

**THE CONSERVATIVE PARTY –
“IS THERE ANY?”**

*The division of the Conservative Party in Great Britain
over Europe in the 1990s!*

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*I declare that I have written my thesis “The Conservative
Party- ‘Is There Any?’- The division of the Conservative
Party in Great Britain over Europe in the 1990s” myself.
I have used the sources as they are listed at the end
of the thesis.*

Preface

The goal of my thesis is to present an analysis of the situation in the Conservative Party in Great Britain in the 1990s. The Tories struggled with inner division over European issues. I shall try to present an overview of the continuous inclination of the party towards Euroscepticism. The European policy of the Conservative Party in the 1990s was dominated by three major issues- the Maastricht Treaty, the ERM and the EMU. I will analyse the divisive potential of these issues and their impact on the split of the Party. I will also question the role of each leader and each faction in the Party and their contribution to the situation.

Chapter 1 shall analyse the extent of Major’s contribution to the division, and present achievements and failures of the Major Leadership. Subchapter *1.1.* presents an overview of the first pillar on which John Major built his policies, political career and which caused his inevitable down-

fall- 'ERM'- the Exchange Rate Mechanism. Section *1.1.i* contains economic and political pros and cons, as same as overall perception of the ERM in Great Britain before joining the system. It also monitors the importance of Major's influence as a Chancellor. Section *1.1.ii*. presents the continuous declination of British economic situation under the ERM. It analyses the impact of German reunification in 1990 and Danish referendum in 1992. Section *1.1.iii*. underlines the importance of the Black Wednesday phenomenon presenting the uniqueness of the devaluation in the Conservative Party connotations.

The second subchapter *1.2*. concerns the second pillar- the 'Maastricht Treaty on European Union'. The first section *1.2.i*. considers the first signals of misunderstanding between the leadership and the Eurosceptics during the pre-Maastricht period. Major's opinion on the European issues was not consolidated and therefore led to various antagonistic speeches. Section *1.2.ii*. concerns the implications and the main features of the TEU. The third section *1.2.iii*. presents the ratification process, which was the most progressive period of division of the Conservative Party.

The final subchapter *1.3*. will concern Major's post-Maastricht era, and the way he continuously faced party rebellions and attacks both from the Tories, the public and the opposition. I tried to list down examples of the party members' rebellions in section *1.3.i*. The rebellions are to point out how John Major continuously lost the credit as a leader. Section *1.3.ii*. compares John Major to his predecessor Margaret Thatcher, shows attempts to consolidate the party by a shift to Euroscepticism. The last section *1.3.iii*. questions the success of Major's leadership, because John Major is often perceived as the leader who divided the Conservative Party. I would like to point out that this is a simplifying description. Even though he made several political mistakes, he cannot be the only person to be blamed.

Chapter 2 demands a different division because the main focus is given to the second subchapter *The EMU*. The first subchapter *2.1*. follows the election of the new leader William Hague a young politician who should bring the Conservatives to the 21st century. He realised the only chance to do that was with a strong united party standing behind him. However, the topic of the second subchapter *2.2*. the EMU provoked further tensions in the party. Section *2.2.i*. concerns the history of the monetary projects of the EEC. Section *2.2.ii*. lists new issues of the debate on the EMU. The new issues are- transferring sovereignty, creation of European supertate, accountability of European institutions, and giving up the pound.

I shall assess whether the young leader has been able to consolidate the Party and unite it over Europe in the final subchapter 2.3. I would like to show the development of the perception of Europe within the Party and the British public too.

Since there are almost no sources concerning the British Conservative Party in the 1990s in the Czech Republic, I had to mostly rely on English literature. An exception is the MA thesis "*Vliv thatcherismu na evropskou politiku Velké Británie*" by David Rýc which helped introduce the topic to me.

I managed to work with updated literature thanks to both a good library at the Institute of International Studies and the help from my friends in England. The history of the British participation in European integration is well presented in Pilkington's "*Britain in the European Union today*". The book does not go much in depth, but it gives a good informative overview of Britain's role in Europe. The Book also sketches the perception of Europe within the British political spectrum, the society, the economy and the media. Robin and Jones further enhance these issues in the edition "*Half a century of British politics*". Aspects of latest developments of the European issues are analysed in the editions of Manchester University Press (*Developments in British Politics 5 and 6*) or Clarendon Press, Oxford (*Britain for and against Europe*). These editions embrace all the issues of British politics (*Developments...*) as well as an overall British attitude (*Britain for and against...*). Seeing that there were almost no essays dealing exclusively with the Conservative stance toward Europe, I had to research the topic in texts concerning different topics. I also used specialised literature concerning the Conservative stance on Europe. I especially appreciated "*Tories and Europe*" by John Turner. The monograph is valuable for its clear, descriptive and balanced analysis of the Tory Party European policies. Even though that there are rather a lot of typing mistakes in the book, it is an excellent piece of political analysis. An excellent analysis from a more economic and historical point of view can be found in Philip Stephens' "*Politics and the Pound*". The book underlines the importance of economic interrelation between Europe and Britain and its impact on decision making regarding European issues.

I very much appreciated the Internet since the information from the books was incomplete for my thesis, especially as far as the coverage of William Hague's leadership was concerned. I found the most valuable sour-

ces at the House of Commons Library website. The research papers mostly cover the Labour attitudes while they are very often compared either with Conservative attitudes or with the attitudes in the rest of Europe. Excellent sources can be found also at the homepages of Eurosceptical think tanks (the Bruges Group) or initiatives (Business for Sterling or 'Keep the Pound'). The fact is that these institutions are much better funded, as far as the information is concerned, on their homepages than the Conservative Party. Its homepage is inadequate. It lacks any analysis or archives. The Internet versions of the daily (*the Times*, *the Daily Telegraph*) and weekly press (*the Economist*, *the Spectator*) helped me with following situation on the Isles in the recent past.

Chapter 1

"Mr. In-Between"

The nick name-"Mr. In Between"- was given to John Major by Andrew Marr shortly before the 1997 General Election. He thought that Major would go down in history as a man between Margaret Thatcher and Tony Blair¹. It is at least a disputable opinion, which will be discussed later. More importantly, the statement is descriptive of Major's position in the Conservative Party during his leadership. He certainly was a person who stood between various factions of his widely divided party. When he entered Downing Street No. 10 in 1990, he realised that his policy concerning Europe had to be different to that of his predecessor.

According to Turner, there were five tactics of Major's new access to European issues. Firstly, Major wanted to limit the divisive potential of the issue. This was to be achieved by paying attention to other issues such as economy. Secondly, the European issue had to be maintained in the limits of the foreign policy without interfering in domestic policies. Thirdly, more pragmatic stance was adopted, different from Thatcher's ideological approach to international affairs and politics in general. Fourthly,

¹ In John Turner: *The Tories and Europe*, p. 212.

the Prime Minister did not want to allow the Labour Party to gain political credit from the potential division of the Tories. Finally, according to the third step, he endeavoured to extend co-operation on European issues both with European partners and his own cabinet and party.

1.1. The ERM

*“... all my life I have seen British Governments driven off their virtuous pursuit of low inflation by market problems or political pressure. I was under no illusion when I took Britain into the ERM. I said at the time that membership was no soft option. The soft option, the devaluer’s option, the inflationary option would be betrayal of our future; and it is not the Government’s policy...”*²

John Major at Scottish CBI conference; September 1992

1.1.i. The Path to the ERM

The quotation above gives us a rather clear answer to the question of Major’s position on the Exchange Rate Mechanism. He understood it was no panacea to the British stagnating economy, but he believed the mechanism was the best solution under the circumstances. There were two significant circuits of arguments for this stance.

Firstly, he had to pay heed to economic circumstances in Britain. Firm exchange rates most suited his emerging policies as a Chancellor, after having become the head of No. 11 in October 1989. He wanted to tame inflation, which had reached the level of 8 per cent and was about to rise continuously to unbelievable 10.3 per cent at the beginning of 1990. Another of his goals was to avoid any further increase of the interest rates. If we add it to the failures of the Government domestic policies which

- had brought mortgage rates to 15 per cent,
- had not protected house prices from steady fall,
- had introduced the poll tax, unpopular as it was, at twice as high a level as promised a year before, we can imagine the position in which John Major found himself.

Secondly, there were also political arguments. Major, strongly supported by the Foreign Secretary Douglas Hurd, saw Britain’s future in stron-

² Martin Holmes: John Major and Europe, p. 9.

ger co-operation with the institutions and the Member States of the Community. The year 1990 was dedicated to persuading Margaret Thatcher that joining the ERM is inevitable. Any perceptive observer could realise that after Jacques Delors had launched his three-stage plan of monetary union, the Community would not only stick to the further enhancement of the single market but would also be heading for an 'ever closer' relationship of the Members. The economic and political integration was inevitable and the Foreign Office together with the Treasury feared that Britain could be left behind. Neither Hurd nor Major desired anything that would have just distantly reminded them of losing Britain's powers embodied in the national veto, or any further transfer of national sovereignty to the institutions of the Twelve. They, however, shared the view of Geoffrey Howe, the former Foreign Minister, that it was impossible to see Europe as 'anything other than the necessary vehicle, the central fulcrum, the basic lever for Britain to exercise the influence it wishes to exercise in the world.'³ If Britain were to have its say in approaching the Inter-Governmental-Conference (IGC) on monetary union, it would have had to join the ERM.

This had become a widely accepted consensus. Those who accused Major after Black Wednesday must have forgot about their enthusiasm or at least about the support they had showed for British entry in 1990. The Confederation of British Industry (CBI) made it clear that British economy and industry need an assurance of economic stability. They saw the stability in the mechanism and believed it could provide Britain with low inflation. They also shared the same opinion as Chancellor Major that the fixed exchange rate would allow enterprises to adjust and plan their investments and export. The City of London feared that remaining outside the mechanism would continuously deprive the City of its position as a financial centre No. 1. The general consensus had even overflowed to the Conservative backbenches in The House of Commons. The backbenchers had inclined toward pragmatic strategy rather than to their personal feelings not too distant to those of Margaret Thatcher as described by Stephens: "Kohl wanted a European Germany, but Thatcher Feared a German Europe."⁴ Nevertheless, the need for creating an alternative to the Franco-German axis in negotiations on monetary union won over their personal belief.

