralism, make him more supportive of a stronger European foreign policy. The contested attitudes to Germany held within the Conservative parliamentary party also influence their support or opposition to European integration.

The next chapter will focus on Conservative reactions to the expanding competence of the European institutions. It will show that the Thatcherite Nationalists believe that there is an integrationist dynamic in the EU institutions which has acted to take EU competence beyond that which they envisaged at the time of the accession debates and the Single European Act.

CHAPTER FIVE

THE BATTLE AGAINST THE INSTITUTIONS

We have been cheated, swindled and mugged by the self-same institutions that this very day are grovelling on their knees for us to give them more of our powers (Tony Marlow MP, 20/5/92).

Sovereignty is not an undivided thing. If it were, the only ruler who was absolutely sovereign and monarch of all he surveyed was Robinson Crusoe. But he was sovereign of everything and master of nothing (Geoffrey Howe 20/11/91).

I am sure that it must be a federation in the sense of one Parliament, one foreign policy, one currency etc. So far as I can judge events on the Continent of Europe, I do not want to become part of such a federation (Lord Avon to Lord Chandos 30/10/62).

Chapter Three analysed the Conservative Party's commitment to nationhood. This chapter argued that a central feature of the nationhood ideology within the party is a belief in national identity and constitutional independence. The Thatcherite Nationalists have a visceral attachment to Britain's constitutional prerogatives. This commitment is coupled with the ascendancy of Thatcherite free trade doctrines in the party. These two commitments are united in the conception of a Europe of free trading nation states. The integrationist drive within the EU in this period is in direct conflict with this Nationalist conception.

Tory leaders repeatedly promised their supporters that British membership of the EEC would not compromise British constitutional independence. However, Thatcher and Major made a series of pragmatic transfers of British sovereignty in order to enhance the free trading nature of the EU. These transfers of legislative power contravened these earlier pledges to maintain constitutional independence. The Tory leadership has, however unintentionally, enhanced the diminution of the nation state and intensifed European political integration.

In the post-1988 period the Thatcherites reacted against the strong integrationist push that took place after the Hanover summit. The Maastricht treaty was the chief product of this new phase of integration. Maastricht showed many Thatcherites how far the EU had moved beyond the free trading nation state conception.

More fundamentally, this chapter will argue that the nation state conception, shared by most Tories, is incompatible with the nature and direction of the European Union. The EU's inherent integrationist dynamics were central to the integrationist push which was sponsored by the leaders of the member states in this period.

This chapter will focus on the role of the European institutions in driving forward this process. The Thatcherite Nationalists are now so concerned about the consequences of European legislation and the integrationist character of the EU, that they wish to restructure or "reinvent" the Union in order to meet the sole requirements of free trade. The Thatcherites in particular now regret the consequences of the SEA and wish to reverse the integration process which they themselves assisted.

Leadership Approaches to Supranationalism

The Thatcherite Nationalists were infuriated by the fact that the Government's rhetoric did not match the substance of Government policy in this area. Major stridently declared his opposition to a federal Europe but in practice extended qualified majority voting, gave the European Parliament blocking powers and increased the powers of the European Court of Justice (ECJ). Both Thatcher and Major were prepared to increase the supranational powers of the European institutions in order to pursue market liberalisation.

This contrast between actual European policy and the political rhetoric can be compared to the blandishments and token gestures made by Tory leaders in the 1950s about the empire, when in reality a Conservative Government was embarking on rapid decolonisation. Bernard Jenkin MP argues that this type of disjuncture between policy and rhetoric is typical of the Tory leadership statecraft (Jenkin 1994). This conflict is apparent in other policy areas but it is particularly acute in European policy. This occurred because the leadership was only too aware of the conflict between its need to pacify its party constituency and the policy imperatives of pursuing British interests

On the political dimension, the leadership was only to aware that its parliamentary party is increasingly hostile to further integration and that the rank and file of Tory Party members are overwhelmingly hostile to the EU. The leadership had to pitch its rhetoric in order to mollify its own political constituency. However the leadership believed that in some areas supranational solutions could assist British interests and objectives. The leadership had to reconcile this analysis with the demands and fears of its domestic constituency. After the ratification battle and the bitterness which it caused, these conflicting pressures were even more difficult to reconcile.

The leadership's attitudes are best understood as comprising two conceptions of supranationalism. Both conceptions are united by a calculation about the securing of British interests. There is a pragmatic conception in evidence in the introduction of qualified majority voting (QMV) and the enforcement powers of the ECJ in respect of the single market. Here Thatcher and Major abandoned the national veto in order

that other member states could no longer impede the realisation of British commercial interests. There was a trade-off involved in the calculation which both leaders made.

They were prepared to create the situation where a British Government being in the minority on a policy issue, such as cigarette advertising, because of their support for the global project of trade liberalisation. Thatcher accepted the loss of the veto in the completion of the single market because she feared that other countries, like Greece, would use the veto to block single market directives. Here the leadership supported supranational provisions in order to pursue anticipated policy gains. Another example of this pragmatic attitude to supranationalism is agricultural policy. The Government has encouraged the use of QMV for agriculture in order to overcome French resistance to reform of the CAP. Even John Whittingdale MP, a Thatcherite Nationalist concedes the usefulness of majority voting in this area (Whittingdale 1994)

The same calculations were evident in Major's preparedness to empower the European Court to fine member states which did not implement European directives. Major supported this supranational power for an institution greatly mistrusted on the Tory backbenches. Major and Hurd accepted this at Maastricht because they recognised that only a supranational actor would have the impartiality to police the single market. Hurd made the following point during the ratification debate:

Let us take the single market, for example. Left to themselves , member states are hardly likely to blow the whistle on illegal aids or other breaches of common rules that give their companies an unfair advantage over the companies of their partners. That is why so much of the pressure for Community action comes from our companies and interests. Britain gains from the existence of strong institutions that can enforce the disciplines of the single market (HC Debates, 11/3/93, Vol. 220, Col. 1153).

The other aspect of the leadership's view of supranationalism is a rejectionist policy, exemplified by their social chapter opt-out. On issues like a common foreign policy and the social dimension, the Government rigidly opposes majority voting or EU competence. On these issues the Government seeks to protect its *existing* policy interests. On foreign policy the Government is defending its prerogative to deploy troops in pursuit of an independent policy. On social policy, the Conservatives wish to have autonomy to maintain deregulated labour markets.

In these policy areas there is no trade-off to be made with other member states - either Britain possesses the unqualified right to send troops to Hong Kong or it does not. In many of these areas the Government anticipates that it will disagree with the majority position on the Council of Ministers and so wishes to ensure its right to pursue an independent policy. Chapter Four discussed the Conservative concerns about the disagreements on security issues like Bosnia and the Gulf. These differences have made the Tory leadership determined not to cede the veto in these areas.

In both the pragmatic and rejectionist attitudes to European policy the leadership's stance is dictated by perceptions of policy interest. If a policy interest is served by

supranationalism, then the leadership will recommend it; if a policy interest can only be maintained by the national veto, then the leadership will refuse to yield in this area. The political problem which the Conservative leadership has is that their rhetoric has become so hostile to federalism that it is even more difficult for them to make pragmatic concessions in areas like QMV. The hostility of the leadership's rhetoric is a direct consequence of the hardening anti-integrationist mood in the Conservative parliamentary mainstream. Many Tories are so resentful of the scope of EU powers, that their desire for policy independence is beginning to override the attractiveness of specific supranational proposals, such as the introduction of QMV in setting the objective for the structural funds.

These feelings are reflected in the Sheffield survey of Tory backbenchers. Twenty percent of Tory respondents wished to abolish QMV altogether. A majority wished to restore the blocking minority under the QMV rules to 23, thereby making it more difficult for the British Government to be defeated in the Council of Ministers (Baker et al 1995: 229). This growing mood of "Euro-minimalism" is likely to mean that at the 1996 IGC, the leadership's substantial policy positions are much more in accordance with their rejectionist political rhetoric. The Conservative Party wished to see anti-federalist words *and* deeds.

The Conservative Backlash Against the EU's Powers

Given the Conservative Party's instigation of all the major advances in European integration, the backlash against European political integration is difficult to account for in superficial terms. However the Tory Party's willingness or acquiescence in past integrative steps presupposes that all Tory MPs appreciated and were informed of the full implications of Government European policy. Throughout the course of the European controversy Tory MPs have claimed to have been misled by their party leaders about the commitments entailed by Britain's membership. They insist that they supported the EEC as a free trading organisation.

The Maastricht treaty's ratification saw a mood of distrust and suspicion evident amongst the mainstream of the party and not just the diehard Euro-rebels. Maastricht was the key stage in the new integrationist drive in the EU and therefore it stimulated a growing sense of alarm about the extension of EU competence.

The central criticism was that the Conservatives had supported membership of free trading organisation and instead had discovered that the Community was becoming more and more like a federal state, exercising competence over a wide area of economic, social and even foreign policy. At the second reading of the Maastricht treaty, Tony Marlow, a leading Euro-rebel, expressed this resentment most pungently:

For example, we were told, as we have been told tonight, that the rights of workers ..... was a matter of unanimity, eventually a matter that could be decided in this House.... Nor did we imagine that a domestic matter such as cigarette advertising would be other than under our control.....Having lost our innocence and our wallets, does it not seem a little perverse to venture again so soon to the dark, back streets of Brussels (HC Debates, 20/5/92, Vol. 208, Col. 344).

This perception of a Union gaining ever greater powers led to the Prime Minister attempting to banish these fears by claiming that the Maastricht treaty reversed integrationist trends:

The Maastricht treaty marks the point at which, for the first time, we have begun to reverse that centralising trend. We have moved decision making back towards the member states in areas where Community law need not and should not apply (HC Debates, 20/5/92, Vol. 208, Col. 265-6).

At the beginning of the Maastricht ratification process Hurd tacitly acknowledged the expansion in Community powers but insisted that the treaty represented a reversal of federalist aspirations:

The point I am trying to make is that the climate is changing. Those who believe, quite genuinely, that there should be a steady, inexorable movement towards a single Executive and single Parliament are now on the defensive rather than on the offensive (HC Debates, 4/11/92, Vol. 214, Col. 374).

Tory MPs' fears about the nature of the EU are long established. From the outset, Tory leaders knew that they had to address fears about European supranationalism and insist that the nation state conception was compatible with British membership. At the very outset of Britain's negotiations to join the EEC in 1961, Edward Heath dismissed the idea that the Community was likely to develop into a federalist organisation:

Will it (the EEC) lead to some other form of organisation? In the Treaty of Rome itself, there is no commitment either explicit or implicit leading to any particular form of constitutional development above the Treaty of Rome HC Debates, 3/8/61, Vol. 645, Col. 1677).

Divisions on the Political Nature of the European Union

The Thatcherite Nationalists consistently claim that they endorsed the EEC as an economic enterprise but instead Britain has been faced with a political organisation. However Howe has argued that this distinction between an "economic" and a "political" conception of the EEC is ahistorical and invalid. Howe has pointed to the founding principles and idealist aspirations which influenced the setting up of the EEC went beyond narrowly commercial plans:

Underlying the debate, a number of ancient fallacies have begun to re-emerge in this country and elsewhere. One that keeps recurring is that the Community to which we still belong remains an economic community, devoted only to economic objectives. That was never its purpose. It was one of the great post-war institutions whose central purpose was political - to put an end to frightful nationalistic quarrels (HC Debates, 20/11/91, Vol. 199, Col. 306).

In the past the Conservative Party has embraced enthusiastically other types of international organisation which have clear political roles. These organisations are also ones which have involved transfers of sovereignty. The best example is British membership of NATO. The Conservative parliamentary party accepted NATO membership even though it involved a British Government commiting itself in advance to defend another state if that state were attacked by a third country. Peter Luff MP argues that given the transfer of sovereignty involved in NATO, it is

astonishing that NATO membership was not even controversial when the treaty was debated (Luff 1994).

There are two possible explanations for this apparent contradiction. From the beginning of the European enterprise Conservatives feared that the EEC would have a comprehensive reach across a whole series of economic, social and foreign policy areas, which had traditionally been the preogative of the nation state. Tories knew that many of the founders of the EEC aspired to eventual federal union. Whereas an organisation like NATO confined integration to one sphere only - that of defence and military matters. Tories have always been concerned about the extensiveness of Europe's reach compared to other international organisations. Even a pro-European Tory, like Macmillan feared that the British people would not consent to a supranational body intervening in contentious domestic issues:

Our people are not going to hand to any supranational authority the right to close down our pits or steelworks (Macmillan quoted in Horne 1988: 321).

Nicholas Ridley, in his infamous *Spectator* interview, also used a variant of Macmillan's argument. Ridley argued that depressed regions, like the North East would not accept that a British Government would be unable to relieve their economic plight if Britain joined a single currency area. Ridley argued that if unemployed shipworkers in Jarrow were told to take their complaints to a European Central Bank, then this could be a recipe for "bloody revolution" (Ridley 1990).

Tory MPs also fear that their leaders have acquiesced in moves towards a federal Union because they fear the consequences of taking a firmer line. The Euro-rebels believed that Major is unwilling to give other member states an ultimatum because he wishes to "stay on the train."

However pro-European Conservatives are opposed to the party framing ultimatums to give to other EU member states. Howe argued that Britain had to remain a full participant in European institutions -"to stay on the train" in order to influence policy decisions which would affect British interests. Essentially Howe is arguing for Britain to continue to negotiate from within the EU. Chapter one noted that Howe feared that Britain risked a repetition of the consequences of Britain's refusal to join the EEC at its inception. Howe argued that crucial issues, like the CAP, were decided to the UK's disadvantage due to her non-participation. Britain's original failure to join the EEC has often attracted metaphors associated with modes of transport. Britain was described as "having missed the bus."

Tory leaders have consistently advocated their party's endorsement of integrationist legislation on the basis that Britain would lose influence unless she was fully integrated into European institutions. Macmillan was the first to deploy this argument:

By remaining outside, we could be faced with a political solution in Europe which ran counter to our views and interests but which we could do nothing to influence (The Times 8/10/62).

Heath made the same appeal in his winding up speech in the EEC entry debate:

That the Prime Minister would be saying to the House, in effect that he was prepared to accept the situation in which vital decisions affecting all of us were taken in circumstances over which we had no control and little influence (HC Debates, 28/10/71, Vol. 823, Col. 2206-7).

Hurd used this argument in his appeal to Tory MPs to back the Maastricht treaty during the Paving Motion debate. In his appeal Hurd did not emphasise positive provisions in the treaty but merely argued that without its ratification Britain would be excluded from influence:

But one does not stop the debate by refusing to ratify the treaty. If we did that we would merely ensure that in the debate the voice of Britain was muted and that the opinions of Britain carried less weight. We would increase the possibility of combinations forming on the continent which would deeply affect the prosperity and security of these islands but in whose policies we would have no say (HC Debates, 4/11/92, Vol. 199, Col. 376).

Tory leaders have concentrated on their commitment to the nation state conception and have failed to make an assessment of the ambitions of other member states. The Euro-rebels argued that while the Government had an understanding of European commitments which was contrary to that of its European partners. Tory leaders have repeatedly argued that integrationist legislation represented something which was at variance with the perceptions of Britain's European partners. Thatcher and Heath were keen to give the impression to their backbenchers that the British understanding of European agreements or treaties would be the one which would prevail. The Rome treaty clearly committed the organisation to an "ever closer union." Nevertheless Heath argued that other member states had set aside their federalist ambitions in order that Britain could become a member of the Community:

There will be no blueprint for a federal Europe .... What is more, those members of the Community who want a federal system, but who know the view of Her Majesty's Government and the Opposition Parties here, are prepared to forego their federal desires so that Britain should be a member (HC Debates, 25/2/70, Vol. 796, Col. 1221).