³ Philip Stephens: Politics and the Pound, p. 127.

⁴ Philip Stephens: Politics and the Pound, p. 150.

Margaret Thatcher finally agreed on joining in June 1990 since she had no other alternative. She had been weakened by her long-lasting struggle against her ministers resulting in criticism of her leadership together with calls for her resignation.⁵ Allowing the entry was the major political defeat of her career. She therefore wanted to gain as much credit as possible to loosen its impact. She declared that the interest rate would be reduced from 15 per cent to 14 per cent on the same day as the Treasury announced that Britain was prepared to join the ERM. It was just a cosmetic arrangement for the electorate. The interest rates had reached an enormous level by autumn 1990, and Thatcher wanted to present the reduction as her personal interference. The other condition - setting the central rate at DM 2.95 did not meet strong support from the Bank of England and the Treasury. These institutions wanted to negotiate the central rate with the Bundesbank, in order to set the rate at the most suitable level possible. The later history showed that worries about setting the exchange rate at DM 2.95 had proved to be founded. They also believed that the cut in the interest rate had been imposed too soon and that the effect on the economy was not as great as if it had been introduced later. Thatcher was not, however, willing to make any further compromises. The pound joined the ERM, but it was not a strong currency at all. Together with the peseta, the pound was allowed to fluctuate 6 per cent on either side of its central parity. Other currencies, on the other hand, had their fluctuation set at 2.25 per cent either way⁶. It was an inevitable solution to high inflationary rate, which had crept up to 10.8 per cent when the United Kingdom was entering. The question of the interest rates has already been discussed above.

We can see that Britain did not have a very stable and advantageous position when entering the system. Better said, the Government's criteria for entry summed up by John Major in the House of Commons in October 1989 had not been met:

"We will join the ERM when the level of UK inflation is significantly lower, there is capital liberalization in the Community, and real progress has been

⁵ In 1989, the situation in the party over Europe escalated when vice-chairman of the Tory Backbench Committee on Europe Sir Anthony Mayer decided to challenge Thatcher in leadership contest. This expression of disloyalty, unique at the time, was a result to Thatcher's ambiguous European Parliament Election campaign, which had led to the defeat of the Conservative Party by Labour. Mayer lost by 33 votes to 314 of Thatcher's, but the abyss between the two major wings of the party had begun to open wide.

⁶ Stephens: *Politics and the Pound*, p. 168.

made towards completion of the single market... But there should be no doubt: when these conditions are met we will join."⁷

1.1.ii. ERM- The Dream or Reality?

Although the conditions had not been met, Britain joined. What can we say about the ERM? Was it more an economic or a political project? Were its real aims to maintain inflation stability or prepare Europe for a single currency? Helmut Schlesinger, the president of the Bundesbank and one of the most powerful bankers in Europe at the beginning of the 1990s, was not in favour of the ERM. He saw little economic advantage in the fixed exchange rates and perceived them as interference in the Bundesbank's autonomy over setting its own domestic monetary policy. The economic role of the system might be disputable but the political message was clear. Europe was heading towards a single currency and a monetary union. This was an issue the United Kingdom had to pay attention to.

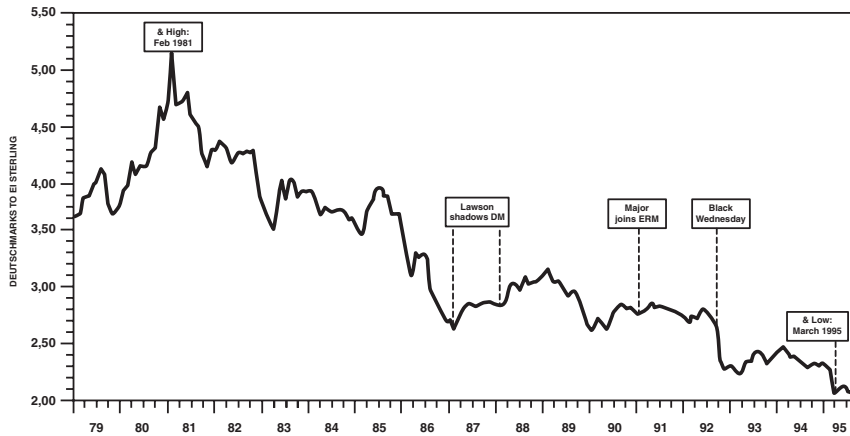
After John Major had become the Prime Minister and the leader of the Conservative Party, he decided to adopt a new political stance in foreign policy, especially as far as the relationship with Germany was concerned. The ambivalence between Margaret Thatcher and Chancellor Kohl had been well known as well as Thatcher's attitude towards German reunification. At first, Thatcher together with M. Mitterrand had attempted to thwart the reunification. When they had acknowledged it was not possible, they wanted to retard it as much as possible. Nevertheless, the French president had soon changed his mind and gave way to the new strategy of incorporating the newly reunited German state to deeper European integration. Margaret Thatcher remained alone as she had done many times before.

Because of the identification of Major's economic policy with the ERM, the on-good-term relationship with Germany represented a crucial guideline to British economy. The Bundesbank played a very important role in the ERM, which reacted very sensitively to the Bundesbank's decisions to adjust interest rates in Germany. Major could add a point to his list of achievements, as far as the relationship with the Chancellor was concerned, since 'he made friends with Helmut Kohl - referring to him as "my good friend Helmut" rather than "Herr Bundeskanzler".'⁸

⁷ Stephens: Politics and the Pound, p. 144.

⁸ Martin Holmes: John Major and Europe, p. 3.

Figure 1.1: *Deutschmark Doldrums*



Source: Philips Stephens: *Politics and the Pound*

The effect had become visible. The pound remained roughly at the central parity which is clearly visible in figure 1.1.

The pound started to decrease slightly in the autumn of 1991 after the first months of light increase and relative stability in the spring and summer of the same year. Thanks to this increase, could Major turn his attention to other issues, such as: the IGC on Maastricht Treaty, taming the divisions in the Conservative Party and General Elections in 1992. There were, however, two important processes to which the success and the later failure of British membership in the ERM were related. Firstly it was the process of German reunification, secondly, the ratification process of TEU⁹.

Helmut Kohl perceived the German reunification as one of the most important legacies of his political life. He was, therefore, willing to sacrifice economic stability to make sure the process would be successful. At the beginning of 1990, he decided that the monetary union with the ostmark would be based on parity between currencies. There were set limits to this enormously benevolent choice. This advantage was to be taken only by citizens for their personal need, and also by small enterprise.

⁹ Treaty on European Union, also the Maastricht Treaty.

Nevertheless, the price for the generosity was enormous. Politics had overpowered economics. The Bundesbank strongly opposed such a solution. Then Bundesbank president Pöhl had suggested setting the rate between the marks at 1:5 ratio. On the contrary, the government had burdened the budget with a deficit by increasing government spending instead of raising taxes. This solution led to a rise in inflation to 4 per cent, which under German conditions meant a disaster. The further step - the raise in interest rates to bring down inflation - was to be followed. This kept causing tensions within the ERM for the next two years.

Despite the fact that British interest rates managed to decrease to 10 percent in 1992 from 15 per cent in 1990, some specialists, such as Stephens, believe that this could have been achieved during a much shorter period, had the rise of German interest rates not caused strains within the ERM. Major's economic agenda had managed to tame inflation to 4 per cent, but it did not provide any solution to improved, yet still rather poor, economic situation at such a high level of interest rates.

The ERM also suffered political losses especially in the summer of 1992. On June 2nd the outcome of the Danish referendum on Maastrich froze the ratification process all over Europe. Britain was not an exception. The Euro-sceptics on the backbenches called for halting the ratification or even abandoning 'a treaty Britain never wanted'. The reaction of the financial sector was rather predictable under the circumstances. The sterling kept falling down and it had reached DM 2.90 in June and DM 2.85 in the middle of July. The Eurosceptics made themselves be heard. They openly called for withdrawal from the ERM. The Bank of England released an analysis of the situation, which stated that there were the only two possible solutions - either keeping to the central rate fixed on the DM, or a withdrawing, which would mean devaluation. Major had decided for the first one. Chancellor Lamont shared his endeavour. 'The result of leaving the ERM, combined with large cuts in interest rates, would be a fall in the pound probably unprecedented in the last forty years.'¹⁰ The Prime Minister and the Chancellor tried to find a way out from the sinking ship. Both directions had proved to be wrong.

Firstly, they wanted to persuade the French to accept the revaluation of the Deutschmark. But this strategy did not fulfil the expectations. On one hand, the French president Mitterrand would not take a risk with his policy of 'franc fort' that had been launched earlier that year. Devaluati-

¹⁰ Stephens: Politics and the Pound, p. 213.

on of the franc would mean a serious damage, also totally undermining the project of a monetary union and a single currency, which was a hot political issue on French political scene. On the other hand, the devaluation would cause a political scandal of far-reaching consequences as far as the French referendum on Maastrich was concerned. People in France were not much in favour of the Treaty, and instability of the ERM would have convinced them of possible difficulties and failures of a potential single currency. That was what Mitterand would not have permitted. He saw the Maastrich Treaty same as Major, but from different reasons, as his personal achievement. France refused to help.

Secondly, they wanted to urge the Bundesbank to reduce interest rates. The 'German' solution was perhaps even more naive than the 'French' one. Lamont took the opportunity to put pressure on the Bundesbank during the Bath summit of the finance ministers and central bankers at the beginning of September. He openly attacked the president of the Bundesbank and urged him to decrease interest rates. The only result of Lamont's behaviour was the alienation of the Bundesbank and of the majority of the delegates. The result of the Bath meeting was significant of the whole struggle for saving the sterling. As John Major characterised the meeting: "No realignment, no interest rate cut, lots of bad blood."¹¹ What can we learn from the way Lamont acted in Bath? It could be interpreted as complete despair since the Government saw the meeting as the last chance to make Germans and other partners undergo steps on behalf of the pound. There is no doubt that, at the beginning of September, the government had to count with the possibility of devaluation of the pound. But as John Major and many members of the Conservative Party had, perhaps too often, emphasised, the Tories had not been the party of devaluation. So it remained until Black Wednesday on September 16th, 1992.

1.3.iii. Black Wednesday

The Black Wednesday phenomenon had bankrupted the whole political career of John Major. One of the pillars his strategy stood on had been torn down. It did not happen quietly, and it was perhaps the most expensive funeral of a politician's strategy in the British history. The total cost of the two-day financial transactions and operations had climbed to unbelievable heights.

¹¹ Stephens: Politics and the Pound, p. 234.

- The government sold over £ 30 billion from its reserves.
- It borrowed a large amount of foreign exchange to cover its exhaustion (e.g. a compulsory Bundesbank's intervention had caused \$ 23.6 billion debt at the European Monetary Co-operation Fund.)
- It spent 5 billion ecu-credit it had received at the beginning of September.
- The sterling had fallen by circa 20 per cent against the Deutschmark and the dollar.
- The total cost to the taxpayers was £ 3-4 billion on one single day.
- The rise in unemployment had reached 2.8 million

There is one word that could say it all – the end. Yes, Black Wednesday was the end of the Government's economic policy since it had been based on the relation to the ERM. The whole inflationary policy was gone. Major believed that inflation was a social and economic evil that had to be fought and beaten. The ERM was its shield. The shield had broken apart. Why was Black Wednesday so disastrous?

Firstly, the perception of the ERM in Britain was different to that in other Member States. The countries on the Continent saw the mechanism as a preparation step on the staircase leading to monetary union and the single currency. However, the reality on the Isles was far from that. The system had become a matter of national pride and success of economic policies - primarily of taming inflation. Britain had agreed with the rest of Europe on one thing. The ERM was to a great extent a matter of politics, even though both sides of the Channel had perceived it differently. For the continent, the mechanism had mainly embodied an inevitable part of their European policy for reasons described above. Britain had mainly embodied the success of the mechanism with her domestic economic policy.

Secondly, there is a specific of British politics that might be called the 'devaluation syndrome'. Devaluation from the economic point of view might be seen as a recovery arrangement, and when done at the right time, the economic outcomes can be good. Nevertheless, in British environment, where the pound of sterling incarnates not only a currency, but also a portion of British history and position of the United Kingdom as a superpower, is devaluation perceived as a political loss and an evidence of the Government's incapability of leading the economy. Until Black Wednesday, only the Labour Party suffered from devaluation illness. Both Attlee's Government in 1949 and Wilson's Cabinet in 1967 had never fully recovered from the devaluation. Both governments also found out that

the electorate had not forgot and lost following general elections. This was the pathway paved for Major too.

Who was to be blamed for the failure? The fact was that everybody accused everybody else. 'In Whitehall, the Bank was censured for its handling of sterling's defence. The politicians were criticised by officials for taking too long to face up to reality. The politicians blamed their favourite enemy, the Germans.'¹² Yes, the Germans had their share of guilt. They were fully responsible for the tensions in the ERM caused by their reunification. As Heathcoat-Amory put it: "German unification was an event which tested the existing ERM to destruction."¹³ The politicians also had their share. They waited too long. But had they withdrawn earlier, they would have bore responsibility for disrupting the ERM. This would have led to a loss of credit and of the position in Europe.

1.2. Maastricht- 'a treaty too far'?

*"That would be entering a federal Europe through the back-Doors."*¹⁴

Margaret Thatcher on the imposition of the single currency

1.2.i. *The Major Decision*

John Major was elected as the most suitable compromise candidate in December 1990. The Eurosceptics feared Haseltine for being the person who would take Britain to the abyss of European superstate and the Europhiles feared John Redwood for his isolationist, even Europhobic attitude, which might have brought Britain to the outskirts of political influence in the Community. On the contrary, Major had been known for his excellent performance as a Party Whip, precise teamwork at the Treasury, and his communication skills and feeling for management. He was no ideologist like his predecessor, but rather a pragmatic politician with willingness to solve actual problems with tools free from ideological burden. Shortly, he was seen as the opposite of the 'Iron Lady' and thought to be a remedy for the party, which had become divided by ideological and autocratic leadership. At the beginning

¹² Stephens: Politics and the Pound, p. 247.

¹³ David Heathcoat-Amory: A Single European Currency, p. 11.

¹⁴ Stephens: Politics and the Pound, p. 179.

he was admired for not being like Thatcher, later he was blamed for exactly the same thing.

*“Nothing highlights Mr Major’s real problems than comparisons with his predecessor... Mrs Thatcher, love her or loathe her, was a leader. She made her share of tactical retreats, but her strength was such that they were perceived as tactical even at the time. When she failed, she paused and then advanced again. She saw party divides as a challenge to be overcome, not a fact of life to be worked around.”*¹⁵

He had started as the man of unification of the Party but ended as the man who had divided it.

John Major had inherited the duty to negotiate at the IGC which led to the establishment of the Maastricht Treaty. He decided to take a different stance to that of Thatcher and adopt a more positive view of Europe. Nevertheless, he realised that such an attitude had its boundaries since the Treaty was an issue the successful party reunification was to be based on. Martin Holmes, one of the strongest critics of John Major’s leadership, sees the first two years of Major’s leadership, which cover the negotiation process, as the time when Major appeased both wings of the party by sometimes ‘schizophrenic’ statements.

“We can’t go on as we were in terms of Europe: we should be at the centre of Europe if we are going to properly protect our interests.”

“But being in the centre of Europe doesn’t mean we’ve sold out, doesn’t mean we’ve suddenly become Europhiles and adopt every fetish that emerges from the European Commission. Of course not”.

*“What it does mean is that we are in better position to influence the way which Europe goes”.*¹⁶

The first sentence copies the idea of the ‘heart of Europe’ speech Major gave during his visit in Germany in March 1991.¹⁷ The Prime Minister was

¹⁵ The Economist: March 1997, p. 53

¹⁶ Martin Holmes: John Major and Europe, p. 4.

¹⁷ Very much disputed speech, which in some its interpretations discovered the true federalist face of John Major. The criticism from the backbenches was so strong that Major was forced to admit that the words he had chosen had not been the right-ones. The speech could be seen as the beginning of doubts in Major’s position on Europe, especially among Eurosceptics.

rather strongly supported by his cabinet then. This pro-European atmosphere might have two explanations. Firstly, the government had to prepare profitable bases for negotiation on the TEU. Therefore the ministers were willing to back their Prime Minister up, even though some did not really agree with the policies. We have to understand that the principle of loyalty had not been corroded yet. The open cabinet rebellions became a feature later during the Major term. Secondly, corresponding to the first point, there was an inevitable need for dramatic change in German-British relations. This idea has already been presented in 'The ERM' part of the thesis.

The other two quotations respond to the reaction of the Eurosceptics on the backbenches and in the Lords. Thatcher, joined by Tebbit and Ridley, attacked the Cabinet for making friends with the Germans who wanted to dominate Europe, labelling the single currency as unnecessary. Tebbit returned to the popular topic of national sovereignty, which has been one of the favourite arguments against the single currency and the monetary union till present. He called pooling sovereignty a 'cliché ... dangerous because it obscures reality ... If pooled it creates a new sovereignty in the hands of another entity.'¹⁸ The Bruges Group, an influential Euro-sceptical think tank, of which Thatcher had become an honourable chairman in 1991, did not hesitate to release a memorandum calling for a potential split in the party, had the Cabinet adopted a treaty on the monetary union. Thatcher even called for a referendum on the Maastricht Treaty, even though she had strongly opposed the only referendum on Europe during the Callaghan Government. Her arguments for a referendum were the following:

*"The fundamental issue that will confront the Government at Maastricht is that the draft treaties propose an enormous -and to me unacceptable- transfer of responsibility from this House, which is clearly accountable to the British people, to the European Community and its institutions which are not accountable to the British People ... It is about being British and about what we feel for our country, our Parliament, our tradition and our liberties. Because of that history, that feeling is perhaps stronger here than anywhere else in Europe."...*¹⁹

¹⁸ John Turner: The Tories and Europe, p. 145.

¹⁹ John Turner: The Tories and Europe, p. 156.

In 1991, however, John Major's leadership had not suffered from any serious rebellions, and the vociferous reaction of Thatcher and her allies could be explained both by her overall vision of Europe and by her growing personal antipathy to the once favoured candidate. After completing the negotiations with his own party, Major could start concentrating on the negotiations in Maastricht, which finished with the drafting of the Treaty on European Union. John Major saw the Treaty as his major political success.

1.2.ii. *The Impacts of the Treaty*

What were the implications coming from the Treaty?

- The opt-out on the first pillar of the Union –economic and monetary union and the single currency was definitely seen as the greatest achievement. This was the crucial issue on which Britain had built her strategy. The Prime Minister could not return with a different result but the opt-out to survive politically. The majority of the Conservative Party was strongly opposed to the principle of the monetary union. It embodied a threat to their national sovereignty through abolishing the pound, creation of European Central Bank and setting a 'one-fits-all' interest rate. This would mean the partial loss of the sovereignty of the Parliament and its rights to set domestic monetary policy. The Treaty reads as follows:

*"The United Kingdom shall not be obliged or committed to move to the third stage of economic and monetary union without a separate decision to do so by its government and Parliament."*²⁰

- The second most important opt-out was that on the Social Chapter of the Treaty. Social issues represented a circuit on which the Conservative Party shared a unanimous view. The conditions the Chapter contained were far distant to the Government's vision of social policy. One of the Cabinet ministers put it: 'The government will not tolerate unwarranted interference in people's lives from Brussels which would put extra costs on employers, make firms less competitive and reduce number of jobs.'²¹

²⁰ Stephens: Politics and the Pound, p. 200.

²¹ Colin Pilkington: Britain in the European Union today, p. 167.

- Major also succeeded in replacing the word-‘federal’- from the Treaty for-‘ever closer union’.
- Since the other two pillars interfered to the Conservative Party’s perception of national sovereignty, the foreign and security policies and interior and justice issues were amended to the Treaty and therefore left for further negotiations.
- Major insisted on incorporating of the principle of subsidiarity into the text. According to Title II, Article 3b:

“The Community shall act within the limit of powers...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 so far as the objectives of the proposed action cannot be sufficiently achieved by the proposed action, be better achieved by the Community.”

The concessions to Britain were not for free.