Michael Welsh accepts that Tory leaders have unintentionally created a misapprehension amongst their MPs about the real implications of European legislation. He argues that Tory leaders refused to accept that other European leaders actually believed in the commitments and declarations of principle contained in the treaties. Welsh argues that this misapprehension stems from the fact that because Tories themselves were so viscerally opposed to supranationalism, they could not believe that other member states would not share their feelings (Welsh 1995). Welsh's view is supported by evidence from Sir Michael Butler, Britain's former EU Ambassador. Butler is dismissive of the declaratory sections in the treaties, saying "rhetoric is cheap" (Butler 1995). He basically argues that federalist aspirations contained in the treaty need not be taken too seriously because they do not commit a British Government to any course of action. It is precisely this view of which Welsh is so critical.

One illustration of the Conservatives' refusal to take seriously the declarations of principle contained within the treaties which they signed is the SEA's reaffirmation

of the goal of the realisation of monetary union. During the treaty's negotiation at the Luxembourg summit in 1985, Lawson says that he urged Thatcher not to allow a reference to EMU to be included in the Single European Act. He feared that such a declaration would return to haunt the Government at a later date because it would allow the Commission to revisit the issue (Lawson 1992: 893-4). Thatcher allowed the reference to EMU to go unchallenged. She found that just two years later, the German Presidency committed itself to this goal.

Lord Tebbit from the nationalist side of the argument also agrees with Welsh, that the Conservative leadership has failed to properly appraise the attitudes of its partners to treaty agreements. Tebbit also argues that this insular view meant that the Government did not anticipate the signal which the SEA would give to integrationist governments in other member states:

> *The Cabinet considered the issue of the Single Market and the SEA only from the British point of view, never seeing that the signal it gave to our partners was wholly different to those intended by the Prime Minister* (Tebbit 1991: 46).

The most significant section of the treaty in this sense was the inclusion of QMV to implement the single market (see chapter three). Other member states saw the introduction of QMV as an opportunity to intensify EU integration. Ten years after the signing of the SEA at Luxembourg, the majority of EU decisions in most policy areas are taken by majority voting.

The European Institutions and Integration

It is widely understood that the EU institutions have a vested interest in further integration as this creates the basis for an expansion of their power. The Commission and the Court are not impartial actors in the EU legislative process. Instead during the Delors Presidency of the Commission the institutions played a very partisan role in seeking to extend the competence of the central institutions.

Pascal Lamy, Delors' chief of staff, has admitted that the Commission saw the SEA as a crucial building block for a federal Europe. After the passing of the SEA, the Commission saw an increase in its resources and credibility. Delors fully intended to exploit this situation in order to move on from the market unification phase of integration to what Ross calls "state building" (Ross 1995: 39). Delors' approach in this next phase was to take a series of strategic actions in order to seize upon the political opportunity structure provided by the SEA (Ross 1995: 39). Lamy called this the "Russian doll" strategy. The two key "dolls" which Delors produced beneath the single market casing were the social dimension and EMU. Delors claimed that the SEM needed complementary social protection for reasons of equity and efficiency. He also argued that EMU was necessary for the proper functioning of the single market.

The proposition that a single currency was necessary for a single market was highly contestable. Nevertheless it was advocated by the Commission on the basis of a clear political rationale. Delors knew that social and monetary harmonisation would greatly increase the competence of the Union and therefore the institutions. For

Delors, the passage of the SEA provided a political means to extend integration across a much wider range of sectors. Therefore the British Government faced a situation in which the Commission was conspiring to use the political and legislative opportunities provided by the single market in order to build a more united Europe. Iain Duncan-Smith says that he would have opposed the SEA at the time of its passage through parliament because he would have been afraid that it would be used by the European institutions to intensify political integration (Duncan-Smith 1995).

The Single Market's Impact on European Integration

It is certainly the case that the removal of internal barriers as part of the single market programme meant that a series of policies would have to be harmonised (Mutimer 1989: 86). Freedom of movement means that once goods or persons are within Europe, they will be able to move freely between member states. The logical result of this policy is that the de facto policy governing the movement of goods, services or people, becomes the policy of the least restrictive state if one state can unilaterally lower standards then this will have an impact on all the others. The only means to harmonise standards at a high level is through central action (Mutimer 1989: 86). The logic of harmonisation in other areas brought about by the creation of the SEM substantiates the notion of spillover.

The best application of this principle can be seen with reference to the single market's impact on Britain's jealously guarded frontier controls. The freedom of movement of citizens of member states inside the SEM was part of the removal of internal barriers within the single market. The removal of these barriers meant that a series of national policies were in need of harmonisation or at least close coordination. The British Government had argued that this harmonisation in areas like illegal immigration and drug trafficking could come about through intergovernmental means. Both Thatcher and Major were determined to retain control of Britain's frontier controls and not to yield to a supranational immigration policy. Britain had obtained a side deal during the 1985 SEA negotiations to retain its own frontier controls.

However, a large group of the Northern member states formed the Schengen group, dissolving all border controls within their membership. The European Parliament pressured the Commission to bring forward a challenge to Britain's separate frontier controls. If Britain loses in an appeal to the ECJ then single market integration will have eventually brought about integration in another policy sphere and against the wishes of the Conservative leadership.

The SEM has also created a dynamic towards the erosion of member states' fiscal prerogatives. Once a single market is set up, variations in the level of indirect taxation between member states will become increasingly untenable. Otherwise states charging high value added tax (VAT) rates would see business and capital switch to states which levy lower rates. Market forces would eventually allow only small differentials between member states. Peter Luff MP agrees that market forces are likely to harmonise VAT rates at a uniform level (Luff 1994). Despite this, the Conservative Government at the time of the SEA's negotiation resisted the

Commission and Lord Cockfield's attempts to harmonise VAT rates in the internal market. Nevertheless Howe admitted that fiscal competition might yield the same outcome anyway (Howe 1994: 457).

On the border controls and VAT questions further integration is on the agenda because of the consequences of the SEA. However, in the case of employment protection, the Commission took the initiative in an area in which action was not necessary for the smooth functioning of the single market. Through a creative use of the treaties, the Commission proposed regulating working hours in another move which would have increased its power.

The Social Dimension and European Integration

In the social dimension the institutions sought to extend integration over the heads of British ministers. The 1992 Working Time Directive was initiated by the European Commission. The Commission brought proposals for a maximum Europe-wide 48-hour week under the health and safety provisions of the SEM. These provisions allowed for majority voting. The Government and Tory MPs, such as Tony Marlow and Sir Teddy Taylor, were outraged at what they saw as an abuse of the QMV procedures. They argued that these procedures had only been intended to enact the SEA but were now being cynically used to drive through social legislation against the opposition of the British Government.

Some pro-Europeans acknowledge that European integration has gone beyond some of Parliament's original intentions. Tristan Garel-Jones concedes that the Commission's actions in this regard have caused understandable resentment (Garel-Jones 1994). However, Howe takes a relaxed view about this "creeping competence" phenomenon. He argues that it proved difficult to ruthlessly confine QMV to the single market measures because majority voting changed the culture of the European institutions (Howe 1994: 457-8). Thatcher was predictably far less forgiving about this development. She noted that the European institutions were politically adept in the issues which they chose to bring into Union competence:

> *When Commissioners issued directives outside their competence they were careful to choose popular causes which had support among pressure groups in member countries, thus presenting themselves as the true friends of the British worker, pensioner and environmentalist. This made it politically difficult to resist the creeping expansion of the Commission's authority* (Thatcher 1993: 743).

It is this tendency of the European institutions to stretch treaty bases in order to increase supranational decision-making which has left Tory MPs deeply suspicious about any further increases in QMV. Thatcher expressed this feeling well when she said that "we got our fingers burned" by the unintended consequences of the QMV concession (see chapter three). Francis Maude also believes that some of these powers have been abused by the institutions:

> *Well the Treaty of Rome and the SEA were intended to be primarily about a single market and yes some people have tried to subvert it in that way, which is highly undesirable and that has undoubtedly had an effect on the attitude of a lot of people, myself included. I would certainly have reservations*

about agreeing to future extensions of QMV, in the light of the way it has been used and I would say abused (Maude 1994).

Emerson argues that the SEA established a precedent for constitutional amendment and new institutional powers to be inserted into the European system (Emerson 1988: 298). The SEA added an impetus to the integrationist project which Thatcher did not intend and failed to appreciate when she sought ratification of the Act. Subsequently, Thatcher has accepted that ceding powers to the EU is likely to have much wider institutional consequences:

Any powers conceded to the Commission by agreement are likely to be widened in practice and extended into areas that we do not envisage (HC Debates, 20/11/91, Vol. 199, Col. 293).

Thatcher also believes that Major's opt-out provisions on the social chapter and monetary union could be subverted by the same process of creeping integration. She argues that Major's exemption clauses ultimately depend on goodwill and fair dealing from people whose purposes are different from Britain's (Thatcher 1995: 484).

European Law and Integration

European law has been a major agent in extending European integration. The Court has often extended European integration in the face of strong Conservative objections.

The legal relationship between the Community and the member states is based on the attribution (or delegation) of state powers to the Community institutions. Within the specific domain of the Community the institutions are provided with exclusive authority. Once delegated, these powers cannot be withdrawn and where the Community has acted, member states must refrain from taking concurrent action. This is known as the doctrine of the occupied field. European law ultimately has supremacy over the law of the member states. The 1972 European Communities Act gave European law ultimate supremacy over British law if in any case a conflict occurred. The supremacy of European law has led to a British Act of Parliament - the Merchant Shipping Act 1988- being repealed because it conflicted with European law.

The Conservatives problem was that European law is derived from two sources. The primary source over European law is contained in the treaties of the Union. This is the source which the Conservative Government had most control. However because Britain did not participate in the framing of the Rome treaty in 1957, they had to accept at the time of accession various provisions and declarations in the treaties about which they were unhappy. These include the broad declaration of intent and objectives of the Community, such as "ever closer union".

More serious for the Government is the impact of the secondary sources of European law. These sources derive from the rulings of the European Court of Justice (ECJ) which are binding on member states. The Court has now become one of the principal demons of the anti-federalist Right. The ECJ has often acted as a

promoter of European integration through its rulings. The principal reason for the integrative power of the Court is what is called the doctrine of "direct effect". This doctrine arose from a landmark ruling by the Court in the *Van Geld en Loos* case. Here the ECJ ruled that the Community confered rights as well as obligations on individuals. This ruling was the basis for individuals being conferred rights by European law which they could then enforce through the courts of member states.

The effect of the Van Geld decision was that the ECJ was able to legislate through its rulings. Direct effect has been employed by the ECJ in a wide variety of fields, such as the movement of goods, services and people. The Court is in a unique position in that it has had no parliament to look to as a source of law and has to interpret treaties which comprise general policies alongside precise rules of law. The vagueness of some of the treaty language has given the Court more discretion than would be appropriate for the Law Lords in Britain for example.

Lord Howe has also argued that because the Rome treaty does not state that all undelegated powers are automatically the domain of the member states, the ECJ has been placed in the invidious position of making rulings which affect the competence of the states and Brussels (Howe 1994a). Given the ambiguity of its constitutional position, the ECJ has adopted a teleological means of legal interpretation which takes into account the conditions prevailing at the time of the judgement.

The Court has often ruled according to what it believes are the principles underlying treaty statements. Tristan Garel-Jones argues that this judicial approach is not radically different from some of the decisions by the British High Court in recent years. He cites the example of marital rape rulings to argue that British courts have also taken into account the mood of the society at the time of their judgements (Garel-Jones 1994). However Francis Maude does not see the ECJ's teleologic interpretative style as legitimate:

> *The definitions have been stretched well beyond what most people would regard as an ordinary use of language. The European Court is very much a purposive court which interprets the spirit and it sees the whole spirit of the regime in which it is adjudicating, to extend the process of European integration and European union* (Maude 1994).

One notable example of the impact of the doctrine of direct effect and the Court's style of interpretation is the SABENA versus Defrenne 1976 ruling on equal pay. The Court drew upon the principles in Article 119 of the Rome treaty in order to rule in favour of a woman's right to equal pay. This ruling was directly effective in the courts of member states. The Court drew upon the broad principle of fair competition outlined in article 119, in the Defrenne case and made a ruling which legislated for the whole Community. The No Turning Back Group complained about the continental judges often interpreting abstract principles instead of using precedent (Duncan-Smith et al 1994: 29). Thatcher in her memoirs records her dismay and fatalism about the ECJ's role in expanding Union competence:

> *The advice from the lawyers was that in relation to questions of Community and Commission competence the ECJ would favour `dynamic and expansive' interpretations of the treaty over restrictive ones. The dice were loaded against us* (Thatcher 1993: 743).

During the committee stage of the Maastricht bill on 20 January 1993, Iain Duncan-Smith MP argued that the Government social chapter opt-out could be subverted by the same interpretative rulings of the Court. He argued that the social objectives and principles contained in the main body of the treaty could be used by the ECJ as a basis for ruling that Britain should accept European social measures:

I now believe that the social chapter is no longer relevant. The treaty covers a series of open doors through which many of the intentions of the social chapter may well be introduced (HC Debates, 20/1/95, Vol. 217, Col. 410).

Duncan-Smith cited the Defrenne case to argue that the Court had recourse to treaty bases and provisions which could supersede the Maastricht opt-out. He argued that a legal conflict over the British opt-out might arise because other member states would wish to eliminate Britain's competitive trading edge which had been contributed to by the UK's exemption from the social chapter.

After establishing the political rationale which might prompt the Commission or other member states to challenge Britain's position, Duncan-Smith then argued that the Maastricht treaty contains a legal route for such a challenge. The treaty incorporates general social objectives which Duncan-Smith claimed could nullify the effectiveness of the social chapter opt-out. He argued that Articles 2 and 3 of the Maastricht treaty, which commit the Union to "social cohesion and solidarity amongst member states, are alternative treaty bases which the ECJ could cite in order to rule that Britain had to accept specific social measures.

He also feared that the Commission would again bring forward a challenge to the UK's position by citing Article 118a of the SEA, as the Commission did over the Working Time directive. Article 118a allows for majority voting on some areas of social policy. Here the Commission would seek to cite a legal authority which facilitates an increase in the Union's power and the power of the European institutions. The MP feared that if Britain lost an ECJ appeal it would have no longer be exempt from social measures and in addition might find that these were imposed on a British Government by a majority vote. Duncan-Smith's specific fears about the possible consequences of the language in Articles 2 and 3 of the treaty supports the proposition of Welsh that the Conservative leaders have often failed to take seriously declarations in the treaties, only to find that these words come back to haunt them.

Subsidiarity

The Tory leadership, reacting to the fears of its backbenchers, sought to confine European integration to market liberalisation by pushing the principle of subsidiarity. By 1991 Major and Hurd were successful in getting subsidiarity incorporated into the Maastricht treaty. Subsidiarity has enabled the Tories to put their opposition to extensions of the EU's competence in areas like social and environmental policy, into a coherent intellectual framework. The Government posed the question, "which areas of policy is it necessary and efficient for the Union

to be involved in?" Ministers have argued that on some issues the EU clearly can be a more effective actor than member states.