- The areas in which the qualified majority vote had been used were enlarged.
- There was further enhancement in powers of the European Parliament.

Reactions to the Treaty within the Conservative Party could be described as contradictory. On one side, there were the Euroenthusiasts, Eurofanatics respectively, as Holmes calls them rather pejoratively- Heath, Haseltine, Hurd, Howe and Clarke. This faction of the party, accompanied by the loyalists, shared Major’s enthusiasm and impression of victory. The opt-out on the EMU meant that Britain had paid attention to its own national interests by protecting its national sovereignty, but at the same time left the door open and thus secured its position in Europe. The Euroenthusiast could be content. They managed to influence Major to such an extent that he was willing to accept the treaty, which decreased the distance between Britain and continental Europe. Since, and it is no doubt about the fact, the Treaty enhanced further integration. And Britain was to be included.

On the other side, there were the Eurosceptics represented by Thatcher, Tebbit, Redwood, Cash or Portillo, who later during the ratification process called the Treaty as one that ‘Britain never wanted’ (Portillo 1992). The sceptics saw it as a treaty “too far” (Thatcher 1992), and did not feel satisfied by the concessions to such an extent as to ease on the

complaints. The government, as they would have done, should have used the British veto to abandon the Treaty. Even though the opt-outs on the EMU and the Social Chapter had been secured, it did not provide Britain with complete exclusion of these policies. The economic situation on the Isles would be strongly influenced by the Continent's endeavour to fulfil commitments to the first two stages on economic and monetary union because of the interdependence between British and European economy through trade, financial markets and the pound participating in the ERM. They also believed that such steps, which would lead to the single currency, would impose federal constitution on European matters. The discussion that the EMU was about to start will be discussed later in the thesis.

Major's tactics of taming the Eurosceptics' fears of the federal superstate was represented by the principle of subsidiarity. The incorporation of the principle to the text should provide the Community with much greater accountability and responsibility to the electorate. The vague formulation of the principle in the body of the Treaty allowed both sides to pick up what they wanted to.

This is a common feature of the Treaty. Each faction of the Party could find its pros and cons, and so could the Community. This is the explanation of the contradictory statements related to the same text. This is also the key to the success of Major's first attempt to consolidate the Tories. This solution, however, was to be temporary. Signing of the Maastricht Treaty was only the starting point on its track of coming into force. The factions within the party seemed to have been appeased by their own interpretations at the beginning of 1992 (the Maastricht Treaty was signed in February). Together with the fact that the general elections were approaching, they had to express at least some appearance of unity. This was to be achieved by underprioritising Europe on the pre-election campaign. John Major proved to be a good manager once again, though perhaps for the last time. The Conservatives won the General Elections that took place in April 1992, rather surprisingly. The strategy John Major decided to pay heed to - one which projected the Tories as the only party able of economic management of the country based on anti-inflationary policy, relying on the ERM and anti-devaluation stance - proved to be victorious. Even though it had secured him only 21-seat majority in the Commons.

1.2.iii. The Ratification

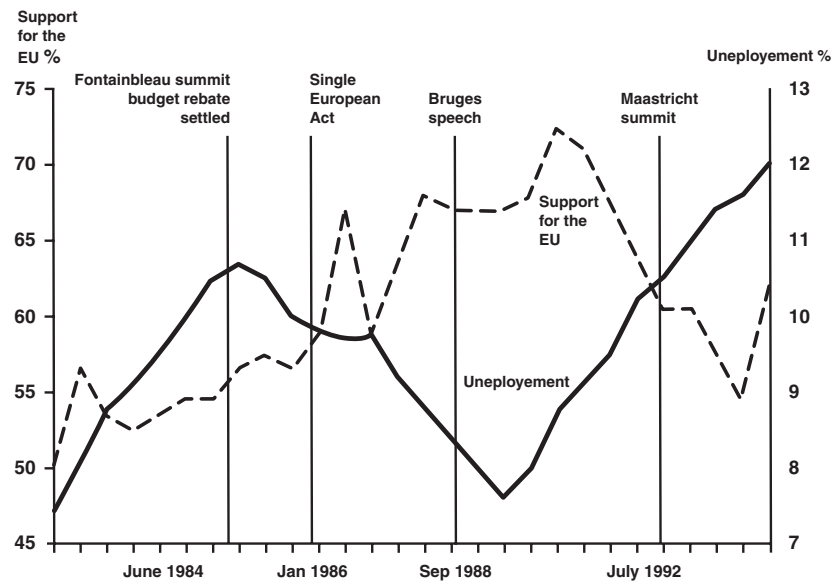
It was the ratification process, not the entire Treaty, which had torn the Tories apart definitely. At the beginning, the opposition to the TEU was located on the far right pole of the party. Nevertheless, events between spring 1992 and late autumn 1993 irreversibly shifted the common mood and opinion towards more sceptical position on Europe. Change in the thinking of the party left John Major with the dilemma of which direction he should lead his party in. Was it the way of making concession to growing Euroscepticism and strengthening the position of Michael Portillo, William Cash together with the troublemaking Margaret Thatcher? Or, was he to stand up to them and side together with Europositives Douglas Hurd, Michael Haseltine or Kenneth Clarke?

Major chose the second option during the ratification period. There were two reasons for such a decision. The first reason was his renewed confidence he had gained from his performance in Maastricht. His deepest persuasion was that he had achieved much more in protecting British national interest by various opt-outs than for example Thatcher with the Single European Act in 1986, or Heath when having joined the Single Market in 1973. The Maastricht Treaty was only a consequence of these deeds, which had engaged Britain in European integration, and he had done the best under the conditions.

Secondly, passing the Treaty through the Parliament had become a matter of his political survival. Since he had curtailed his European policy to successful introduction and duration of the ERM and the TEU, he could not do anything else, but keep campaigning for them. Had he not done so, he would have had to leave his post. It was the matter of his personal pride to get the Treaty through.

He, however, underestimated the situation on the backbenches. The first open disagreement with the Government came on May 21st when there was the 2nd reading of the Maastricht Treaty on program. Even though the Government had secured the Labour abstention, the Eurosceptics had made a decision to show their opinion and in spite of a strong interference of the party Whips, 22 MPs voted against the Cabinet. John Major was to respond. He had to wait some time to do so. On June 2nd, the Danes rejected the Treaty in a national referendum and triggered off the worst expectations of the Union's officials and all supporters: that the growing public dissatisfaction with the policies of the Union might lead to a halt the emergence of the EMU.

Figure 1.2: Support for EU membership and levels of unemployment across European member states



Source: John Turner: *Tories and Europe*

If we look at figure 1.2 we can see that the dissatisfaction was related to growing unemployment all across the Union. Even though the support stayed above 50 per cent after Maastricht, the decrease in public support for the Union was to become a common feature of the 90s. The Danish referendum was therefore the first warning and everybody in European politics had to pay heed to it. So did Major and the Eurosceptics. Thatcher called for halting the ratification process, and Major, on the contrary, accused Lady Thatcher of being a 'Little Englander'. On the following day, the 70 MPs who were joined by 19 others by June 4th published a manifesto of the Fresh Start Group. The manifesto expressed a commonly shared persuasion of inevitable need for change in the Conservative Party and Britain's European policy. They suggested that the TEU should be abandoned and that Britain should start a new policy of further enlargement and deepening of economic integration, which they felt had yielded to political integration. The Cabinet, the bastion of loyalty to

the PM until then, showed its own division. Portillo, Howard and Lilley sang the same song together with Thatcher and the sceptics. The divisive potential of the European issues had appeared in its whole complexity. The Eurosceptics started to push harder. They pointed to the worsening position of the pound and to the economic recession in general. The main cause of the situation was Britain's participation in the ERM, which did not allow British officials to operate with interest rates to Britain's best satisfaction. Together with the unwillingness of the Bundesbank to decrease its own interest rates, the ERM was presented as ineffective. Since the ERM embodied the pre-step to the EMU and the single currency, and since these represented the core of Maastricht, the Treaty was to be abandoned. Major followed the opposite path. He used the British presidency, in the second half of 1992, for bringing Denmark back into the embrace of the European Union. He had thus again adopted the stance he had expressed during the 2nd reading on Maastrich in May of the same year:

*"What we kept out of the Maastrich Treaty is as important as what is in the treaty."*²²

His critics, especially those of the Bruges Group background, see the Danish Referendum and the events that followed as a clear evidence of Major's failure as a leader. Holmes suggested that 'following the Danish referendum, Major could have argued 'No' vote technically invalidated the Treaty and that therefore it would not proceed in the British parliament.'²³ Holmes is convinced that had Major rejected the Maastricht in June or on two following occasions he would have succeeded in uniting the party.²⁴

The disaster came on Wednesday, September 16th, when the government devaluated the sterling. It meant a humiliating end to the Government's economic policy that had been fixed to the membership in the ERM. Extensiveness of the crisis was greatly influenced by the perception of the British membership. Since the Major Government identified with the mechanism and made it the first and the last mean of its economic success, the deeper

²² Stephens: Politics and the Pound, p. 204.

²³ Martin Holmes; John Major and Europe, p. 11.

²⁴ The following two occasions were Black Wednesday and Party Conference in October 1992. Both signalled shifts to sceptical direction of the party which, however, Major failed to listen to and accept. For further analysis of the problematic, see Martin Holmes: John Major and Europe, part 2.

and more painful the deprivation was.²⁵ The Government had to start seeking new ways of approaching the economy. Nevertheless, the Cabinet, divided as it was, was not able to deal with the situation. Norman Lamont and John Major failed to co-operate, each standing for different views especially on the matter of interest rates. Major announced a fixed schedule of continuous cuts in interest rates, and thus standing for strong governmental interference in domestic monetary policy. Lamont, on the contrary, urged the Prime Minister not to do so, and to transfer a significant portion of decision-making authority on interest rates to the Bank of England, which Major strictly refused. It is believed that Lamont should have resigned, or that Major should have sacked him himself. That had been the political tradition so far. Major, however, perceived any attempt to attack his Chancellor as an attack oriented at his person. He also considered the fact that bringing a new official, untrained and inexperienced in fine negotiating procedures in European institutions, might have seriously damaged Britain's interests and his model of continuing co-operation with Europe. If he had fired Lamont, he would not have had any other option than appointing a strong Eurosceptic to calm down the turmoil on the backbenches. The Eurosceptics gave a clear response to Major's attempts to leave the door open for a possible re-entry. They proclaimed that in the autumn they would not hesitate to bring the Cabinet down, as they had not dared during the summer. Under such pressure Major had no other chance than to retreat. He told the Commons that he '...[did] not believe that we [Britain] shall be able to go back into the mechanism soon, or go back into the same mechanism we left.'²⁶

The Tory Party Conference, held only a month after Black Wednesday, was stigmatised by the debacle of devaluation. The delegates understood the uniqueness of the devaluation phenomenon in British politics well. The reality was that the Tory had built on their reputation of a non-devaluation party only six months earlier. In October, they were being associated with the worst sterling defeat ever.

Re-accommodation of stances on the European issue was perceived as crucial. Ball in his coverage of motions on Europe presents how almost 20 per cent of all conference motions concerned Europe. This was to remain for the several following years.

²⁵ On the contrary, memberships of other Member States were, apart from identification with price stability and aim of low inflation, concerning the ERM as a platform to a single currency.

²⁶ Stephens: *Politics and the Pound*, p. 272.

Table 1.1: *The Party Conference motions on Europe 1992-95*

	1992	1993	1994	1995
Motions in Foreign Affairs & Europe section	188	91	83	134
Motion in other categories	47	68	47	83
Total of European motions	235	159	130	217
% of total motions	19.80%	12.40%	11.20%	17.40%
Position in subject ranking	1st	2nd	2nd	1st

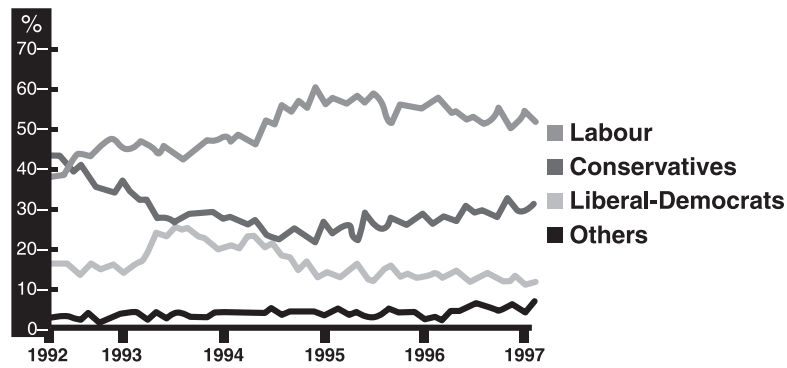
Source: John Turner: *Tories and Europe*

Even though the Government insisted on keeping its pragmatic approach to Europe, they could not ignore the support for the Eurosceptics during the conference. Audience applauded Lord Tebbit after he had presented his most Eurosceptical speech calling for abandonment of the TEU. The Government would not accept it, but promised to delay the Treaty until the summer of 1993.

Dissatisfaction of the electorate, which had been growing through the whole year, escalated after Black Wednesday by 10 per cent fall. The Government, however, continued with unpopular policies after Black Wednesday. Michael Haseltine's announcement of the pit closures in mid-October and Lamont's increases in VAT on domestic fuels in the 1993 Budget caused further plunges in public support for the Government. Voters expressed their dissatisfaction with the Tories on the first possible occasion, which occurred in May 1993. The Conservative Party suffered heavy losses in by-elections and local elections. The Tories lost one of the safest seats in Newbury by a 28 per cent shift to the Liberal Democrats, together with more than 500 seats in town halls throughout the country. The decrease in public support is recorded in the MORI polltrack on voting intentions.

Perhaps the most awkward rebellion against Europe took place at an unexpected occasion. On July 23rd, the Commons were to debate a Social Chapter Amendment proposed by Labour. Even though the issue of social policy acted as the uniting feature of the Tories, 23 MPs voted with the Labour Party, thus removing the opt-out. MP rebels did not fully agree with the Social Chapter, but they chose this shocking and unpredictable way of expressing their dissatisfaction with the leader. Were they also willing to bring down the Government? No! Not, under the given circumstances. The arithmetic was not that difficult. Labour had been leading the opinion polls since Black Wednesday by roughly 20 per cent. Every

Figure 1.3: *Voting Intention between 1992 and 1997*



Source: www.bbc.co.uk/elektion/framedir/pollsframe.htm

rebel realised that putting down Major would mean bringing Smith, the Labour Party leader after Kinnock, to Downing Street. The leadership, therefore, decided to associate the passing of the TEU with a confidence vote. The confidence vote came on the following day after voting on the Social Chapter Amendment and it was won smoothly.

The leadership had set the passing of the TEU as their prior goal. Even though Major refused to force the Treaty through, he agreed with the tactics used in the Commons to persuade the MPs to vote with the Government. Turner suggests that these tools, firstly, made use of an unquestionable and most advantageous weapon of the Conservative Party- party unity. Secondly, the leadership threatened the Party with resignation as it happened in late July. Thirdly, the leadership attempted to present the Maastricht Treaty as not so federalist as the Eurosceptics perceived. The Eurosceptical authors characterise this feature as significant for the government's understanding of Maastricht and later of the EMU. It was their unwillingness to accept the fact that the Community was ready for further integration, and that this would lead to some sort of federalisation. Fourthly, the Party Whips used old and often effective means - a patronage by threatening their careers etc. Finally, it was simple bullying.²⁷

²⁷ John Turner: *The Tories and Europe*, p. 165.

The division in the Government escalated after Major's off-the-record statement, which leaked to public. John Major said:

*"What I don't understand, ..., is why such a complete wimp like me keeps winning everything. The way people who oppose our European policy go about it is to attack me personally. Think of it through my perspective. What happens if they resign? Where do you think most of the poison has come from? It's coming from the dispossessed and never-possessed on the back benches. Would you like three more of the bastards out there?"*²⁸

There was no doubt that these 'bastards' were in fact ministers Portillo, Lilley and Redwood. We can read from the statement certain despair of being trapped in his own party. And even though Major tried to escape from the trap and come with a new campaign to reinforce his own post, the credit of the Party and electorate support, the campaign 'Back to Basics' failed to deliver the message. John Major told the 1993 Tory Party conference 'I am fit, and I am well. I am here. I am staying.' But virtually he was not!

1.3. 'Wait and See'

*"Mr Major's difficulty is that no one seems to be impressed by him: not even the left of his party (who think he is weak on Europe) nor the right (who also think so, for opposite reasons); not pundits, even in most of the Tory press; and not voters, who are dissatisfied with the way he is doing his job by nearly two to one."*²⁹

The Economist, March 22nd 1997

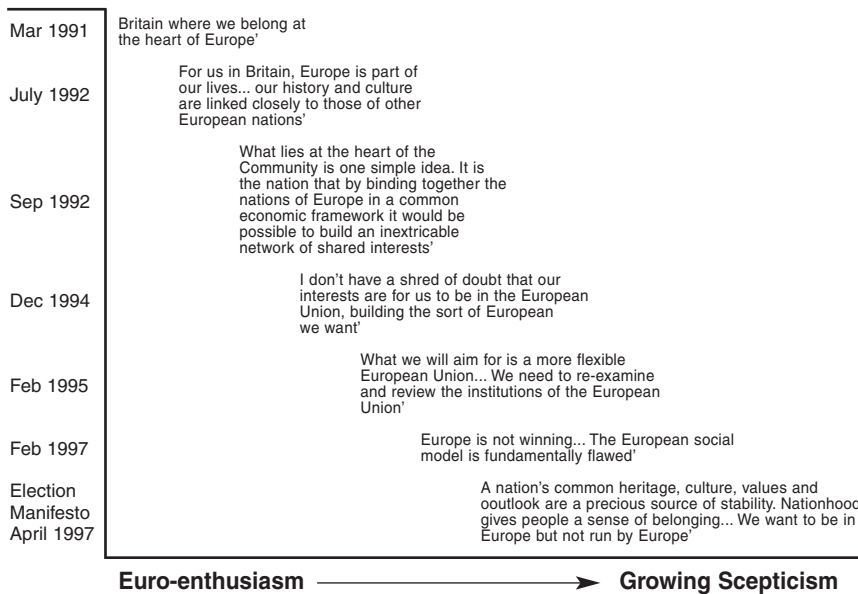
1.3.i. The Rebellions

The House of Commons passed the TEU at last. The second of Major's pillars remained standing. John Major's leadership, however, sprinted to failure. Since Maastricht was not the issue of the day anymore, the attention had drawn to an implication of the text – the EMU. The EMU issue has moved the whole Party to the Euroscepticism. It should not be blamed on the leader, but more on sceptical ministers of the Cabinet,

²⁸ Stephens: Politics and the Pound, p. 307.

²⁹ The Economist, March 22nd 1997, p. 47.

Figure 1.4: Major's changing perspective on Europe



Source: John Turner: *Tories and Europe*

influential backbench lobby and a general shift of public opinion. The Prime Minister only followed the trend. He had exhausted himself as a leader during the ratification of Maastricht, and after the 'successful' end he returned to his job of a party manager. Again, he adopted the somewhat divided stance on Europe. According to Holmes, '...he uttered strong sentiments in favour of European integration, as strong as those which he expressed between 1992 and 1993. But equally in the same period, sometimes only weeks apart, Major could sound rather distinctly Eurosceptical.'³⁰ Turner recorded the growing scepticism in John Major's statements as we can see in figure 1.4.

The period of the final four years of Major's leadership could be described as that of open rebellion and disagreement with the Governmen-

³⁰ Martin Holmes: *John Major and Europe*, p. 15.

t's policy on Europe, both from the ministers and the MPs. In the Cabinet, The Prime Minister had become an interpreter of two alienated camps neither, of which he was able to satisfy. It was identical in Westminster. Let me present six examples of tense situations or rebellions against Major's leadership.

The first blow came in May 1994, when John Major's junior minister Portillo gave a television interview. To the question whether he supported the EMU he replied 'No', and thus openly disagreed with the official governmental line. The tradition has been that only the Prime Minister has the privilege to announce governmental stances officially. The ministers, according to the principle of subordination, had to obey the unanimous stance of the Cabinet, and act unanimously in public. Self-confident Portillo had placed himself into the role of a leader of the right wing of the Tories. By this unusual disloyalty with the Cabinet, which is an extraordinary approach in British politics, he only publicly demonstrated what the ministers (Howard, Lilley, Aitken, and Redwood) talked about among themselves.