Putting Government objections about the widening scope of EU powers into this intellectual framework enabled ministers to achieve two tasks. Domestically, it was designed to reassure Tory MPs that the Government would not simply allow itself to be dragged along by an integrationist ratchet and that the leadership had a strategic view of which powers it was and was not prepared to transfer to Europe. Subsidiarity was also a device which could allow ministers to sound less negative at Council of Ministers meetings and present British objections in a consistent and reasonable manner.

Francis Maude cites the environment as one area of policy where European involvement is appropriate. Maude says that environmental policy is "inherently international" (Maude 1994). On other issues, especially social policy, the Government argued that the real issue was not the desirability of new social measures but whether these ambitions could not be achieved within the member states. Michael Welsh has argued that given the widely differing industrial relations cultures of the member states, it is impracticable and undesirable to impose harmonisation and common standards in this area (Welsh 1995). Subsidiarity as a principle enabled the leadership to respond to the feelings of their MPs that the Union was legislating in areas which should be the exclusive prerogative of member states.

At the Maastricht IGC, Major and Hurd were at last successful in entrenching a legal provision in the EU treaties to make subsidiarity operational. Article 3b of the treaty asserts that:

In areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity, only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the member states and can therefore by reason of the scale or effects of the proposed action, be better achieved by the Community.

Article 3b thus contained a general principle and did not seek to define in policy area by policy area, where common action was necessary or appropriate. Teasdale has argued that the subjectivity of the language in the article and the failure to set objective standards to judge the issue of "sufficiency", indicates the absence of agreement amongst member states about the scope of EU action (Teasdale 1993: 191). Despite the legal ambiguity about the definition of subsidiarity in the treaty, Tory ministers gave prominence to this clause in arguing why the Maastricht treaty was such a good deal for Britain. The clause is damned with faint praise by Francis Maude:

Oh I think it will be a bit of a check and it may well be that it will be more than that and there is a case for arguing that over the next 5-10 years there will be a removal of the intellectual hegemony that we have seen in favour of federalism (Maude 1994).

Predictably, Hurd is much more optimistic in presenting 3b than his Conservative colleague. The subsidiarity clause was cited as a dynamic in the treaty which would

curtail further extensions of EU competence. Bold claims have been made about the potential effectiveness of the new clause:

Once the treaty has been ratified article 3b will be in it. It will be a powerful expression of the purpose and intentions of the treaty - to reduce the scale and intensity of legislation (Douglas Hurd MP, col. 1157 Hansard 11/3/93).

In a letter to *The Sunday Times*, Hurd said that subsidiarity was:

An important binding constraint on Community action (The Sunday Times 22/11/92).

Hurd has argued that the Commission's undertaking, given at the Edinburgh European Council, to justify all measures on the basis of subsidiarity, is evidence of the effectiveness of this new precept in EU decision making. A Government insider argues that the operation of 3b has repatriated a number of powers back to the member states. He says that the 1996 IGC will review the effectiveness of the clause but so far the number of Commission proposals is sharply down (Interview 1994). However Thatcher criticised the Major Government for pretending that subsidiarity is a liberalising rather than a centralising measure. She again sees the past behaviour of the European Commission as providing no reason to believe that 3b would constrain that body's activities (Thatcher 1995: 482).

Given the flimsy nature of the legal provision in the treaty these claims are curious. The explanation for the impact of subsidiarity is not legal: it is political. Due to the first Danish referendum and the belief in the Chancellories of Europe that the EU was perceived as excessively interventionist by European citizens, the political mood in Europe has swung against further increases in European competence. It is this political mood which is the context for the operational effectiveness of 3b, rather than the justicability of the clause itself. Bernard Jenkin argued that this political mood was the real reason why the Commission has placed self-restraints on its actions since the Danish and French referendums:

The Commission is a political institution which is anxious, like any other Community institution, to see that the Maastricht treaty is ratified. Therefore,it is doing all it can to avoid rocking the boat in the member states while the treaty goes through. I do not believe that its current behaviour can be taken as a guide to its future behaviour once that process is completed (HC Debates, 8/3/93, Vol. 220, Col. 742).

Tristan Garel-Jones concedes that the prevailing political mood in Europe is the decisive factor behind the new mood of restraint in the Commission:

All I can say is that so far the operation of article 3b has been pretty effective. If you look at the way it has trawled over past legislation, I don't think it has been up and running long enough to know how deeply it is going to bite in the future. You know, you have to suck it and see a bit. So far it looks pretty promising. But I agree with you, the ECJ like all courts is influenced by the climate of the society in which it is operating. It is debate which I would suggest is turning slightly away from the more centralising aspects. But if that debate were to swing back again it could influence the court(Garel-Jones 1994).

The last sentence in the above quotation concedes that if the political mood in Europe alters then it is feasible that European competence could expand again.

federalism then subsidiarity would only have deferred the problem of creeping competence (Maude 1994). However the nationalists have realised that despite their misgivings about subsidiarity's legal effectiveness, they can exploit the political impetus behind the concept, in order to repatriate powers back to the Westminster Parliament. The No Turning Back Group argued that:

Even if subsidiarity's legal implications may have been oversold, the emphasis on subsidiarity has transformed the principle into a potent political tool with which to force Community leaders to deliver substantial benefits (Duncan-Smith et al 1994: 24).

The Leadership's European Strategy for the 1996 IGC

The Government's European strategy for the forthcoming IGC centred on the impact of the enlargment of the EU. The Government hoped to use the prospective accession of central European countries as the basis for arguing that the flexibility that these new entrants will need, should be extended to all existing member states. Chapter Two noted that during the 1994 European Parliamentary election campaign, Major articulated the notion of a multi-track/multi-speed Europe. Multi-speed became central to the presentation of the Government's European policy. The Government also argued that on many institutional and policy issues, the new entrants will be allies for British policy preferences.

Anthony Teasdale attributes the development of the multi-speed conception of the EU to Michael Maclay, who wrote a pamphlet entitled, *Multi-Speed Europe?* (Teasdale 1994). Maclay subsequently became Douglas Hurd's Special Adviser at the Foreign Office. Maclay argued that the Maastricht treaty was but a stage in the gradual loosening of the existing Union. Maclay argued that the combination of the Schengen agreement, the British dual opt-outs in monetary and social policy and the "pillared" structure of the EUT, gave the EU, *a much more complex and variegated structure than anyone would have anticipated just five years ago* (Maclay 1992: 2).

This structure is based on member states choosing to opt-in or out of different policy areas. It also enables member states to work towards common goals, like monetary union, but at different speeds. The convergence criteria included in the EUT accept that EMU would only be viable as a multi-speed project. Multi-track thus describes the objective developing reality of the EU post-Maastricht. Politically, it allows the Conservative leadership to put its European policy into a context which makes Britain seem less obdurate and more in the mainstream of European institutional developments.

Maclay's key argument is that the main impetus behind multi-speed is the future enlargement of the EU to the East. He says that because prospective entrants to the Union will not be able to accept the full rigour of the acquis communautaire, the Union has found new ways of making them full partners in areas where they can stay the course. Maclay argues that the obvious area where the Union is pursuing a multi-speed approach is in relation to the convergence criteria for monetary union (Maclay 1992: 25-28).

Major and Hurd argued for multi-track in order to counteract this general case for further deepening of the Union. They argued that a wider Union can operate more effectively if member states cooperate or integrate at their own speeds and only in areas which they deem it appropriate so to do. As it is accepted that the new entrants will need a separate policy track to accommodate their particular needs, why not extend this principle to all member states? Major and Hurd essentially called for a universalisation of the "opting-out" principle established at Maastricht. The existing multi-tracking in the EU provided legitimacy for the leadership's argument that all the member states of the Union do not need to advance together towards the same objectives and at the same pace.

Although Major put this case in his Ellesmere Port speech he did not specify which policy tracks the Government wished to abstain from. The only example where the Government precluded British involvement in a policy track is social policy. Multi-track did not answer the key question of whether the Government intended to participate in the monetary track and at what date? Multi-speed instead served a dual political purpose. Firstly, it made Britain's opt-outs looks in tune with the Union's current and likely future development. Like subsidiarity, multi-speed also sought to reassure Tory MPs that the Government had an alternative constitutional visions for the EU which did not involve the relentless increase in the Union's supranational powers. A Government insider admits that multi-speed was a presentational device and that it was designed to allay "some of the nightmares" about European integration (Interview 1994).

The view that the new member states will be allies for Britain has been subject to more critical comment from both wings of the Conservative Party. Tristan Garel-Jones admits that the overall calculus of the impact of enlargement is a mixed one - with possibilities of conflict as well as opportunities for cooperation:

The point about the EU of course is that there is no country whose views are entirely coincidental with our own and there is no doubt for example that all those countries you mention will compound rather than diminish the problems of the common agricultural policy. They will have a view on the environment that is different to ours. They will certainly make 1999 and the single currency a more viable proposition. Two of them, Austria and Finland are in the top quartile and two are at least average. So all of that is true.

But one mustn't be naive about this, no country is going to coincide with us on every single point of view, being a net contributor on the budget or a net recipient, is fundamental to your attitude on everything. Secondly, all of them are "proper countries" ie. they know what a nation state is .... I think that while they would wish to work for an ever closer union. I don't think the Finns would want to join the European Union if they thought Finland was going to be subsumed into some wider sovereignty (Garel-Jones 1994).

Bernard Jenkin is dismissive of the case that the enlargment of the Union will bring allies for the Government. He agrees with Garel-Jones that the Scandinavian member states will make reform of the CAP more difficult. More fundamentally, Jenkin argues that every time the Union has expanded in the past, the acquis has expanded (Jenkin 1994).

However many pro-Europeans argue that enlargement will necessitate further supranational reform of the Union. Peter Price argues that the ability of a small

country, like Hungary, to block the progress of the other nineteen member states in this scenario, is unacceptable (Price 1994). The Commission would like to see QMV further extended in order to prevent this occuring.

European Integration and the Conservative Party's "Executive Mentality"

This chapter has discussed the antagonism shown by Conservatives to the increasing competence of the European institutions. In response to these anxieties the party leadership has attempted to legally restrict the competence of European institutions. They have also hoped to build coalitions with other member states which they hope will be supportive of British preferences. Tory dislike for the expansion of European supranational power stems from fundamental Conservative characteristics. It is also related to the nature of the British state. The Tory leadership's refusal to fully democratise the EU institutions is also symptomatic of these party and constitutional influences.

Chapter Four argued that the fight against the European institutions was partly motivated by Major and Thatcher's desire to uphold the a strong British executive within a centralised state. The executive supremacy enshrined in the British state complements the elitist character of the Conservative Party. It is this combination which is a major factor in encouraging the party to resist European integration.

These party and constitutional influences have discouraged Conservative leaders from responding to the challenge of the European integration by calling for greater democratisation of the European Union. For example Tory leaders are opposed to an extension of the co-decision making powers of the European Parliament. Major has dismissed calls for the European Parliament to become a co-legislator with the Council of Ministers. In his William and Mary lecture at Leiden University in September 1994, Major ridiculed the pretensions of the European Parliament to assume the role of a truly representative body, expressing the will of the Union's citizens:

> *The European Parliament sees itself as the future democratic focus for the Union. But this a flawed ambition, because the EU is an association of states, deriving its basic democratic legitimacy through national parliaments. That should remain the case....The European Parliament is not the answer to the democratic deficit, as the pitiably low turn out in this year's European Elections so vividly illustrated* (Major 1994: 8).

Judge cites John Biffen's evidence as Leader of the House of Commons in 1989, to illustrate his argument about the Conservative approach to the EU. Biffen said that he preferred a loose and ad hoc form of parliamentary accountability to a systematic means of parliamentary scrutiny of European legislation. However Biffen said that it would greatly strengthen the hand of Conservative ministers if they could indicate to other member states that a British negotiating position was backed by a strong feeling in the House of Commons. This expression of parliamentary feeling could come from scrutiny proceeedings.

Judge argues that Biffen's evidence showed that if the choice were between greater democratisation of the EU and stronger national parliamentary scrutiny, then Tory

ministers would opt for the latter (Judge 1993: 192). Ministers could see the advantages of having parliamentary reinforcement of "the British national position" within the Council of Ministers. The party leadership support for Westminster scrutiny in this context is use Parliament to reinforce the lead taken by the executive. Major and Thatcher did not wish to see either the British or the European Parliament taking the lead themselves and initiating legislative changes in the EU.

The Thatcherite Nationalist Policy Prospectus for the IGC

In their intital campaign against European policy the nationalists took a negative and reactive stance on Government policy. However throughout 1994 the nationalists refined their positions and developed a more coherent and proactive alternative European policy. The nationalist position became much more ambitious. They not only campaigned against further integration but proposed substantial repatriation of powers back to Westminster. The nationalists cleverly appropriated the Government's multi-track approach to argue for the repatriation of powers back to the British Parliament. Such a course of action, if adopted by any British Government would lead to a confrontation between the UK and other member states. The rebels are anticipating such a confrontation.

They now wish to repatriate power back to Westminster in order to entrench their free trading conception of Britain's membership of the EU. The nationalists' goal of repatriation of powers back to Westminster, was first raised in the No Turning Back Group pamphlet (Duncan-Smith et al 1994). They have now placed this objective into a new constitutional framework, redefining the relations between the EU and member states. This new framework is outlined in the proposals of the *European Research Group*, which published its recommendations in February 1995 (European Foundation 1995). The Research Group's document contained a friendly foreword from the Prime Minister, indicating the extent to which anti-federalist policy priorities are influencing Government policy.

At present the EU is based upon the legal doctrine of the *acquis communautaire* and the occupied field, which has already been discussed. The "acquis" refers to the Union's authority in the totality of the policy areas where it has claimed jurisdiction. Member states have to accept this jurisidication as the domain of the Union. This means that new entrants to the EU have to accept the Union's policies and legislative authority in a number of policy areas which had previously been of domestic concern. Previously, member states wishing to become EU members have had to accept "the whole package" of Union competence in policy areas. So for example, the EFTA countries had to accept that the CAP would henceforth become their agricultural policy. Since the foundation of the EEC the acquis has gradually expanded, particularly after enlargements of the Community. It is the acceptance of the totality of the Union's authority in legislative affairs which is so offensive to the anti-federalists.

The Nationalists identified with the European Research Group wish to break up the acquis communataire into a number of separate and autonomous policy communities or "tracks". These policy tracks would cover distinct and confined areas, such as

transport, fisheries, agriculture and energy. It would then be up to member states if they wished to opt-in to these tracks. The principle that member states are free to choose which policy areas they participate in, figured prominently in Major's Ellesmere Port speech on 31 May 1994. Both the leadership and the nationalists used the prospective accession of Eastern European countries to give legitimacy to the creation of a looser "a la carte" Europe.

The difference is that the Nationalists were determined to pin down the Prime Minister by insisting that he specify which policy tracks Britain should not participate in. Spicer's Prague speech (see chapter two) argued that Britain should only accept membership of the core single market and commercial tracks but opt-out of involvement in the monetary and social policy tracks of the EU. Their conception of a multi-track EU would enable them to fulfill their desire for Britain to opt-out of vast tracks of European policymaking. Thatcher has also called for a multi-track Europe, building on the Schengen precedent (Thatcher 1995: 490).

As an additional safeguard against European authority in non-single market policy areas, the Research Group want the EU treaties and British statutes to specify a number of areas which are exclusively of national concern. At present Britain's commitments under the Rome treaty give European law supremacy over national law - a commitment made at the time of Britain's accession in 1972. The nationalists wish to overturn this position and write into the treaties and British law that the British Parliament should have legislative supremacy in an extensive number of areas.