Secondly, the European Parliamentary elections in June proved that a divided party had no appeal to public. After an ineffective, disunited campaign, the Conservatives gained only 18 of 87 seats with a 29 per cent on national vote.³¹ The defeat evoked doubts about Major's leadership skills. The maverick on backbenches, MP Tony Marlow, urged Major to resign as a consequence of the defeat. That was a deed the Commons had not seen for past half a century.

Thirdly, the growing self-confidence of the Eurosceptics could be most clearly observed from the 1994 Party conference. The sceptics did not limit themselves in their demands to preventing further European integration, but aspired to re-examine the role of Britain in the Union and her possible withdrawal. Major, the Europhiles and realists termed Lamont's contribution as a 'speech too-far', but not everybody found it so shocking. The far right of the Party welcome the alternative as a rather appropriate argument.

Fourthly, John Major proved that European issue possessed certain privilege among the issues of the Government. Major had to pass a bill concerning the increase of resources available to the Union. Since he expected a long and temperate debate on the bill, he decided not to

³¹ John Turner: *The Tories and Europe*, p. 178.

inform the ‘bastards’ in the Cabinet about the Cabinet’s intention of making the voting a matter of confidence because they would not have agreed. They found out only after the decision had been taken. The Government secured the vote, but eight MPs abstained. Major deprived the eight MPs of the Whip, despite previous rebellions on domestic policy issues in Westminster. The ‘Whipless Eight’ enlarged to the ‘Whipless Nine’ on the following day. Sir Richard Body who sympathised with them, and withdrew from the whip, joined them. John Major was to realise soon that his reaction to abstaining was exaggerated. Whipless MPs could do more harm with no party control over them. His act only led to further alienation of the right of the Party and thus failed to present Major as a leader who had regained his power.

Fifthly, the situation in the Party in 1995 was fully dedicated to the mood of an inevitable leadership contest. The Europositives expected Norman Lamont, who would be the one to react to John Major’s challenge ‘put up or shut up’ to run as a candidate, but finally it was John Redwood who did so. Redwood had resigned from his ministerial post to be able to use the right of every Conservative MP to challenge the Prime Minister for leadership. His greatest disadvantage was his Euroscepticism bordering with Europhobia.

Table 1.2: *The European spectrum within the parliamentary Tory Party (1992-97)*

Pro-European	Loyalist			Euroseptic
	Pro-European	Undecided	Euroseptic	
65 (19%)	21 (6%)	70 (20%)	82 (23%)	110 (32%)
Europhile (25%)			Euroseptic (55%)	

Source: John Turner: *Tories and Europe*

According to table 1.2, we can see that even though the majority of Tories were Eurosceptics (55 per cent to 25 per cent of Europhiles), there were enough loyalists (49 per cent) together with extreme Europhiles (19 per cent) to outweigh the votes for Redwood. John Major secured his victory with 218 votes against Redwood’s 84, with 20 abstentions. The Euros-

ceptics had managed to 'put up', but they certainly did not 'shut up'. This was mainly because of the fact that Major allowed them to continue with their attacks. The appointment of Michael Portillo to his reshuffled Cabinet³², and the introduction of Malcolm Rifkind to the Foreign Office reflected the Cabinet's shift to the right. Rifkind, who replaced Hurd after his resignation, did not share his predecessor's enthusiasm for Europe. He had several times expressed his grave doubts about British participation in the single currency project. He also revived Lord Palmerston's³³ dictum of the goal of the British foreign policy, which sets for its priority 'the furtherance of Britain's national self interest.'³⁴

Sixthly, in the second half of 1995, two Conservative MPs crossed the floor of the Commons to join opposition parties. Alan Howarth (to New Labour) and Emma Nicholson (to Liberal Democrats) left the Tory Party with the majority of 3 seats, compared to a 21-seat majority in 1992. John Redwood commented their decisions in March 1996:

"Both Alan Howarth and Emma Nicholson have said amongst many points they think the Conservative Party has moved away from its One Nation roots that they used to be happy to support."

"Emma Nicholson's attack is, however, much more lethal and wide ranging than just saying the government is no longer a One Nation government. What makes her attack so much the more dangerous, is that it is directed at John Major himself. She states that the party has taken a wrong turning in the 1990s... she condemns what she calls, "indecision and weak leadership on Europe."³⁵

1.3.ii. Towards Euroscepticism

The Prime Minister had to keep responding to the rebellions. He understood that he had no other chance than driving the Party right-

³² It is believed that Major made a severe political mistake by letting Portillo stay. Ambitious Portillo had been perceived as the man to put up the leadership challenge, but it would be disastrous for his political career, as happened to Redwood, to wear a label of a disloyal member of the Cabinet. He therefore decided to wait for his chance. The post of Defence Minister provided him with more space to secure his leader position of the right of the Party.

³³ The founding father of the politics of 'splendid isolation' policy of the 2nd half of the 19th century.

³⁴ Stephens: Politics and the Pound, p. 332.

³⁵ John Redwood: Action not Words, p. 22.

wards. It was inevitable. If we look at the whole Major leadership, we can see that this period is certainly a U-turn in his political performance. Still, willing to make concessions to the Party, he supported Britain's active role in European institutions. On several occasions, he made it clear that he disagreed with the concept of federal Europe, but refused to shut the door of British 'entrance' to the EMU. The refusal of total withdrawal from the EMU and the securing of the Maastrich opt-out formed a crucial factor of his 'wait and see' policy. Britain should have waited what the development of the project would be, and then see when the conditions are fair and the best for Britain to enter. Together with enlargement, enhancement of the competitiveness of the Single Market, model of multi-speed Europe or, in other words, a 'variable geometry' strategy and questions of European defence identity and foreign policy, the issue of the single currency constituted a Conservative agenda for the 1996 IGC. John Major told the Welsh Conservative Conference in July 1995:

*"We believe in an effective Single Market with rules fairly applied to all. A Europe which strengthens its competitiveness instead of undermining it. A Europe built around the free cooperation of sovereign nation states. A Europe which, as it enlarges, recognises that it must be more flexible and cannot become too rigid. We will not ride on an escalator that takes us where we do not want to go. We will battle for the right sort of Europe-and Britain's interests in it- in all circumstances and at all times. That is why, as long as I am Prime Minister, our opt-outs and our right to say no will not be negotiable."*³⁶

At various occasions during 1995, the Prime Minister said on behalf of the key points of the Governmental approach to the IGC:

On enlargement:

*"What everyone recognises across the European Union is that a Union of 20 or more states ...is bound to be more flexible and less prescriptive than the original tenets of the European Community when it began... Unbending centralisation will simply not be feasible in a wider union."*³⁷

³⁶ Europe: the right approach, p. 336.

³⁷ Europe: the right approach, p. 344.

On defence:

*“NATO has been the most successful defensive alliance in the history. It must remain the bedrock of Europe’s security and its capabilities should not be duplicated. However, we also need a stronger Western European Union so that European countries can take on their proper share of the burden and act effectively in situations in which the United States may not wish to be involved.”*³⁸

On a single currency:

*“If I thought it [a single currency] would damage the nation state, I would choose the nation state.”*³⁹

Let me compare these statements with those of Mrs Thatcher, which she had outraged continental Europe with in the late 80s. She stated in her ‘Bruges Speech’ from September 20th, 1988:

On the future of Europe:

*“...willing and active cooperation between independent sovereign states is the best way to build a successful European Community... Europe will be stronger precisely because it has France as France, Spain as Spain, Britain as Britain...”*⁴⁰

On defence:

*“Europe must continue to maintain a sure defence through NATO... We should develop the WEU, not as an alternative to NATO, but as a means of strengthening Europe’s contribution to the common defence of the West.”*⁴¹

Paradoxically, even this substantial change had not satisfied his opponents. The Eurosceptics shared, of course, more less the same view⁴² as the leadership expressed in IGC agenda, but they opposed British membership in the EMU in principle. Therefore, Major once again failed to get the point. The leader had recognised that his party had adopted a more

³⁸ Europe: the right approach, p. 349.

³⁹ Europe: the right approach, p. 351.

⁴⁰ The Bruges Group: Bruges revisited, p. 5.

⁴¹ The Bruges Group: Bruges revisited, p. 8.

⁴² The Eurosceptics on the backbenches urged Major to take a firm stance against extension of the QMV, against significant enhancement of power of the European Parliament, on seeking reform of fisheries policy and retroactive judgements of the European Court of Justice.

Eurosceptical direction, but was not capable of responding with the right moves, which would at least secure the status quo in the Conservative Party. The 'wait and see' policy, so much characteristic of his political style of compromise, cost him the credit he could have gained from his shift to Euroscepticism.

On the other hand, he made enemies in Europe. Peterson suggests that 'British negotiating positions on a range of key issues were perceived in Brussels and Strasbourg as extreme and miles from the European consensus.'⁴³ The relations with the European partners suffered a serious crisis in March 1996 after the Government had to admit that worries of possible relation between BSE and Creutzfeld-Jakob brain disease had been proved to be in place. 'Mad cow disease,' as BSE is also called, spread to British herds during the 1980s when the Thatcher Government failed to secure an appropriate protection to farmers. The European Commission, together with the European Ministers of Agriculture, had imposed bans on British beef, later extended to gelatine and tallow. When a Brussels veterinary experts meeting on May 20th refused to lift the bans until the British eradication of the disease on the Isles was carried out by a large scale culling, Major announced a policy of 'non-co-operation' on the following day. The atmosphere of hysteria in Britain, strongly nourished by tabloids and the press, highlighted the Commission as being the 'bad guys'. Literally, 'non-co-operation' could not last very long, and thus was finally suspended a month later at the Florence European Summit. Even though Major proclaimed it to be a victory for Britain, the opposite was true. The Governmental policy of 'non-co-operation' had brought no advantage for Britain. On the contrary, the bad political move with no exit greatly undermined the Prime Minister's credibility.

1.3.iii. The Successful Leadership?

Could the European Policy of the Major Government be called a success? If we consider the goals John Major had set at the beginning of his premiership, we can state the following.

Firstly, Major had not fulfilled his aim to limit the divisive potential of the issue. The result of his approach to his party had led to a division that he would not have even imagined in 1990. His tactic to concentrate

⁴³ John Peterson: *Developments in British Politics*, p. 24.

on other issues also missed the wicket. It was only economy that had triggered his steady downfall.

Secondly, Europe started to play a decisive role in domestic policy. Various local election or by-election defeats had their origin in the Party's divisions over Europe.

Thirdly, his pragmatic stance had proved to be more a weakness than a virtue. He was often criticised, for example by Lamont in his resignation speech, for taking shortsighted decisions and seeking only short-term solutions- all this because of his reconciliatory, appeasing style of leadership.

Fourthly, Labour, if anything, was allowed to gain a lot of electoral support just for having been an alternative party to the Conservatives. A 'need for change' factor played a very important role during the 1997 elections, and addressed mainly undecided voters. It was caused by the leader's incapability to tame his party's rebels and unite it under strong leadership.

Fifthly, Major succeeded in extending co-operation with his European partners, especially during the first half of his leadership. He had been welcome by his counterparts for not being like Thatcher. He had negotiated important concessions at Maastricht for which he had been both blamed and adored, depending on factions in the party. The co-operation had, however, continuously faded away. The cause was to be found once again in his approach to his party. Together with its shift to the right, Major's Euroscepticism had been overweighing his pragmatism. This stance reached its peak with the May and June 'non-co-operation' policy during the 'beef' crisis. Co-operation within his Cabinet and Party had been extended since his approach greatly differed from the directive, patronising style of Thatcher's. Time had proved that this approach to leadership failed to bring results in its primary goal - uniting the party.

John Major's greatest disadvantage was that he had not been born as a leader. A leader - that was exactly the type of a politician most suitable for the situation of the Tories in 1990s. Unfortunately, the Party had been living under the rule of a sovereign leader for the previous fifteen years. It was a strong, directive leadership that had been the starting point for the division.

A co-operative, pragmatic leadership under Major also proved to be ineffective both for John Major's abilities and personality, and for the par-

ty's general incapability to search for compromises and consensus. Yes, John Major was really a 'Mr In-between', but more in the second meaning of the nickname. He could go down in history as a politician who brought the TEU to Britain. To be able to do that, he had to manage a broadly divided party of which neither wing really influenced.

Chapter 2

Hague the Vague?

The leadership contest of summer 1997 was strongly affected by the landslide in the General Elections one month earlier, when the Conservative Party suffered the worst electoral defeat in the 20th century. John Major decided to resign from his leadership post soon after the election. Nevertheless the pro-European MPs urged him to remain and provide the leadership contest with a strong candidate who might succeed against the Eurosceptical candidates, until the Eurooptimists consolidated their powers. The shift towards Euroscepticism in the Party was evident and the pro-Europeans felt it was particularly the Eurosceptical stance of the Tories, which they had adopted during the General Election campaign, which was responsible for the fiasco at the ballot boxes. Partly it was a good point. The main reason for the defeat, however, was the Party's overall division on the issue and not the temporary inclination Euroscepticism.

2.1. New Conservative?

"Insofar as people know him at all, their overriding image was his speech at the age of 16 to the Tory party conference, with his floppy hair and his coy grins at Margaret Thatcher, then Tory leader. Nor did he exactly reinforce his reputation as a heavyweight by agreeing to stand down as a leadership contender in favour of Michael Howard over champagne on night, then changing his mind over coffee next morning."

The Economist, November 29th 1997

Five candidates decided to run for leadership, but only one of them pro-European. Kenneth Clarke relied on the support of the left wing of the Party. As a member of the former Government he was known for his pro-European stance. He decided to run his election campaign on low key issues, having avoided the divisive issues that may alienate the right wing. This was to represent his ability of consensual political approach he wanted to adopt for his leadership. Nobody among Eurosceptics, however, doubted his real attitude towards Europe. The leadership contest was, nevertheless, to be decided by the centre of the party, by the undecided MPs (as far as the European issue was concerned).

The other four candidates – William Hague, John Redwood, Peter Lilley and Michael Howard – represented the Eurosceptics. John Redwood openly played the most Eurosceptical card that gained him the strongest support of the Eurosceptics. He overtly criticised Major's government for its flaws in European policy, urging the Conservatives to apologize for Black Wednesday, also rejecting the 'wait and see policy'. On the other side of the Eurosceptical camp stood young William Hague. Hague, as it became later clear, proved to be the most suitable compromise candidate from all. He managed to address both the Eurosceptics and the undecided. It was not an unequivocal support however. He was often blamed for not having enough experience, for his youth and for his vague position in the party. Paradoxically, he could succeed only with such a reputation. The Party needed new faces. Hague's youth had potentials to contest. Tony Blair's young and vital appeal to the electorate. Having been a junior minister in the Major Government he could not be connected to the past of the Conservative Party and its flaws. Hague's vague position in the party secured him the leadership, since he had to rely on the support of the right in the third ballot after the other three Eurosceptical candidates had stepped down. A lot of them decided to '... vote for Hague because he is easier to kill.'⁴⁴ The potential of rebellion against the leader was therefore set even before his election. Hague was to be replaced by a more suitable candidate in the future. A 'more suitable candidate' was to be found in Michael Portillo, the ex-Defence minister in the Major Government, a charismatic politician, who had failed to be re-elected in the 1997 general elections. Consequently it was only Portillo who was perceived to be the next leader

⁴⁴ John Turner: *The Tories and Europe*, p. 234.

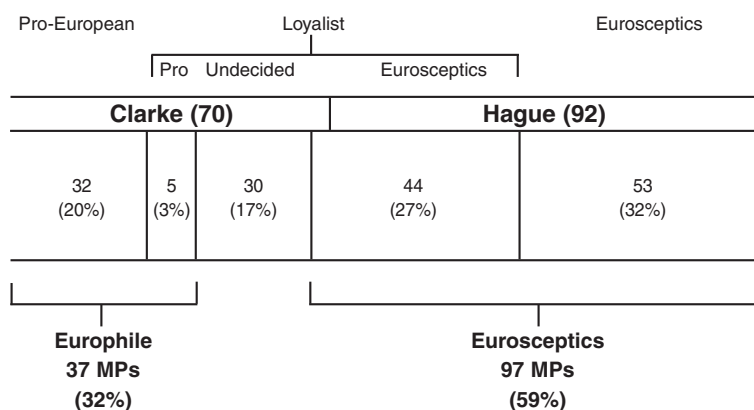
after Major. The 'Portillo effect' played the decisive role in the leadership contest decision making on the Eurosceptical wing.

William Hague was elected by 92 votes to 70 votes of Kenneth Clarke's, and thus became the second youngest leader in the Conservative Party history, after William Pitt the Young.

William Hague set himself two major tasks he had to face and attempt to solve. Firstly, it was the solution to the European question of the Conservative Party. Secondly, he wanted to create a new party with a future, a party that could take care of British affairs.

In the first case, the new leader stood for an opinion that the Party had to adopt a firm line on European issues. Hague stated several times during his leadership campaign that one of the lessons of the past few years is that it is easier to unite the party behind a clear position than constantly shifting fudge. This was to be represented by his sceptical statements on behalf of the EMU, and on consequently adopting a policy of opposing the British entry for the 'foreseeable future' at the Tory Party conference in October 1997. The 'foreseeable future' strategy was a complete rejection of Major's 'wait and see' or 'negotiate then decide' policy. The Conservative Party expressed its aim to refuse joining the EMU during the 1997 Parliament and the next Parliament. Why did the Tories take such a strong stance?

Figure 2.1: *Third ballot candidates across the party divide (1997)*



Source: John Turner: *Tories and Europe*

2.2. The EMU

“The most ridiculous claim made for the euro is that it will mean lower interest rates. Now I could talk. Now I could talk to you at length about why Britain’s monetary needs to diverge from those on the continent. But it is much easier simply say – ‘Remember ERM’”.

Sir Michael Edwardes in ‘The Implication of the Single Currency’

2.2.i. *The History of the European Monetary Projects*

The idea of a common economic and monetary policy has been following the integration process for approximately thirty years. The committee, presided by Prime Minister of Luxembourg Pierre Werner, issued a report that carried his name in October 1970. The Werner report suggested that the community was to achieve a full monetary union by 1980 through ‘total and irreversible convertibility of currencies, the elimination of fluctuation in exchange rates, the irrevocable fixing of parity rates and the complete liberation of movements of capital.’⁴⁵ National budgets were to be decided by a special European body accountable to the European Parliament. The project, however, shipwrecked on the cliffs of the Bretton Woods System collapse in 1971.

The year after, the second attempt to co-ordinate the monetary policy within the Community was to be introduced. The so-called ‘snake’, where the currencies were permitted to fluctuate against each other by 4.5 per cent from their basic parity, did not have a long duration either, since 1973 and 1974 oil-shocks led to a continuous dropping of the ‘snake’.⁴⁶ The project of a monetary union remained kept under the surface until the late 1970s when the ‘Nine’ launched the European Monetary System (EMS). This system was based on a creation of a common European Currency Unit (ECU), which could be described as a ‘basket’ of the strongest currencies, and represented the system’s accounting unit. Fluctuation limits of the currencies were set at 2.25 per cent against the ECU (apart from Italy, which entered with 6 per cent fluctuation in both directions)⁴⁷. This mechanism was to be protected and ruled by an “exchange rate mechanism” (ERM). The Single European Act allo-

⁴⁵ David Heathcoat-Amory: A Single European Currency, p. 5.

⁴⁶ Petr Luňák: Západ, p. 269-270.

⁴⁷ Petr Luňák: Západ, p. 269-270.

wed further economic and political integration, where a monetary union played a significant role. The Delors Report of 1989 was evidence that European states endeavoured to move forwards to a deeper Community. The report suggested a completion of the main idea of Rome- the Single Market. This was to be achieved by a monetary union of the Member States. The report proposed three stages of the economic and monetary union (EMU). The starting point of the first stage was suggested for July 1990. It triggered a chain of reforms leading to closer co-ordination of economic performance, strengthening of ECU and ERM and extension of powers of central banks governors. The second stage was to begin in January 1994 when the European Monetary Institute (EMI) - a predecessor to the European Central Bank (ECB) was created. The second stage was characteristic for further co-ordination of economic policies to achieve price stability and technical preparation within the Union. The third stage was proposed to begin either at the beginning of 1997 or, if all the convergence criteria had not been met, in January of 1999, which lately proved to be the year for the launch of a single currency – the euro. The EMI transformed into the ECB was created according to the model of the Bundesbank, with its headquarters in Frankfurt under Dutch presidency.