Top of this list of course is social and employment policy. By demanding a clear division of powers exercised by the European institutions and by member states the anti-federalists are urging that subsidiarity become a clear, defined and operational legal provision. In addition the Research Group proposed an American-style constitutional ruling, whereby all powers which have not been claimed by the centre, are automatically the prerogative of member states. In her memoirs, Thatcher proposes that the European Communities Act be amended in order to restore the supremacy of British law. She proposes powers to prevent specific EU laws from coming into effect in the UK (Thatcher 1995: 503).

The consequence of a redistribution of powers between the EU and the British Parliament along the lines proposed would be a substantial repatriation of power back to Westminster. The University of Sheffield survey shows that there is majority support for such an ambitious agenda. Fifty-six percent of backbench Tories agreed with the statement, *An Act of Parliament should be passed to establish explicitly the ultimate supremacy of Parliament over EU legislation* (Baker et al 1994: 7). Ending the supremacy of European law would strike at the heart of the European Union.

By seeking to allocate powers between the member states and the EU and through the opting out device, the nationalists are determined that the European institutions should have no ability whatsover to extend the scope of European competence. They are proposing a constitutional counter-revolution which would restore the

Union to the commercially confined organisation which many Tory MPs insist they desired at the outset. Lord Parkinson stresses that he voted for a European *Economic* Community (Parkinson 1995). John Wilkinson MP says that he did not appreciate what the impact of European legal supremacy would be on the power of the Westminster Parliament (Wilkinson 1995). Thatcher also admits that she did not realise the full implications of European legal supremacy at the time of the accession debates:

Many of us, including myself, paid insufficient regard to the issue of sovereignty in consideration of the case for joining the EEC at the beginning of the 1970s (Thatcher 1995: 497).

Iain Duncan-Smith argues that the Union should only legislate in those areas where member states have agreed that there is a common interest so to do (Duncan-Smith 1995). The demand for repatriation has also gathered force because the EU has been perceived to have failed in a number of key policy areas where it has exclusive competence. This has increased Tory calls for Westminster to reassert its control. The most infamous example is the CAP. The Sheffield survey found that 72% of backbenchers agreed that agricultural policy should be repatriated to the national level (Baker et al 1995: 226).

The Nationalists also wished to neuter the European institutions in order to inhibit them from again playing a partisan role in European integration. The paper proposed that the Commission should lose its right to initiate legislation and become a secretariat. The Research Group paper argued that the ECJ should be confined to a role policing the SEM. However Peter Luff MP argues that if the Commission were stripped of its proactive role then big projects, like the single market, might never get on track (Luff 1994).

The Nationalists pushed for the adoption of a radical multi-speed policy agenda by their frontbench. A leak of a paper prepared by the Fresh Start Group showed that the rebels recommended that the Government provoke a crisis at the IGC, in order that Britain can gain leverage to push for the repatriation of power. The paper obtained by Patrick Wintour and Michael White of *The Guardian*, says that the Fresh Starters hope to make:

Proposals so as to create the necessary crisis after which serious hard-headed negotiations may take place which would secure at least for Britain, a different relationship with the EC (The Guardian 26/5/95).

Bernard Jenkin argues that Britain would be able to use its net contribution as a bargaining lever in this scenario. He also anticipates that the threat of withdrawal would ensure that Britain was given a separate policy track within the EU. Jenkin says that this brinkmanship would succeed because the French Government would not wish to be left on their own with the Germans (Jenkin 1994). Michael Welsh, however believes that Jenkin's strategy would backfire. He believes that the other member states would not wish to been seen to reward a member state for using obstructionist tactics. Welsh believes that other member states would be too mindful of the precedent which might be set for another country to adopt this kind of behaviour (Welsh 1995).

Conclusion

Nineteen eighty-eight was the turning point in the re-emergence of the European controversy. After this point it became clear to Conservatives that European integration was intensifying. Delors alerted Thatcherite MPs to the cumulative impact of Europe's powers and the ambitions of some of its member states. It was at this point that Tory instincts for national identity and the preservation of British governing institutions were reawakened. It is for this reason that there seems to be majority Tory support for a radical restructuring of the EU, one which would involve the almost complete evisceration of the Treaty of Rome. When Thatcher and her allies supported British membership of the EEC in 1972, they willed the means for the European institutions to erode British policy independence but they were not prepared to support the likely outcome.

The European institutions, the aspirations of other member states and the spillover consequences of the single market programme, in areas like border controls, have extended the EU's competence beyond what many Tory MPs originally envisaged and desired. The Tory leadership has sought to redefine the EU's nature and direction, through devices like mulit-track and subsidiarity, in order to convince its MPs that their desire for a more limited constitutional relationship; is obtainable within the Union. Major is still distrusted by the nationalists because they fear that he is too concerned to negotiate from inside the existing European institutions, rather than set down an ultimatum for their reform. Major's reassurances have fallen on deaf ears, as MPs remember how his predecessors misled them about the nature and implications of Britain's membership of the EEC.

The developing Nationalist multi-track agenda seeks to repatriate a raft of powers back to Westminster and prevent the institutions ever being able to exercise competence in a number of areas, like social policy. Although Tories have acquiesed in specific supranational powers for the EU, like QMV, they are now recoiling from the process they set in train.

Increasingly, the Thatcherites regard the EU as no more than the sum of the conflicting interests of its component member states. Lamont argued that the EU internalised and institutionalised conflicting preferences of states, like France and Britain. He argues that Britain's free trading preferences are drowned out by France's protectionism during the GATT negotiations. As the EU expands, the Thatcherites fear that Britain will irrevocably lose the ability to secure its favoured policies. The CAP is an example of an EU policy where many Tories feel that another member state's vested interests (France) have been institutionalised in the Union at Britain's expense. The Thatcherites' desire to reclaim British policy prerogatives is driven by their belief that Britain will be freer to pursue its own interests.

Pro-European Tories believe that the EU is still able to generate a set of common interests and rules which are capable of transcending the sectional or vested interests of individual member states. The most obvious example is the single

market and its enforcement mechanisms. They can argue that all states have realised that it is in their individual and collective interest to penalise protectionist behaviour by any member state. European law, the integrationists would argue, is an example of an institution which creates and sustains common interests unobtainable by national sovereign action.

CHAPTER SIX

THATCHERISM IN ONE COUNTRY?

Compared to the rest of the world, Europe is a high tax, high spending area, burdened with government regulation and consequently with high unemployment. In 1979 Britain elected a government dedicated to reducing the role of the state in the economy and reducing the burden of taxation. The impulse in Europe is in the opposite direction (Norman Lamont 11/10/94).

There seems to be little possible doubt that the scope for regulation of economic life will be much narrower for the central government of a federation than for national states (F.A.Hayek, Individualism and the Economic Order, 1949).

A single currency would be a natural complement to the European Single Market(Sir Leon Brittan, The Europe We Need, 1994: 39).

It was originally proposed, somewhat disingenuously, as an economic proposition, the argument being that it eliminates both the transaction costs and exchange rate uncertainties inherent in having national currencies (Nigel Lawson, The View From Number Eleven, 1992 p.1028).

The single currency project has led to a split in the Thatcherite grouping. Chapter one identified the division over monetary policy between the Thatcherite Nationalists and the Neo-Liberal Integrationists.

The Thatcherite Nationalists believe that EMU would sweep away the British state. They believe that a single currency would lack the cultural prerequisites to command legitimacy in Britain. However the Neo-Liberal Integrationists see EMU as a contribution to the enhancement of free market reforms and the best response to the globalisation of the economy.

The neo-liberal integrationists have encouraged the interventionist integrationists to unite with them around a belief that a monetary discipline conducted through European structures will have a better chance of maintaining price stability.

On industrial policy and the social dimension, the Conservative parliamentary party enjoys near unanimity but it faces opposition from other centre-right European governments. The Conservative Government commmited itself to fight for a

deregulated Union against the interventionist preferences of other member states. Some Thatcherite Nationalists go further and advocate a radical break with the institutions of the EU in order to carve out a niche for Britain as a deregulated offshore island.

Monetary Policy

The debate over the ERM and EMU has become entangled with a dispute over which monetary discipline would be more effective in securing price stability. Tories agree on the objective of low inflation but diverge on the means to achieve it. The neo-liberal integrationist Tories have become advocates of external disciplines to manage the British economy, whilst the nationalists continue to back internal monetary policies.

In the early 1980s Howe and Thatcher were both united in supporting the British monetarist experiment and were determined that the Medium Term Financial Strategy (MTFS) of using monetary targets was the means to curb inflationary pressures. The harshness of the discipline and the ensuring 1980-81 recession was directly attributable to the government's monetarist measures and consequently ministers took the political flack for pursuing this policy. In addition, the monetary indicators on which the MTFS was based, behaved unpredictably and unexpectedly during this period. Many Tory MPs found the MTFS approach esoteric and tortuous. So this form of internal monetary discipline maximised political responsibility and yet was uncertain in its methods and outcomes.

By 1982 political imperatives meant that the monetary targets became increasingly malleable and were no longer applied as binding commitments. The original MTFS "mission statement" said, *there would be no question of departing from the money supply policy* (HMSO 1980: 19). By 1982 the Treasury decided to revise the targets in the light of circumstances. The new target range was adjusted upwards from the old 5-9% range to 8-12%. With the impending general election the Treasury adopted a new pragmatism (Whiteley 1990: 186-7).

The epitaph for monetarism was pronounced in the 1985 Mansion House speech when Lawson formally abandoned the M3 target range. By this time M3 growth was 14%, easily exceeding the original targets. From the start of 1986 the government presided over a rapid rise in the money supply which represented a substantial reflation of the economy. The main factor behind this expansion was the deregulation of consumer credit. The original aim of the government's monetarist counter-inflationary policy was to establish credibility amongst wage bargainers and the public sector that inflationary wage claims would not be underwritten. However the political pressure to which the MTFS was subjected ensured that this form of internal monetary discipline was overidden. It is this reality which forms the background for the divisions over European financial policy.

Lawson and Howe recognised that in effect the MTFS had collapsed under political pressure. They wished to institutionalise a new discipline which would prove both more effective than internal disciplines and more politically robust. In his memoirs

Lawson describes the evolution in his thinking on monetary policy towards support for targeting the exchange rate. The political decision to adopt an external monetary discipline was motivated by presentational expediency. Setting interest rates by targeting the level of the pound against the deutschmark deflected responsbility away from the government. For advocates of external monetary discipline of the British economy, the remoter the source of the discipline the better for elected politicians.

In principle the discipline was essentially the same. As Willetts has argued, the government instead of running its own domestic monetary rules, which it had done so unsuccessfully, tied itself to German monetary rules instead (Willetts 1992: 174). The difference was that unlike the MTFS, harsh disciplines could be blamed on the rigours of German monetary policy. Major adopted this line when Tory backbenchers called for big cuts in interest rates in 1990-92. Secondly, the ERM tied monetary discipline to a European institution. Treasury ministers hoped to be able to marshall more political support for their policy through this conjunction:

As there was now substantial support for ERM membership within the Conservative Party in the House of Commons, it would be helpful in future arguments about spending and borrowing if our backbenchers in effect faced a discipline of their own choice (Lawson 1992: 488).

Thatcher argued that joining the ERM was an admission of defeat in the battle against inflation (Thatcher 1993: 700). She also stressed that institutional structures of themselves could not secure low inflation and that only sustained political could ensure this. Spicer draws a historical parallel between the ERM and the Gold Standard, to show that fixed exchange rates have previously been seen as a means for the Treasury to shield itself from political pressures while it conducts monetary policy;

On that occasion (1925) Lord Bradbury, one of Churchill's two Permanent Secretaries at the Treasury, talked of the Gold Standard being "knave proof". It could not be rigged for political or even more unworthy reasons (Spicer 1992: 99).

Given the political pressure that built up to devalue sterling in the run-up to Black Wednesday in September 1992, Thatcher's argument would appear to be vindicated in this respect. She also argues that from the beginning Europe had been seized upon as a device to gain compliance for tough economic medicine:

I had heard the arguments about external discipline before. I recalled that Ted Heath had claimed in the early 1970s that European Community membership would help discipline the trade unions. But this had not happened; and the attempt to use ERM membership to influence expectations of management and workers would be an equal failure (Thatcher 1993: 700).

The desire to resist political pressures in order to pursue price stability is a key factor in bringing together pro-European support for a European Central Bank. The ECB outlined in the Maastricht treaty is politically independent and is mandated to pursue price stability. The combination of an external institution imposing monetary discipline and the institution's imperviousness to political pressures, has led many neo-liberal integrationists to support an ECB as the ultimate guarantor of sound money policies:

One conclusion must be that bankers, not politicians are better at deciding monetary growth and consequent interest rates. It is not necessarily that they have better brains than we have, but that they do not have to operate within the same electoral cycles as we do (Tim Renton MP, col 413 Hansard 20/5/93).

Sir Peter Tapsell MP has focused on the independence of the ECB in order to argue that a single currency would have profound deflationary effects for participating member states. For him the imperviousness of the ECB from political pressure is far from a virtue but is potentially dangerous. Tapsell fears that the ECB's obligation to pursue price stability as its overriding objective would lead to an excessively deflationary policy. Tapsell is concerned that the Bank's independence would impede politicians from preventing such an ECB monetary policy:

Those on the Labour Front Bench must understand that in supporting the financial provisions of the Maastricht treaty, they are voting for permanent high unemployment in Britain. I am not making a party political point; it is my profound conviction that that is the certain consequence of the policy (HC Debates, 24/3/93, Vol. 221, Col. 973).

Economic and Monetary Union

EMU is integral to the pro-European support for external discipline on the British economy. As was discussed in chapter one, the neo-liberal integrationists see EMU as a more effective monetary discipline than the MFTS and more watertight than the ERM. As was noted in chapter one, this new group of pro-Europeans are now most strongly associated with hard money arguments. Some longstanding monetarists like Renton and Hordern now believe that monetary discipline can only be effectively pursued from the European level. Equally, other monetarists, such as Budgen, strongly oppose a single currency and are identified with the Nationalist grouping.

The Thatcherite Nationalist Case Against EMU

It is the Thatcherite Nationalists who oppose the establishment of a European Central Bank and point to its alleged deflationary consequences. This "deflation" critique of the Right is very significant. During the monetarist experiment of the early 1980s many of these same individuals, such as Spicer and Thatcher, were supporters of tight monetary disciplines which undoubtedly led to higher unemployment and a deflation of domestic demand. When sterling was inside the ERM, Tories like Ridley and Budgen were bitterly critical of the harshness of the monetary squeeze on the British economy and called for devaluation.

The Maastricht treaty's convergence criteria for EMU, with their stress on budgetary disciplines and price stability, encapsulate traditional Thatcherite objectives. EMU, if it takes place will do so on these Bundesbank-inspired "monetarist" terms. Yet the nationalists reject EMU in principle. Tristan Garel-Jones has pointed out that any Conservative Government ought to be aiming for the objectives laid down in the convergence criteria because of their own worth, irrespective of attaining EMU (Garel-Jones 1994).

The Thatcherite nationalists are in fact still advocates of hard money but they only regard these policies as legitimate if they are domestically derived and accountable to British political institutions. In other words they are in favour of British but not European monetarism. They favour British rather than European monetarism because they believe that Europe would lack the cultural prerequisites for a monetary union to be stable.

The Pro-European Case For A Single Currency

Chapter One argued that the neo-liberal integrationists see monetary union as a means of institutionalising free market objectives. The typology in this chapter also identify the grouping of interventionist integrationists, the old wet critics of Margaret Thatcher, who are also committed pro-Europeans. The interventionist integrationists have been previously critical of monetarist policies at a domestic level.

However on the issue of the single currency, the interventionists do not apply their criticisms of monetarist policies. The interventionists have joined with the neoliberal integrationists in supporting the principle of British participation in EMU. The interventionists and the neo-liberals both advocate the single currency as a means of institutionalising 'hard money' policies throughout Europe. Neo-liberal integrationists can point to the fact that the single currency stability pact provides for fines to be levied on EMU states which run budget deficits of more than 3% of GDP.

The conflation of the economic discourse of these two pro-European groupings is exemplified in a letter to *The Times* signed by both neo-liberals, such as Ray Whitney and Quentin Davies and by interventionists, like Hugh Dykes and Sir Jim Lester. The letter argued that EMU would:

> *Have recreated the regime within which we operated very happily during the heyday of the gold standard before 1914, when an objectively determined monetary policy, not subject to political manipulation, imposed a natural framework of fiscal discipline on governments* (Davies et al 1996).

The central case supported by the Tory advocates of EMU, is that national monetary policies are ineffective. The typology in chapter one outlined Howe's arguments about the implications for monetary policy of the internationalisation of capital. The integrationists accept Howe's case that the globalisation of finance makes national monetary policies increasingly ineffective. They believe that the single currency will enable sovereign governments to exercise greater effective monetary sovereignty over the global markets. John Stevens MEP describes EMU as part of a process where "politics are put back in charge over markets" (Stevens 1994). In addition there are specific macroeconomic benefits which the integrationists believe will accrue from a single currency.

Howe argues that EMU would have two distinct advantages which would enhance the European single market. He argues that EMU would provide more currency stability than existed under either floating exhange rates or the ERM. Both Heseltine and Brittan have argued that a single market cannot exist without a single currency

(Heseltine 1989: 91 & Brittan 1994: 39). Ian Taylor, the Industry Minister, has argued that a single currency would provide a strong alternative to the dollar and the yen, would combat price discrimination across the single market and end the instability of currency speculation (Taylor 1993: 21).

The pro-Europeans argue that after the breakup of the ERM, member states may be tempted to undercut their competitors by devaluations within the single market. Sir Edward Heath has spoken of floating exchange rates enabling member states to "cheat" in European trade. The other benefit cited by the pro-Europeans for EMU, is the removal of currency transaction costs. Peter Luff MP argues that market pressures will eventually make EMU inevitable and that the politically motivated Franco-German drive for EMU has obscured these trends (Luff 1994).

Sir Peter Hordern is an example of a monetarist Tory who sees EMU as the ultimate guarantor of monetary disciplines after the failure of both the MTFS and the ERM. He even argues that Britain should seek to return to the Gold Standard tradition of hard money. Hordern believes that the advocates of free floating national currencies forget that in practice sterling has depreciated since Britain abandoned the Gold Standard and Bretton Woods. Hordern says that market expectations of a depreciating currency will mean that Britain will continue to pay a premium in the bond market (Hordern 1995). For Hordern an independent monetary policy has too high a price attached to it. Hordern argues that EMU will ensure long term low interest rates which will provide the foundation for sustainable economic growth, just as cheap money powered Britain's industrial renaissance in the nineteenth century (Hordern 1995).

The Arguments Between Thatcherite Nationalists and Neo-Liberal Integrationists Over EMU

The Thatcherite Nationalists argue that, even putting aside the sovereignty issue, the benefits outlined by Howe would be purchased at too high a price. Their case centres on the fact that EMU would remove the ability of individual member states to use currency devaluations in order to reduce unemployment and boost competitiveness. Nicholas Ridley argued that the devaluation option was an essential safety-valve:

> *With a single currency and economic management confined to Brussels, there are no economic weapons left in the hands of national governments if their economies become uncompetitive. Devaluation is no longer possible and interest rates are decided centrally* (Ridley 1992: 147).

For classical monetarists, the price of a national currency, like any other price is the most effective tool for responding to market pressures. John Biffen and Nick Budgen made this case in respect of the ERM (see chapter two). Margaret Thatcher argues that if countries differ in their rate of development and inflation rates then floating exchange rates are the best method of adjustment (Thatcher 1995: 493).

Nationalists argue that without the flexibility provided by national currencies, EMU would exacerbate existing regional wealth disparities. Iain Duncan-Smith describes

the devaluation option provided by possession of separate national currency as a "shock absorber" (Duncan-Smith 1995). Jenkin has said that in the absence of the devaluation route EMU would mean a "permanent boom in Northern Europe and a permanent recession in Southern Europe." Lord Parkinson believes big business has only focused on the gains from eliminating currency transaction costs and not the wider macro-economic ramifications of the proposal (Parkinson 1995). In her memoirs, Thatcher argued that EMU would be likely to cause large regional variations in economic activity, industrial decline and heavy migration across borders (Thatcher 1995: 486).

Whereas for Sir Peter Hordern, the foreclosing of the devaluation option is positively desirable. He observes that over the period of his parliamentary career, sterling has fallen in value from being worth 12 Marks to the Pound to two Marks to Pound. Hordern argues that the only loss of sovereignty involved in EMU is the sovereign right to devalue the currency and to borrow excessively (Hordern 1995). It is because Hordern wishes to preclude both devaluation and fiscal deficits (even in a recession) that he is happy to embrace a single currency.

Thatcherite Nationalists believe that the absence of the devaluation option would necessitate fiscal measures to protect poorer European regions and states and as a safeguard against economic shocks. Jenkin argues that EMU would necessitate huge fiscal transfers, via the cohesion funds, from Northern to Southern Europe (Jenkin 1994). The Nationalists' arguments about fiscal transfers are predicated upon one economic assumption. The assumption is gleaned from that fact that within existing currency unions, like Italy or Belgium, large transfers of resources are made from the wealthier to the poorer regions. At present the EU's budget is only 1% of GDP.

Whereas the transfers made by currency unions, like the US, are of far greater proportions than this. The Nationalists therefore have some strong evidence to substantiate their case that cohesion funds would substantially increase if a European monetary union were formed. Iain Duncan-Smith MP argues that even in an inner core monetary union, consisting of highly convergent states like the Benelux and Germany, there will be quite considerable transfers (Duncan-Smith 1995). Howe simply says that he does not envisage large transfers taking place inside EMU and believes that the tighter the inner core of a single currency zone, the less likely that such transfers will be necessary (Howe 1994a). Lord Parkinson argues that the precedent of German monetary union in 1990 indicates the extent of the fiscal transfers which could be necessary to sustain EMU.

The Nationalist economic argument against EMU ties directly into the Powellite argument about political legitimacy. Chapter Three noted that the Thatcherites have adopted Powell's arguments to support their general case against European federalism. However the Thatcherites specifically apply Powells' argument in respect of the economic consequences of EMU. They argue that the absence of a European identity would make large fiscal transfers under EMU impossible.

Oliver Letwin argues that the cultural heterogeity of a currency union could lead to political conflicts. Lawson also supports these concerns (Lawson 1992: 1030),

Letwin envisages a fierce competition between poorer regions for EU cohesion funds, as they endeavour to offset the impact of EMU. Letwin fears that because of the absence of a cohesive European identity stressed by Powell, the competition for regional aid will take on an increasingly antagonistic and divisive character, with regions and ethnic groups vying with one another for regional aid (Letwin 1995).

Jenkin argues citizens of wealthier member states would not acquiesce in paying higher levels of tax, in order that poorer countries, whose nationalities they would not share, could be subsidised (Jenkin 1994). Whereas Duncan-Smith argues that within the United Kingdom the shared identity of "Britishness" ensures there is popular consent for substantial transfers (Duncan-Smith 1995). Central to Letwin and Jenkin's argument is their belief that there are insufficient cultural affinities across Europe to be able to generate equivalent consent. Other opponents of a single currency outside the Conservative Party have also argued that there are cultural pre-requisites for a stable monetary union (Conolly 1995: 361).

Lord Howe himself concedes that there are cultural preconditions for EMU. He says that the economic and regional divergencies within the US currency union are mitigated by a common American identity, enabling a state like West Virginia to experience almost continuous recession, whilst Texas booms (Howe 1994a). Howe notes that the unhappy experience of the ERM in 1990-93, where other ERM participants blamed Germany for not loosening its monetary policy, showed that these cultural factors might not apply in Europe.

David Willetts MP has also used the differences between America and Europe to stress another cultural impediment to a single currency. Willetts highlights the facile nature of the comparison made by some pro-Europeans, between the USA currency zone and a European single currency. Willetts points out that the key difference between America and Europe is the existence in the US of a common language. This common language enables unemployed Texan oilworkers to seek alternative employment in Delaware for example. Whereas unemployed Aberdeen oilworkers are far less likely to be able to seek jobs in Dusseldorf within a single currency zone (Willetts 1992: 176-7). Willetts' argument about labour market inflexibilities in Europe goes some way to undermine the neo-liberal integrationist free market case for EMU.

Letwin argues that if EMU does occur, then it is imperative that European politicians endeavour to create cohesive transnational European parties. He believes that only transnational parties can aggregate demands across the continent and prevent these latent tensions from becoming manifested in ethnic and regional insurrectionist movements or separatist parties. He draws the analogy with the strains within the Italian state and the emergence of the Northern League as a major political force. Once a fiscal/monetary union has taken place, Letwin believes that political leaders must act on the basis that the EU is a single state and that national politics will be over.

Letwin also has a partisan concern about the scenario he develops on EMU. He is far more optimistic that European Socialists will be able to form such an effective

pan-European party grouping than will the European Right. Letwin argues that by their very nature, the European centre-right parties are *national* rather than European insitutions, such as the Gaullists and the British Conservatives. So once the nation states are effectively dissolved post-EMU, Letwin argues that many of the parties of the right will lose their raison d'etre. In addition he notes that due to the divisions on economic policy between the British Tories and other Christian Democratic parties, it would be far more difficult for a pan-European centre-right grouping to coalesce on a common policy agenda than it would for the European Left (Letwin 1995).

A small group of anti-federalists oppose EMU because they do not believe that a European monetary policy would be rigorous enough. Although the big majority of anti-federalists expound the deflationary critique, a small number oppose it because they fear that the ECB would be under pressure to run a loose monetary policy. These Tories know that the French are particularly keen to displace the D-Mark and use the single currency to push for a more expansionary monetary policy. They fear that instead of Europe-wide deflation there would be a Europe-wide resurgence of inflation under such a regime. Frank Vibert argues that it is a danger that the balance of forces on the governing board of an ECB could dilute the monetary rigour of the German Government (Vibert 1994).

Some pro-Europeans refute the suggestion that EMU would necessitate divisive demands for regional aid. Peter Price, Sir Peter Hordern and John Butterfill MP argue that Southern European countries might actually gain from a single currency and would not need large subsidies. Price, Hordern and Butterfill put forward a free market and competitiveness route by which the poorer European countries could safely join a single currency. This highlights the extent to which the European dispute is *between* free marketeers within the party. Peter Price (MEP London SE 1984-94) argues that EMU would enable states like Spain and Portugal to exploit their low social cost attributes in order to attract greater inward investment.

Hordern argues that Spain's present attraction of inward investment indicates that regional aid will not be needed to offset EMU's impact (Hordern 1995). Price says that once the currency transaction costs are removed then the Mediterranean states will have a competitive advantage compared to other European countries. He says that it is logical as "night follows day" that these states will be able to improve their economic position by exploiting this advantage (Price 1994). John Butterfill also argues that free market improvements in these regions will enable them to adjust to a single currency:

> *In fact, the lot of the poorer regions has improved only when they have the wit to abandon some of the restrictive practices imposed by trade unions, to embrace free markets and to encourage inward investment. It is the encouragment of inward investment into the poorer parts of the Community which will ultimately be their salvation* (HC Debates, 24/3/93, Vol. 221, Col. 993).

Letwin and Duncan-Smith respond to this argument by pointing to the non-wage element of regional economic performance. They argue that the ability of impoverished areas to attract regional investment is not just dependent upon low social costs but on the level of skills available in these regions. Letwin says that the

areas which tend to possess the most highly skilled work forces are also those which are in the most industrialised and prosperous areas. It is less likely that highly skilled labour will be available in economically peripheral areas on the scale that would be necessary to attract inward investors (Letwin 1995).

Monetary Union and Politcal Union

Tory opponents of EMU who stress the problem of large fiscal transfers to mitigate the impact of a single currency, argue that a fiscal union would have to come into being if EMU were established. In other words they believe that economic union would be followed by political union. Peter Luff and Bernard Jenkin from opposite sides of the argument, agree that there are no examples of currency unions which do not have a supporting central fiscal authority (Jenkin and Luff 1994). However Kenneth Clarke asserted that a political union would not necessarily come into being after a monetary union (see chapter one). Hordern agrees with Clarke and says that a European political union would be one in which member states would have ceded their right to pursue national foreign and defence policy prerogatives (Hordern 1995).

The Nationalists objected to the validity of Clarke's citing the Austrian and Irish examples to substantiate his case. They argued that currency unions, such as the Irish one, were made between sovereign governments on the same basis as the ERM was established. Bernard Jenkin argues that this type of currency union was revocable, unlike EMU from which participating states would not be able to escape (Jenkin 1994). Sir Michael Butler argues that in reality any member state could not be coerced into staying within a single currency against its will. However, he concedes that the price likely to paid by a government taking such an action would be very high because of the reaction of the financial markets (Butler 1995).

The Maastricht treaty contains a stipulation that participating states should "avoid excessive deficits" in article 104c. The original Delors report supported binding debt ceilings for member states inside EMU. The German Government successfully fought for EMU states to be obliged to follow much more convergent budgetary policies through the stability pact in the December 1996 agreement.

This merely recognises that the macro-economic situation of the whole union would be affected if one member state, such as Greece, borrowed enormously and as a result forced up interest rates for other states. Tim Renton has acknowledged that a country such as Greece might wish the ECB to run a much more expansionary policy than the Northern European states would want (Renton 1994).

In addition, even though direct subsidies to impoverished regions may be small, there are other means by which fiscal stabilisation can take place to offset a single currency. In the US, a state which has experienced an economic shock, such as an oil price fall in Texas, will then be granted a remittance on its indirect taxes to the US Treasury. Tax remittance is an alternative measure to a direct regional subsidy but it would still involve the creation of a central fiscal authority or fiscal union. Butler insists that formal fiscal controls on participating member states would not be

necessary because any state which looked likely to default on its debts would be subject to tough informal sanctions by other governments (Butler 1995).

The Diplomatic Considerations of EMU

The decisive consideration behind the Macmillan application was a determination to be at the heart of Europe and to be perceived to be in this position, in order to maximise Britain's global influence and stature. The notion of influence and status is more intangible than the specific costs and benefits which are contested between Tory protagonists in the economic debate over a single currency. However, the desire that Britain is able to "punch above its weight", to use Douglas Hurd's phrase was a consideration behind Thatcher's commitment to the special relationship and it lives on in the arguments of many pro-Europeans.

Some pro-Europeans argue that if Britain remains outside EMU it will be increasingly perceived in Washington and Tokyo to be semi-detached from Europe and as a result Britain's diplomatic influence will diminish. Tristan Garel-Jones argues that membership or non-membership of a single currency does not automatically effect whether Britain remains at the top table in international affairs. He says that in 1999, the most realistic date for the formation of a currency union, the Conservative leadership would need to know not as a matter of hypothesis but of fact, which countries were convergent and joining an EMU and how many there were. Garel-Jones however concedes that if in general terms Britain were to be perceived as being outside a European inner core, then this could be damaging to Britain's diplomatic stature (Garel-Jones 1994).

Oliver Letwin is dismissive of notions of "being at the top table". He argues that in areas where Britain's interest coincides with other countries, it will be able to work with them. However in areas where there is a difference between British foreign policy and other European countries, Britain will not be bound by their preferences and will retain freedom of action (Letwin 1995). A Government Insider however accepts the validity of the basic argument that Britain could lose diplomatic stature if she remained outside a single currency. Nevertheless ,he puts the counter-argument that if EMU failed, then conversely Britain's stature would be enhanced as a result of non-participation (Interview 1994).

Contested Political Realities and the Single Currency

The Tory protagonists no longer share the same assumptions about Britain's position in the international economy. The Nationalists argue that sterling and the UK economy could survive outside a single currency zone and indeed prosper. Whereas the pro-Europeans argue that such a state of affairs would be illusory and that eventually sterling would be dragged along into a single currency's gravitational pull. This section will further explore these contested perceptions of political reality and attempt to identify why these conflicting perceptions have arisen. The arguments are of course only based upon predictions about what might happen if Britain was outside EMU, even though they are often presented as conclusive arguments. The

significance is that the gulf between these perceptions makes it far more likely that the Conservative Party will split.

Bill Newton Dunn puts forward the classic pro-European case that British membership of EMU is inevitable. Newton Dunn argues that sterling would depreciate outside a single currency zone and that this would lead to higher British interest rates, stifling economic growth (Newton Dunn 1994). This argument rests on the premise that the sheer size of the ECU zone would lead to speculative pressure on weaker currencies like sterling, outside the bloc. Howe has spoken about Britain "limping in afterwards" if a single currency was formed without our participation (Howe 1994a).

The debate over a single currency focuses on whether the financial markets will take a retrospective or prospective view of Britain's currency and the British economy. For the Nationalists, Duncan-Smith and Jenkin argue that sterling will continue to be viable alongside the Euro because of the underlying strength of the UK economy. Jenkin asserts that what gives a currency strength is not the extent of transactions in which it is used but how it is managed. He cites the weakness of currencies like the dollar during 1994, as evidence of poor monetary management by the US authorities, despite the dollar's status as the largest currency area in the global economy (Jenkin 1994).

From this premise Jenkin is able to argue that as long as Britain pursues a strong anti-inflationary discipline, it will become a strong currency. Jenkin's view assumes that the markets will make prospective judgements about the prospects for long term strength in the British economy and that consequentially sterling will strengthen. Whereas Hordern argues that the markets will make retrospective judgements and focus on the secular depreciation of sterling and act accordingly. He believes that currency dealers will demand an interest rate premium in the expectation that sterling will again fall in value (Hordern 1995).

Other nationalists make more ambitious claims about the macro-economic and industrial strategy which Britain should pursue if EMU occurs. Letwin argues that states like Canada and Hong Kong show that currencies can exist comfortably alongside a large currency zone, even if these states do the bulk of their trade with the country controlling the dominant currency. Letwin cites Sir Alan Walters' research which seeks to argue that a peripheral state outside a large currency zone, may even gain an advantage from its status. The thesis argues that the peripheral country cannot be complacent and always seeks to increase its competitiveness. As a result this country's economy can be equally prosperous. Letwin cites Singapore's trade strategy as an example (Letwin 1995).

John Stevens MEP, a neo-liberal integrationist, counters Letwin's case by arguing that it is predicated upon a static view of the financial markets. He believes that the ECU would displace the dollar as the internationally denominated currency. Stevens believes that the creation of a single currency would lead to a rise in the volume of financial transactions which Britain would not be able to take advantage of if she were a non-participant (Stevens 1994). Sir Michael Butler, British Ambassador to

Brussels 1980-85 and a leading member of the Action Centre for Europe (ACE), argues that if Britain were outside EMU, then she would face informal discrimination from banks which were part of the Euro clearing system (Butler 1995).

Stevens also retorts that comparisons between Britain and Hong Kong or Singapore, show the poverty of the geo-political ambition of the Nationalists. Stevens finds it ironic that the Tory Right have traditionally argued for empire and a global British role and yet are now prepared to envisage a diminished role for Britain as an offshore island (Stevens 1994). Nevertheless Letwin says that he is happy to contemplate such an "offshore island" role for Britain where she is as wealthy as Switzerland and freer than Hong Kong (Letwin 1995).

The contested realities are of particular importance to the position of the City of London and financial services in relation to the single currency. Francis Maude, Financial Secretary to the Treasury 1990-92, is insistent that the City of London's long term position would be secure if Britain opted out of a single currency:

Well the bulk of the ECU is in the City of London at the moment. There is absolutely no reason why that should change. The Euro-dollar market operates in Europe. There is absolutely no reason why the bulk of a market - liquidity, would not exist outside the country where the currency is mainly used.

Deutschebank has its capital market HQ not in Bonn but in London..... There's absolutely no reason why London shouldn't continue to be the pre-eminent financial centre of Europe in those circumstances. Zurich is a very important financial capital outside the EU but doing business very much more important than just Swiss business (Maude 1994).

Whereas Lord Howe argues that British non-participation in EMU would threaten the City of London:

If the pound sterling stood alone outside the single currency, it would be uniquely exposed. We would have to pay high transaction costs for exchanging our currency, we would have high volatility in our exchange rates and high interest rates, and face a threat to inward investment that would threaten the City of London (HC Debates, 20/11/91, Vol. 199, Col. 310).

The contested political realities about the single currency centre on conflicting beliefs about the power of British Government policy relative to the power of the international financial economy. The neo-liberal integrationists are more pessimistic about the effectiveness of a "go-it-alone" British policy and give greater weight to the constraints of the global economy. The nationalists are optimistic that a "virtuous" British policy will ensure a viable position for the UK. The only constraints which they recognise in the financial economy arise from imprudent economic policies which they insist Conservative Governments will not follow.

Howe, Stevens and Hordern believe that the single currency will become so powerful that its existence will place tremendous constraints on the effectiveness of an independent British monetary policy. They stress Britain's insecurity outside a larger economic unit which will set the parameters for foreign economic policy. Whereas Tories like Jenkin, Duncan-Smith and Letwin, believe that if Britain

continues to pursue neo-liberal monetary and economic policies, then the UK will be able to prosper in the global financial economy.

The integrationists' concerns about the weakness of national governments in the face of international financial forces which are a key factor behind their positive support for EMU. They argue that a single currency would re-empower member states whose monetary policies are at present constrained by the dominance of the D-Mark. Integrationists argue that Black Wednesday occurred because other ERM members had no ultimate control over Bundesbank policy, even though this policy had a direct effect on all European economies. Whereas a European Central Bank (ECB) would give all participants in EMU a say in the formulation of monetary policy. This pro-European argument was made by both Tim Devlin and John Butterfill during the ratification debate in the House of Commons:

The point about the European market is its fundamental interdependence.... We have a choice at this point and crossroads in our history of having a Deutschemark dominated continent where European currencies are at the whim of the Mark, or a truly independent currency with a truly independent central bank operating in the interest of all European economies (HC Debates, 18/1/93, Vol. 217, Col. 127).

Under the proposed system, the Bundesbank would represent but one equal vote in the operation of a central bank and would to a large extent be giving up its control of what happens in the European economy. That is recognised in Germany where there is now considerable resistance in many quarters to the very idea of giving up the power that it has through the present operations of the market. It therefore seems that we have a great deal to gain, and certainly nothing to fear from German domination, under the system proposed in the treaty (John Butterfill MP, HC Debates, 24/3/93, Vol. 221, Col. 992).

The Nationalists argue that states like Britain would be unable to exercise a decisive influence over European monetary policy via the ECB. They argue that the size of Germany's economy would give it a disproportionate weight in monetary decision making. Therefore Germany would never be just a single voice amongst thirteen others on the governing board of the ECB. Lord Parkinson argues that irrespective of whether the Bundesbank continues to operate or whether an ECB is set up, the Germans will pursue monetary rigour. Hordern is less sure that the Bundesbank will succeed in perpetuating German monetary rigour. He hopes that Germany's hard money policy will live on in the ECB's stance but raises the following concern:

I do think that an ECB with French representation on it is likely to be a less stringent affair than the Bundesbank is (Hordern 1995).

Parkinson believes that the Germans are quite happy to impose their monetary policies on other member states, such as France but they will not countenance any attempts to dilute Germany's traditionally anti-inflationary monetary policy. Essentially Parkinson argues that EMU will only take place on German terms (Parkinson 1995). This is an economic example of the nationalists' belief that European federalism would actually augment rather than constrain German power.

Big Business and Monetary Union

The other key factor which is integral to the party leadership's approach to EMU is the attitude of the British business constituency. Ever since the publication of the Delors report, business across Europe has given the proposal for a single European currency a favourable response. EMU offers clear benefits to multinational and European trading businesses in terms of currency transaction costs savings and exchange rate stability. Originally business was attracted to the ERM for many of these same considerations..

The business community is by no means united on this issue but a clear majority exists which is supportive of a single currency in principle. For example the Institute of Directors' leadership is opposed to British participation in a single currency. However a 1994 CBI survey of 200 senior managers showed that 46% of respondents saw EMU as beneficial for the single market. Twenty-six percent of respondents wanted EMU by 1999. A MORI survey of 100 finance directors from Britain's largest 500 companies for BBC's *The Money Programme* showed that 46% of respondents believed that the government "was not doing a good job in handling the single currency issue". Sixty percent of respondents said that EMU would be good for their companies (*The Financial Times* 13/2/95).

The Tories thus face the possiblity of confronting one of their core constituencies if they exercised Britain's opt-out of EMU. The extent and intensity of the Tory Party's divisions on Europe have clearly alarmed many big business interests, including financial interests. Big business mobilised strongly in favour of European membership during the 1975 referendum campaign and funded the "Britain in Europe" campaigners. It is quite possible that a large section of business would put strong financial backing into a pro-single currency campaign.

The involvement of City interests in ACE has already been mentioned but other lobbies are also being organised on this issue. Chief among these is the Association for the Monetary Union of Europe (AMUE). The AMUE is a pan-European business lobby group strongly committed to a single currency. The AMUE's membership includes key City players like Barclays, NatWest, Paribas and S.G. Warburg, conglomerates, such as BAT Industries and multinationals, such as Unilever, Fiat, British Telecom, Volkswagen and Nissan. Over two hundred companies are members of the AMUE. The AMUE's manifesto is clear on what is argues are the benefits of a single currency:

The exchange rate instability which disrupted the ERM in the Summers of 1992 and 1993 is still a potential threat to the single market. It will not fully develop as long as there is the danger of random exchange rate fluctuations and the fear of competitive devaluations which only attainment of EMU can remove (AMUE 1994).

Sir Patrick Sheehy, BAT Chairman and a member of the board of AMUE, puts the two arguments which have probably been decisive in Major's refusal not to rule out British membership of EMU. At the same time Sheehy makes clear big business' fears about the consequences of Tory divisions over Europe:

If the single currency goes ahead without Britain, the pound will face damaging speculation, the City will lose business to continental rivals and American and Japanese firms will turn away from us to locate inside the new currency area.

Investment projects are increasingly mobile, and there is a trend for firms to centralise European Union production. The danger that factories would move away from the UK, to a member of the core group.....is plain. The economic centre of gravity would move inexorably further into the heart of the continent (Sir Patrick Sheehy in The Observer 12/2/95).

Ever since the late nineteenth century the Conservative leadership has been able to make an appeal to nationhood and be sure that Big Business interests will be alongside the party at the same time. However on EMU it is quite possible that a Tory leader would oppose a single currency on the grounds of nationhood and national independence and find that British capitalists opposed the Tory Party on this issue. It is conceivable that the leader of the Conservative Party could reject a single currency and be opposed by the Chairman of the CBI and other business leaders. The AMUE's membership indicates the number of British multinationals and foreign multinationals which invest in Britain, which support EMU. This shows the extent to which there is a potential for divorce between international capital and a Conservative Party campaigning on a nationalistic platform of opposition to European integration.

Industrial Policy and the Single Market

The Conservative Government found itself increasingly in conflict with the industrial policies operated by other member states within the single european market (SEM). On industrial and social policy in the single market, pro-Europeans and nationalists are able to agree on the need for Britain to maintain its deregulated regime.

Thatcher's Bruges speech was most memorable in that it raised the spectre of a European superstate overturning the UK's free market reforms. As was discussed in chapter one, the Thatcherites anticipated that the SEM would promote the hegemony of free market policies on a European scale (Howe 1994: 456). The ideological debate over industrial policy has now become refocused on a European level. The Conservative Party's rhetoric on this issue reflects this. The 1994 Conservative Party European election manifesto made its central plank as stark choice between a "Europe: Right or Left?" (CCO 1994: 56).

However this Thatcherite expectation was dashed when member states reasserted their own industrial policies or in some cases sought to negate the impact of the SEM programme, by reimposing non-tariff barriers to trade. The resistance by other member states to full-blooded free market Europe has proved to be more tenacious than the domestic opposition which the Conservatives faced from bodies like the trade unions and local authorities. Thatcher's support for a non-interventionist free trade area alongside floating exchange rates was philosophically opposed to the interventionist and managed exchange rate conception of both Delors and Mitterand (Connolly 1995: 77).

Both the Commission and other members states have also committed themselves to a strong EU social dimension. The Conservatives are united in seeing a social Europe as a threat to their deregulatory ambitions to reduce social costs in order to compete

with emerging Asian economies. Conservatives see the social dimension of the EU as a protectionist device designed to extend Franco-German high social costs to the Southern Mediterranean member states, thereby protecting the competitiveness of France and Germany.

Many Nationalists express fatalism about the obstacles to free markets inside the Union. They see the UK as in a minority of one on deregulatory issues in the Council of Ministers. They believe that member states created non-tariff barriers to trade in order to nullify the impact of the SEM (Spicer 1992: 61). Nicholas Ridley saw deep-seated differences between Britain's free market orientation and continental interventionism lying behind other member states desire to negate the impact of the SEM:

The continental nations tend to be half-hearted, too, in their approach to free trade. Their history is riddled with cartels, monopolies, protective barriers and tariffs. Most them traditionally trade internally, or within the continent, rather than being world-trading nations. Although they pay lip service to open markets and the Single European Act, it is suprising how many exceptions and derogations they cling to, or reinvent, each in their own different way (Ridley 1991: 137).

Two of the Euro-rebels cite a number of sectoral examples where member states industrial policies impede free market practices and are closed to British companies. Cash argues that German insurance markets are closed to British companies (Cash 1991: 20). Spicer argues within the EU that there is one law for a private company and another for a state-owned one (Spicer 1992: 68). The Nationalists also argue that the EU is not in fact a free trade area but a protectionist trading bloc, which excludes external trade. Here they have revived Powell's chief economic criticism of the Community at the time of accession. Cash has argued that the European federalists see Europe almost as a multinational company, competing with Japan Inc. and America Inc (Cash 1991: 26).

Lord Parkinson, as a former participant in Council of Ministers' negotiations, is equally fatalistic about the interventionist predilictions of other member states. From his own experience he is highly dubious about whether Britain is "winning the argument" on economic issues:

The difficulty with the Union is that it is always lowest common denominator politics. It is not a very principled organisation, so there will always be an opportunity to close your eyes to the French stuffing billions of francs into Lufthansa...I lost track of the number of times I went to Council of Ministers meetings and the French would propose some way of getting round some aspect of the single market and the Germans would always start by saying, `this is unacceptable' and then they would say, `well on this one occasion and for the last time.' But when the next time came along they do it again, exactly the same thing (Parkinson 1995).

When I went to the Transport Councils, to give an example, the British, we were the only people there who didn't own a loss-making national airline. We were interested in what was good for the passengers. They were only interested in protecting their loss-making national airline (Parkinson 1995).

Some of the Nationalists are prepared to concede that the EU institutions have actually been allies of Britain in curbing interventionist policies which infringe the SEM. The Commission has long been empowered to take action against state aids to

industry. In November 1989, the Commission revoked its approval of a state aid package to Renault financed by the French Government because Renault had broken its undertaking with the Commission. Sir Leon Brittan as Competition Commissioner, settled with Renault at the price of the company agreeing to repay £1.26 billion. Ironically, the British Government was embarrassed when it was instructed to recover 44 million pounds worth of subsidies given to Rover when it was acquired by British Aerospace. Under article 93 of the Rome treaty, state aids must be referred to the Commission for its inspection.

Parkinson acknowledged that the EU institutions have "tried quite hard" to curb state aids but believes that the problem will continue unabated because of the attitude of member states. The Government's desire to ensure that anti-competitive practices were curbed led them to again to recommend an increase in the power of the EU institutions. Major and Hurd successfully secured the power of the ECJ to fine member states who refuse to comply with EU laws, in the Maastricht treaty. The EU institutions have also sought to expand their own competence within this area. In 1987 the Commission instigated proceedings against airline monopolies with the objective of forcing the Council of Ministers to act. Brittan has sharply attacked the degree of state subsidisation of industries practised by other member states. Although Brittan is a bitter opponent of the nationalists on monetary integration, his sentiments on this issue are entirely akin to their own:

Governments have tended to give in to those that shout the loudest, usually large companies in crisis-ridden sectors, thus enabling them to put off the inevitable painful restructuring they need in order to secure their future (Brittan 1994: 86).

Brittan claims that Commission `whistle-blowing' has reduced subsidies from 41 billion ECU in 1986 to 34 billion in 1990. Francis Maude says that while subsidies are acceptable in the short term, they must be terminal. Companies must not be allowed to continue coming back to government for state subsidies (Maude 1994). Yet while nationalists like Parkinson and Maude are prepared to acknowledge the effectiveness of the Commission and the Court's policing of the SEM, they are hostile to its ambitions in the social sphere and on the issue of a strategic trade policy.

The conflict over strategic trade policy has been particularly associated with the Presidency of Jacques Delors. Europe's relative economic decline has been an obsession with Delors. Delors strongly believed that Europe needs fewer and larger companies if it is to hold its position (Grant 1994: 155). Martin Bangemann in 1990, the Industry Commissioner, supported a `horizontal industrial policy', which meant funds should be directed at training, infrastucture and research, rather than specific sectors or companies. Both Delors and Bangemann were identified with the notion of building up European champions capable of competing with American and Japanese players. It is this conception which Cash criticises above.

The Social Dimension of the European Union

Ever since Delors' crusading speech to the TUC in 1988, the Commission has placed its full weight behind social measures to accompany European deregulation. This dovetailed neatly with the structural and vested interests of the economies of Northern European member states, particularly France and Germany. These economies have traditionally institutionalised a system of high social costs of production. The French state has always been extensive in its use of public power in the economy and for forty years has included within its remit a high level of social benefits, even though French trade unions are relatively weak.

In the Federal Republic of Germany, a collaborative industrial tradition and the weight which this has given to large industry-wide trade unions, like IG Metall, has entrenched a system of high social costs and restraints on the exercise of ownership and control in the economy. One clear example is the system of dual boards within German public companies, where trade unions are represented in the strategic and management decisions of the company. These countries' high social costs have been brought into being and sustained by powerful interest groups and social constituencies within these member states.

Within the SEM these countries were aware that they could be vulnerable to competition from low cost Southern European countries, like Portugal. The French and German Governments determined to maintain their social costs and backed by supportive domestic interest groups, strongly promoted the idea of a common social space across the SEM, in order to impede the Mediterranean countries from exploiting their competitive edge and taking markets from the French and Germans. Thatcher attempted to bring this to the attention of the Portugese and Spanish, arguing that the Germans wished to use common social standards as a form of protectionism (Thatcher 1993: 751-2).

Bernard Connolly, a former leading Commission economic official, also argues that the social dimension was designed to stifle low-cost competition from the EU's periphery (Connolly 1995: 76). Connolly also argues that the social dimension, fixed exchange rates and the single market, were conceived by Delors and Kohl in order to nurture and protect "European industrial champions" (Connolly 1995: 76-77). Connolly's view sees fixed rates making as making more price competition between Northern and Southern European companies much more difficult. For Connolly, floating exchange rates were a necessary complement to an untrammelled free market in order to allow uncompetitive regions and companies to respond to movements in industrial and financial markets.

Thatcher was also concerned about the impact of a social Europe on the UK economy. In Britain the Conservative Governments from 1979-94 had sought to deregulate labour markets and remove supply-side immobilities, such as trade union immunities. As a result Britain has quite low social costs of production relative to other EU member states. Britain's labour costs are lower than Germany, Belgium and Denmark (McKie 1993: 83). Both Thatcher and Major were determined to maintain this competitive edge and resist social harmonisation across Europe bidding UK costs up towards the Franco-German level. This desire was reinforced by the belief that Britain's success in attracting inward investment was in the main due to

labour market deregulation. Some neo-liberals indeed urged the Conservatives to go further and move towards the Asian economic model:

The Prime Minister should state as boldly as he can his intention to turn Britain into the Hong Kong of Western Europe by the end of the decade - a low cost, high productivity, low-tax, high tech off-shore island whose great growth and dynamism would be in marked contrast to the recession and sclerosis of the other major European economies (The Sunday Times leader on 6/6/93 quoted in McKie 1993: 81).

Thatcher's rejectionist stance on the 1989 Social Charter was therefore continued and indeed intensified by Major in relation to the social chapter of the Maastricht treaty in 1991, as was outlined in chapter three. Major flourished the opt-out on his return from the IGC as safeguarding Britain's cost competitiveness. In the 23 July 1993 Social Protocol/Confidence debate Major even quantified what he anticipated would be the deleterious effects of British participation in the chapter's provisions:

The working time directive originally would have cost British industry £5 billion; the part-time directive originally would have cost up to £150 million .... If the social chapter came into being, those costs would be added to for every single business in this country with the inevitable effect on jobs (HC Debates, 23/7/93, Vol. 229, Col. 626).

Social policy is the one consistent area of the party's European policy. Indeed Tory opposition to the social dimension goes back as early as 1980, with the Conservative Government's hostility to the Vredeling directive proposals for employee consultation. This is also the one area which commands support across the party and from those who are bitter opponents on the issue of monetary integration.

The typology in chapter one identified that the neo-liberal integrationists are as hostile to EU interventionist policies and the social dimension as the Thatcherite nationalists. In the Sheffield University survey of Conservative MPs, only 3% of respondents supported Britain "opting in" to the social protocol. Howe has described the social chapter as "objectionable". For example Ian Taylor MP has argued that the EU must be competitive against low cost producers elsewhere in the global economy:

If the Community is to become more competitive there must be a review, not just of the Protocol but of all arrangments which impose heavy costs and rigidities on employment in Europe in a competitive world. It is not just a question of one country in the Community losing jobs to another. It is the danger of an exodus of jobs from the Community as a whole (Taylor 1993: 48-9).

The breadth of Tory opposition to the social dimension and chapter is also evident from ACE's views. Like other neo-liberal integrationist Tories, Welsh is adamantly opposed to what he calls the "social engineering" represented by the social chapter. He says that the Conservative Government's stance on European social policy is long standing. He argues that the social chapter should have been confined to matters necessary for the free movement of labour and not to general working conditions across widely differing national employment and industrial relations practices (Welsh 1995). Only a handful of interventionist integrationists, like Andrew Rowe and Sir Edward Heath will entertain aspects of European social policy.

The prevailing view across the party, of the social chapter as a "job destruction package", is at first sight curious. In fact the chapter contains nothing of any substance and is merely a framework through which member states can legislate for social provisions. The only thing to which it commits participating countries to is a number of broad objectives in Article 2 of the chapter, such as working conditions, the information and consultation of workers and equality between men and women in labour market opportunities (EUT 1992: 118-9). The chapter provides for the Council of Ministers to adopt directives to meet these objectives. However in all the politically sensitive areas and the ones featuring in Tory rhetoric on the issue, such as industrial relations and employment law, the chapter only enables the EU to proceed on the basis of unanimity.

Given the preservation of the national veto in the areas cited in article 2(3) of the chapter, the ferocity of Conservative opposition to this aspect of the treaty seems almost irrational. However clear political and policymaking calculations lie behind the enthusiasm shown by ministers for the social protocol which exempts Britain from participation in the social chapter. In political terms, Peter Luff MP has conceded that the social chapter is not as demonic as "we say it is" (Luff 1994).

Luff says that the opt-out is a powerful political symbol which the Govermment has chosen to create in order to express its determination to defend British deregulation. Luff says that the chapter is symbolic of the sort of Europe Conseratives do not want (Luff 1994). Luff cites his personal opposition to the paternity leave directive, made under the chapter, as an example of a measure which is integral to the Tories' hostility to what the chapter represents. A Government insider says that the social chapter issue is useful for the party leadership because it is an issue where there is unity (Interview 1994). Welsh even argues that if the Government had not negotiated the opt-out at Maastricht then it would have failed to secure Tory support for ratification of the treaty and rightly so (Welsh 1995).

In policy terms, the opt-out enables the Government to deflect attention from the extent to which employment and social provisions can be imposed on Britain through other institutional mechanisms, such as the ECJ's rulings on the rights of part-time workers. The Government's decision on 23 July 1993 (see chapter three) to threaten a dissolution in order to overturn Labour's social chapter victory, indicates the value which the Government places on perpetuating the impression that the social protocol safeguards Britain from EU social measures.

Since the ratification of the Maastricht treaty the Government took heart from developments elsewhere in Europe which indicated that they "were winning the argument" on the social dimension and industrial policy. Policy in the key states of France and Germany seemed to be moving in a direction much closer to the British neo-liberal approach. German Economics Minister Gunter Rexrodt, had begun to reappraise his country's high social costs of production and the corporatist structure of German industry. The new Conservative French Government led by Edouard Balladur resumed the privatisation programme initiated by the 1986-88 Chirac Government.

In this climate of "new realism" the European Commission published its White Paper, *Growth, Competitiveness and Employment* in December 1993. The Government seized on the paper as reflecting the increasing convergence between the Europe's economic thinking and the British Government. The paper did accept much of the free market analysis of Europe's economic malaise in relation to high levels of structural unemployment.

The White Paper adopted the Government's language of labour market flexibility. It conceded that *social protection schemes have - in part at least - had a negative impact on employment* and called for greater flexibility in the organisation of work (Commission 1993: 124). In the House of Commons debate on the White Paper, Kenneth Clarke and Douglas Hurd respectively, struck an almost triumphalist tone in their remarks:

We now have a document that bears the stamp of this Government's policies .... People in Europe are listening to the British and the Conservative experience. They are privatising, they are deregulating, they are going for competitive open markets (Kenneth Clarke MP, HC Debates, 9/12/93, Vol. 234, Col. 581-83)

The Commission has moved a long way in the past year or so. It has moved well beyond the British Labour Party in analysing why Europe has failed to create jobs to the same extent as the United States and Japan, let alone the new Asian competitors (Douglas Hurd MP, HC Debates, 9/12/93, Vol. 234, Col. 507).

In the discussions that followed the publication of the White Paper, Britain found that the German Government was an ally on the issue of faster deregulation within the EU. Rexrodt argued in May 1994, that a taskforce of experts should be formed to root out unnecessary Euro-legislation. The German Minister's remarks provoked a strong counter-attack from Delors, who accused him of wishing to gut the Maastricht treaty of the social chapter (The Financial Times 17/5/94).

The Re-emergence of the Anti-Marketeer Position

Some Thatcherite Nationalists are following through the logic of their own fatalism about the EU's hostility to free markets and are calling for effective withdrawl from the Union or a retreat to a minimalistic free trading relationship with other member states. They have resolved the dilemma between a desire to have access to Europe's markets and repulsion from member states' industrial policies. Norman Lamont's Selsdon speech in 1994 was the first anti-marketeer public appeal by a leading member of the party (see chapter two). Most nationalists, especially leading Tories, such as Portillo and Redwood, will still not publicly entertain such options but they are emerging prominently amongst sympathisers of the Euro-rebels.

The Nationalists' *European Foundation* regularly makes the case that Britain is non dependent upon European trade and that there are richer pickings available in Asian markets. As Gorman has argued, *The EEC is yesterday's story*. The journal notes that Britain's invisible exports surged outside the EU between 1992-3 (European Journal 1994: 20). The point that Britain should turn its attention to Asian markets

and away from Europe, was made forcefully by Lord Young of Graffham, the former Trade and Industry Secretary:

We should do our part by going back to our traditional markets, the Far East and India, and use our increasingly competitive economy to build an expanding export-driven revival. Then and only then will our Commission in Brussels perhaps begin to realise that all their talk of a two-speed Europe will have come and we will be in the fast lane (Young quoted in European Journal 1994: 4-6).

In her memoirs, Thatcher also argues that the EU's relative importance will diminish. She argues that British politicians should be less concerned with European markets and should refocus on the Far East and Latin America (Thatcher 1995: 498). The Nationalists also see the EU's commitment to developing the social dimension as *de facto* protectionism. They argue that the only way that Europe can maintain its high social costs is if it gradually and then systematically places barriers to trade around the new industrialising Southeast Asian economies. They sense that the EU is developing into an insular trading bloc, seeking to intensify integration amongst existing member states, principally through monetary union, in order to restrict competititors from outside Europe.

The nationalists are also assailing the argument which was at the centre piece of Heath's case for accession in the early 1970s - that Britain needed to be part of a trade bloc in order to advance its interests and to extend global free trade. Two Tory pro-Europeans, Ray Whitney and Michael Welsh, have argued that in a world dominated by regional trading groupings, like NAFTA, an isolated Britain would be at the mercy of trading policies formulated by others (Whitney and Welsh 1995: 7). However Iain Duncan-Smith argues that the days of the large trading blocs are over. Rodney Leach, director of Jardine Matheson, supports this view:

They say you have to be part of a trade bloc to negotiate with Japan and the USA - but if that were true you would have to add Switzerland, Scandinavia and Austria to the list of failures (Leach 1994: 4).

Welsh directly responds to Leach's argument that Britain could achieve more in GATT if it were outside the EU:

What does Rodney suggest the impact was, that Austria actually had on the GATT negotiations.... Austria in no sense was even a player in the GATT negotiations, Austria was, if you like sitting in the waiting room and wondering what the Europeans and Americans were getting up to . Had the British not been able to use the Community to persuade the French to agree to some reduction in protection of agriculture, there would have been no GATT agreement period. Whose influence does Rodney think was actually counting? (Welsh 1995).

Some nationalists are now advocating that Britain negotiates membership of the European Economic Area (EEA) in order to enjoy the benefits of the SEM without the costs of the social dimension and other undesirable EU policies. Spicer in his 1994 Hungarian speech (see Chapter Two) advocated British membership of the EEA. The EEA was set up in 1993 in order to incorporate 6 of the 7 EFTA states within an EU structure but short of full membership. The EEA provided the ability of these states to participate fully in the SEM but without needing to contribute to the Union budget or join in the CAP. The EEA was policed by a separate court, the

Surveillance Authority and the EFTA states were not required to erect the Common External Tariff (CET). However the Scandinavians were only allowed consultation rights on EU directives effecting the SEM via a Joint Committee and so had to eventually accept the package as a whole. Subsequently, the Swedes and Finns decided to join the EU at the end of 1994.

Lord Parkinson is reluctant to argue that Britain should join the EEA at this stage. He says that Britain "owes it to her friends in Europe to argue for more sensible policies" (Parkinson 1995). Peter Luff as a pro-European, goes even further and dismisses the EEA option. Luff says that EEA membership would isolate Britain from the whole history of Europe because Iceland and Norway would be the only other ones there (Luff 1994). He says this isolation would outweigh the absence of obligations to the CAP and the cohesion fund. Frank Vibert argues that the Foreign Office dislikes the EEA option because it would entail an even greater loss of diplomatic stature than that entailed by non-membership of EMU (Vibert 1994).

Duncan-Smith does not rule out backing EEA membership if Britain fails to secure a multi-track approach at the 1996 IGC (Duncan-Smith 1995). He believes that when the process of economic revisionism underway in other member states, such as Germany, intensifies, then these countries will begin to move towards Britain's conception of a *Europe des Patries* and repudiate the federalist project. Like other nationalists, Duncan-Smith believes that ultimately global competitive pressures will ensure that other member states follow the Thatcherite economic model but he is not prepared to wait indefinitely for them to converge with Britain's position. Thatcher also indicates that the EEA is a possible option for consideration (Thatcher 1995: 505).

Conclusion

The ideology of nationhood has clearly been influential in the central debate over the single currency. The Thatcherites reject EMU because they argue it would not be based on a cohesive sense of national identity. For them the issue is not whether a European Central Bank would operate a more effective monetary policy than the British Bank of England. They argue that *only* the Bank of England has the legitimacy to conduct UK monetary policy. It is here that we see the strongest expression of the link made by Thatcherite Nationalists between economic policy and national culture.

They are also increasingly attracted to an independent deregulation strategy, where Britain exploits its low cost industrial attributes in order to gain global competitiveness in newly emerging markets. They believe that ultimately the EU will neuter Britain's competitive edge. They do not have the patience to wait for the EMU to embrace British deregulatory ambitions. This desire for monetary and industrial policy sovereignty is gradually shifting the Thatcherites into a position where they can only logically argue for British withdrawal from the Union.

Pro-European Conservatives focus on EMU as an economic proposition. Many former monetarists, now identified with the neo-liberal integrationist grouping, see

EMU as a way of locking Britain into hard money policies; they believe that European monetarism will prove more effective than Britain's own internal monetary discipline. However other pro-Europeans are more concerned about the political ramifications of EMU. Tories like Kenneth Clarke fear that if Britain excluded herself from the formation of a single currency, Britain would be outside a major European power bloc. They envisage that this EMU-grouping would exercise such power that this would reduce the value of Britain's independence. Although the pro-Europeans are increasingly weak within the parliamentary party, they still have strong support from within big business, much of which has an international perspective on monetary policy and sees EMU as potentially a boost to competitiveness.

The dispute over industrial policy within the EU is particularly frustrating for the Conservative leadership because of the success of the Thatcherite domestic revolution against the extended state. Just as the Conservatives succeeded in unwinding the coils of British interventionism they see that British companies are increasingly subject to the interventionist policies of other member states. Some Thatcherites are more prepared to contemplate withdrawal because Europe's position in the global economy has changed so profoundly since the time of the Macmillan application. In the 1960s, Britain was a slow-growth country outside the dynamic high-growth EEC. In the 1990s, Europe has higher unemployment and lower growth than either Asia or North America.

They can now argue that GATT's international free trading mechanisms are a viable alternative to a stagnant and protectionist European trading bloc. The early anti-marketeers had no alternative economic project with which they could credibly oppose British membership of the EEC. The Thatcherites now have the self-confidence to argue that a multinational free trading strategy refocused on Asia makes withdrawal not just viable but desirable. They believe that the economic terms of the European debate have turned in their favour. However the integrationists believe that the future lies with a world which is coalescing around regional trading groupings, like NAFTA and APEC. They believe that Britain can only achieve open markets by negotiating from within its own European regional grouping - the EU.

CONCLUSION

THE BATTLE BETWEEN THE IDEALS

Some of the Tory Right have made it increasingly clear that they are much less interested in achieving victory at the next election, than in winning control of the party's agenda (Extract from leading article in The Daily Telegraph 3/7/95).

Abolition of the Pound is not something which Conservatives should be doing (John Redwood MP, 26/6/95).

I am a coalition government all on my own (Reported remarks of John Major from a conversation with Helmut Kohl at the 1995 G7 summit).

The European controversy in the Conservative Party has proved so divisive because it concerns unresolved conflicts over the Anglo-American alliance, the future of Thatcherite economic policy and the centrality of nationhood within the Conservative tradition. The fundamental character of these issues for Conservatives has led to the sustained and disciplined parliamentary dissidence seen throughout the Maastricht ratification battle.

The Euro-rebels' predecessors never had the active support of sections of the party leadership. Thatcher's support for the nationalist cause gave the rebels a greater legitimacy and authority in the party. Major's centrist efforts at party management of the European issue became as imperilled as those attempted by Balfour over the tariff reform issue in the early years of the century.

Major attempted to straddle a growing party divide, in which both the protagonist groupings within the Conservative Party have set up rival organisations. The dispute went right up to Cabinet level. Major's agnostic stance on a single currency was designed to prevent a catastrophic party split. Nevertheless Major's opt-out created a political vacuum, within which party groupings could campaign for their leadership to accept or reject British participation in EMU.

The European controversy has created new political alignments in the parliamentary party. The conflict over the role of the state in the economy has now been replaced by a conflict over supranational power. The conflict has spawned three distinct groupings. The Thatcherite Nationalists are determined to defend national identity. They also see European integration as representing a challenge to domestic deregulation and the free trading Anglo-American alliance.

The pro-European Conservatives include two groupings – the old wet critics of Thatcherism, the interventionists and also a number of neo-liberals. The neo-liberals and interventionists have united around a series of of economic and foreign policy arguments in support of European integration. In particular, the Neo-liberal Integrationists have successfully secured the adoption of hard money policies by the interventionists.

The convergence of the two pro-European groupings shows how the European debate has superseded the sharp ideological disagreements over the role of the state in the economy between individuals have now become political allies. Sir Edward Heath and Edwina Currie now find themselves as unlikely allies in supporting further European integration, in the face of nationalist hostility. The interventionists and the neo-liberals now form a cohesive pro-European bloc within the parliamentary party, working through the Positive Europeans and ACE.

The Thatcherites are not prepared to let European integration challenge national identity and the authority of Britain's political institutions. The Thatcherite reverence for British nationhood was first given primacy in the Conservative ideological tradition by Benjamin Disraeli. Disraeli could see that the Tories could cease to be a party of government unless they articulated an appeal which transcended class divisions in Britain's industrial society. Nationhood was deployed as a means of berating the Liberal and Labour parties. It was at this juncture that nationhood became embedded in the party's self-image and also its psyche, particularly as a form of electoral populism. Conservatives in the 1990s still see nationhood as having a potent electoral appeal.

Disraeli's conception of nationhood was not confined to celebrating common membership of a community. Conservatives used nationhood as a cult of national prestige, celebrating Britain's global role through the empire. Even after the collapse of British supremacy the appeal of global identity and the dissemination of British values and institutions throughout the world was tenacious enough for a group of imperialist Tories to resist Britain's retreat to a continental role. Europe was also an affront to nationhood because of the constitutional constraints which supranationalism placed on British policy independence. Enoch Powell argued vociferously that EEC membership was incompatible with British self-government and that the Conservative Party should react to the end of empire by a reassertion of Britain's independence as a free market island nation.

The Conservative Party's engagement with Europe was overshadowed from the beginning by the Anglo-American alliance. Macmillan believed that the Anglo-American alliance was endangered by the prominence of the EEC. His Government's membership application was primarily influenced by a desire to retain diplomatic stature in Washington. However Macmillan also disliked Gaullist-led European ambitions for greater independence from America. He wished to steer the EEC back towards US foreign policy preferences.

The conflict between a conception of a more independent role for Europe and a desire to anchor Europe to US leadership is a key dynamic in the current Tory divisions. The Thatcherite Nationalists' distrust the security instincts of other EU member states. Like Macmillan they wish to reinforce American leadership, with Britain playing the role of trusted junior partner. Their desire to maintain US leadership is driven by their conviction that America is more resolute than the EU in security matters and less protectionist in trade policy. Atlanticism has always had dual security and economic connotations for Thatcherites. It expresses their commitment to an Anglo-Saxon politico-economic order.

The ending of the Cold War has not shaken the Thatcherites' faith in the necessity of the Anglo-American partnership. The problem they face is that both the Bush and Clinton Administration have actively encouraged further European integration, particularly in order to wind down Washington's defence commitment to Western Europe. The Thatcherites are

now flirting with the idea of institutionalising post-Cold War Anglo-American security and economic relations through the creation of an expanded North American free trade zone.

All pro-European Conservatives have followed Heath's ideological lead in supporting a Europeanist foreign policy. Pro-Europeans are sceptical of America's continuing commitment to Western Europe and about US engagement in the world more widely. Lord Howe mocked the Thatcherites at the 1994 Conservative Party conference by saying that they wished to place Britain in the 'clear blue water of the mid-Atlantic'. Howe and other pro-European Tories see Republican ascendancy in Washington as evidence of growing isolationism in US foreign policy. They have always sought to balance American powers with a greater European security profile. Pro-Europeans however wish to make constructive moves to develop the effectiveness of a common foreign and security policy to enable Europe to have foreign policy influence commensurate with its economic weight.

Whereas Thatcher sees greater independence in European foreign policy as highly undesirable:

> *Almost every expression of the EC's foreign policy making from the 1980 Venice Declaration to the Middle East to the EC's early and futile interventions in the Yugoslav war, has been designed to distinguish Europe, from the US, sometimes expressly so* (Thatcher 1995: 476).

Another key element in Nationalist hostility to the EU is Germany's leadership role within the Union. The majority of Nationalists who spoke during the Maastricht are inclined to see the EU as an instrument for Germany's hegemonic ambitions. They see monetary union and the social dimension as institutionalising German-specific interests. They see other member states as captive to Germany's network of patronage and clientilism and are therefore unable to act as a counterweight to German objectives. German influence encourages them to believe that the EU is not an organisation in which Britain can ever assert a leadership role. Pro-European Tories are more inclined to believe that the best safeguard against German unilateralism is to engage with Germany through closer cooperation through the institutions of the EU.

Thatcherites who initially supported a conception of a European Community limited to being a free trade area have become steadily alarmed at the expanding competence of the European institutions. They see the institutions as partisans in the process of European integration. They are angry that Tory leaders continuously downplayed the integrationist dynamics within the EU, especially the impact of greater majority voting and European legal supremacy. In response to these integrationist dynamics, the Thatcherites are arguing for massive repatriation of powers from the EU to Westminster. Whereas pro-European Conservatives see the institutitonal development of the EU, with the extension of majority voting and tougher enforcement powers for the ECJ, as supportive of British commercial interests.

The intellectual problem faced by Thatcherites is that market liberalisation is very much dependent upon supranational law and supranational enforcement, as Tories like David Willetts have conceded. So although they oppose EU competence in many areas, they concede a role for the Union institutions in the promotion of market liberalisation. These considerations led Margaret Thatcher to accept an extension of majority voting to create the single market. However, the Thatcherites would resist Lord Howe's argument that the dynamic of the free market is to erode national sovereignty. Powell's position was consistent in that he opposed supranationalism in principle.

Monetary union is the issue which the Thatcherites have invested with great significance. They see EMU as a constitutional outrage, which would sweep away Britain's constitutional prerogatives and make the UK a region of a federal Europe. They insist that economic policy can only be conducted within a homogeneous culture if it is to enjoy popular legitimacy. These considerations for them outweigh the monetarist character of European monetary union. The Thatcherite Nationalists have adopted Enoch Powell's argument that supranational institutions can never enjoy popular legitimacy.

Tory Pro-Europeans are dismissive of such absolutist conceptions of monetary sovereignty. They emphasise the *de facto* loss of sovereignty over monetary policy due to the power of the financial markets. They argue that EMU would actually recover some monetary sovereignty from the markets.

The interventionist integrationists have abandoned their previous misgivings about hard money policies in their support for the single currency. They articulate the same European monetarist arguments as the neo-liberals. The convergence of both groupings around a pro-EMU position is in fact evidence of the dominance of free market doctrines within the party. Few Conservatives are prepared to argue in favour of deficit financed public investment reflationary policies. In addition, the linkage between European integration and neo-liberal economic policies, shows that in practice Interventionist integrationists have made a choice to accept neo-liberal economic policies as a price for a continuation of European integration.

The European controversy within the Tory Party is being fought out between two conceptions of Britain in the world economy. The Thatcherites see Britain as a global free trading power, with strong governmental institutions and a greater affinity with the United States, than any other industrialised state. They see the EU as a vehicle for German dominance, albeit with France as a junior partner, committed to interventionist industrial policies. Overwhelmingly, they are determined to defend British national identity and constitutional independence. Their economic arguments on the single currency are all subsidiary to this core ideological commitment.

The Thatcherites' original conception of the single market anticipated the extension of Thatcherism across Western Europe. In reality, they have been exasperated by the commitment of other member states to the social dimension. Even though the social dimension of the EU is being diluted, many Thatcherites believe that British free market policies are irreconcilable with a Franco-German led Europe. They are now seriously considering breaking free from the EU in order to refocus British foreign economic policy on the expanding markets of Asia.

Conservative pro-Europeans believe that joint European action is often more effective than national solutions. For them supranationalism is an opportunity and not a threat. They see Britain as relatively insecure in the face of a global economic market. In this context they believe that sterling would be adversely affected if Britain exluded itself from an inner core monetary union.

These contested positions are irreconcilable. If the party leadership's view ever moves decisively towards either the nationalists or the pro-European view, the Conservative coalition could break apart. The most likely trigger for a split would be a decision by a future Conservative leader to rule out British membership of a single currency. In this scenario the Conservatives could become a Powellite party, advocating a vision of Britain as an

independent free market island nation. Such a course would very likely lead to a broader realignment of British politics.

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APPENDIX ONE

INTERVIEWS CONDUCTED FOR THESIS

Thatcherite Nationalists

Rt Hon Lord Parkinson of Carnforth
Sir Charles Powell
Rt Hon Francis Maude MP
Iain Duncan-Smith MP
Nick Budgen MP
John Wilkinson MP
John Whittingdale MP
Bernard Jenkin MP
Frank Vibert
Oliver Letwin MP

Pro-Europeans

Rt Hon Lord Howe of Aberavon
Rt Hon Tristan Garel-Jones
Rt Hon Sir Peter Hordern
Peter Luff MP
John Stevens MEP
Michael Welsh
Bill Newton Dunn
Peter Price
Sir Michael Butler
Anthony Teasdale

APPENDIX TWO

PERIODISATION AND SOURCES

This thesis covers the period from 1988-94. However in the discussion of the European debate in this period some sources are referred to which fall outside this period. These sources have been cited because they illustrate aspects of the European debate within the party in the 1988-94 period. For example, chapter five cites the European Research Group document published in 1995, because it shows how the Thatcherite Nationalists wished to repatriate power from the European Union.