British participation in the project of the monetary union has always been rather difficult, and British economy found it uneasy to accommodate to more European like dealing with monetary policies. Firstly, it was the 'snake'. The principle under which the 'snake' worked was shadowing exchange rates against dollar and the fluctuation of the European currencies against each other by 4.5 per cent each direction. Britain was forced to withdraw after series of oil-shocks, when the European currencies failed to respond to a devastating increase in the exchange rate of the dollar. Britain's membership did not last even two months. Secondly, Britain refused to participate in EMS at the beginning of the 1980s. There are two explanations. On one hand, it was Britain's scepticism gained under the experience of the participation in the 'snake'. On the other hand, it was Margaret Thatcher's leadership, which opposed any transfer of British right to influence its exchange and interest rates in principle. Thirdly, Thatcher was, however, manipulated into the ERM in 1990 (see Chapter 1, 'The ERM' part). The overall performance of British economy under the ERM could be described as unconvincing and irreversibly heading to the debacle of Black Wednesday in September 1992.

2.2.ii. New Issues of the Debate on the EMU

The aspects as they are listed above have to be considered in order we understood the British stance on the EMU. The overall historical experience with the Community's attempts had, been mildly said, – discouraging. The single currency has brought new issues to the debate. These are –

- Transferring a portion of economic sovereignty from the hands of the Parliament to Union level.
- Transferring sovereignty or pooling sovereignty would explicitly lead to federal constitution of the European Union, in other words to the creation of a European superstate, claiming possession of such rights as raising taxes.
- The power to decide monetary policy would be transferred to European Central Bank. Its governors are not elected and thus unaccountable to anybody.
- Giving up a currency - the pound.

The Conservative Party acted as divided on the issue from the very beginning. The question did not really stay 'whether Britain should join the EMU now or never?' but rather 'whether Britain should join in foreseeable future or never?' In Maastrich, in 1991, John Major secured this Tory stance when he negotiated an important opt-out on the EMU. This was, however, only a starting point for a clash of opinions, which has been influencing the party politics to present day. The Europhobes embraced members of the Tories who have felt totally opposed to the idea of the EMU and thus personifying 'never'. Lady Thatcher, who opposed EMU membership when she was in Downing Street, has led the Europhobes for a long time. Another political heavyweight, who has always been Thatcher's supporter, is Lord Tebbit who could be quite easily placed on the right side of the Europhobes together with Norman Lamont who openly called for a withdrawal from the European Union after Black Wednesday. Bill Cash, a very influential backbencher, runs one of the Europhobic groupings in the Commons – the *Fresh Start Group*. Another such group is the *Bruges Group*, which summons intellectuals, politicians and businessmen of strongly sceptical background.

The Eurosceptics could be described as members arguing for 'foreseeable future' which means as late as possible. Michael Portillo, John Redwood, Peter Lilley or William Hague identify themselves and are identified as the Eurosceptics. The Eurosceptical groupings are the *No Turning back Group* or the *Conservative Way Forward*.

Europrogressives are those who see British participation in the EMU as necessary but are willing to agree on entry when the right conditions are met. The former Prime Minister John Major, Malcolm Rifkind, Nigel Lawson and Geoffrey Howe would fall into this category. The *Tory Reform Group* or the *Positive Group for Europe* represents Europrogressive opinions.

On the left of the party we can find the Euroenthusiasts or Europhiles who are represented by always supportive Edward Heath, Michael Heseltine or Kenneth Clarke. These MPs have supported joining the euro as soon as possible. *The Conservative Group for Europe* represents them.

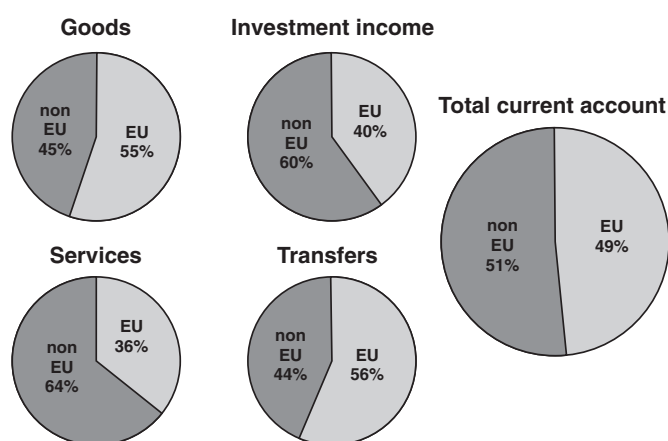
Sovereignty has played an important role in the arguments of the Tories. The sovereignty to influence state's interest and exchange rates is believed, especially among the Conservatives, to be one of the basic evidences of economic sovereignty of the nation state.⁴⁸ This right would be abolished if the United Kingdom joined the EMU. This would lead to an adaptation of 'one-size-fits-all' interest rate, which means that all members of the Euroland⁴⁹ would work under a common interest rate. This may be very disadvantageous for the economy on the Isles. Interest rates in such a large area that contains various economies at different levels of development cannot fit all members, even though a majority of the convergence criteria have been met. For example, inflation in Ireland has risen to 6 per cent since the launch of the Euro in 1999.⁵⁰ The weaker economies such as that of Spain, Ireland and Portugal cannot benefit from the same interest rate as Germany or France. There is also a threat to the employment in Euroland. A 'one-size-fits-all' interest rate may cause serious deprivation of economy in a particular region and thus lead to sharp rise in unemployment rates. European labour market is, however, not as flexible as that of the United States, to which the Euroland is often compared. The labour force in Europe has traditionally not been used to migrating for jobs. There are also several barriers, such as language, culture and various social security systems that represent serious obstacles for improvements in labour mobility.

⁴⁸ For an opposite opinion see Richard Ware: EMU: the constitutional implications; p. 9. The difference is mainly visible in a perception of a role on central banks and their influence on state's monetary policy.

⁴⁹ The countries which have adopted euro.

⁵⁰ see for other economic figures related to the issue of single currency.

Figure 2.2: EU and non-EU British Trade



Source: www.bfors.com/business/reason4.asp

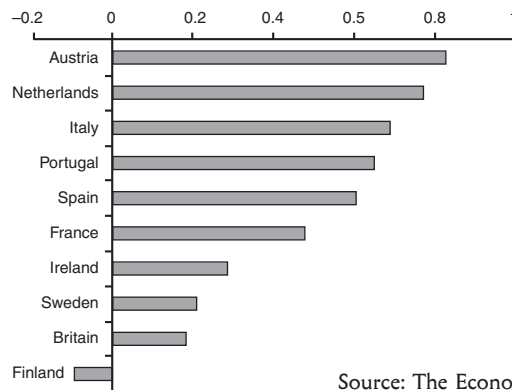
Britain has its particular position in the world economy. It has been a crossroads of trade with Europe, United States and the Commonwealth. At the same time it is the fifth largest economy in the world. Tim Melville-Rose states:

“Britain tends to be out of line with Euroland ... partly because of our close economic links with North America ... The majority of our external business-investment and trade combined- is dollar based. We are the world’s largest investors in the US and Britain receives twice as much investment from the US as the whole of the EU combined.”⁵¹

The fact is that only a minority of enterprises in Britain would profit from fixed exchange rates directly, since a majority of British foreign trade operates in dollars, and therefore would be disadvantaged by the conditions of the euro-based British economy and the euro-dollar exchange rate.

⁵¹ Tim Melville-Ross: EMU.

Figure 2.3: Correlation with German Business Cycle 1980-96



Source: The Economist; October 25th 1997

There is also significant difference between economic cycles in Britain and in the rest of Europe. What both the Eurosceptics and the Europhobes can agree with altogether, is the fact that Britain should join the EMU when it is the best for Britain. The difference is in the perception of ‘the best for Britain’. Even the New Labour have, however, agreed with this fact. Chancellor Brown said in the Commons:

*“Currently Britain’s business cycle is out of line with our European partners... This divergence of economic cycles is, in part, a reflection of historic structural differences between the UK and other European economies, in particular the pattern of our trade and North Sea oil. These differences are becoming less distinct as trade with the rest of Europe grows and the single market deepens.”*⁵²

The Economist suggests:

*“...Britain is near the top of its economic cycle, while the big continental economies are only part of the way up... Were Britain to join EMU, its interest rates would be set by the European Central Bank, which would be guided by the inflationary outlook in the whole single-currency area.”*⁵³

⁵² Timothy Edmonds: EMU: the approach to the Third Stage and the state of economic convergence, p. 16.

⁵³ The Economist, October 25th 1997, p. 51.

There are also doubts, again mainly among the Tories, that the single currency is a platform for a European state under one government. Peter Lilley told the House of Commons in the debate on the Governmental approach to the single currency:

“The key issue is whether entry into the single currency requires centralisation of taxation and borrowing powers. Will there be the power at the centre to transfer resources from prosperous counties to those that are handicapped by joining the single currency?... to most of our continental partners, this is not primarily, or to some extent even at all, an economic venture, but a political venture? Does he not recognise that, up to now, there has never been a currency without a Government to run it, or a Government worthy of the name without a currency to run? The attempt to establish a single currency in Europe without a Government to run it is intended by many to be temporary, not permanent.”⁵⁴

Such a Conservative opinion was nothing new. Margaret Thatcher reacted to the Delors report that it would mean ‘entering a federal Europe’ as has already been cited. The speech also clearly represents the whole perception of Europe by the Conservative sceptics. In Britain, Europe has always been perceived more in the limits of its original goal - economic co-operation. The terminology commonly used in the United Kingdom after it had joined in 1973 did not stand for European Community, but Common Market. This was even more enhanced during the period when Thatcher was in power. Improving the economic situation played a decisive role in the application for membership in the EEC in the beginning of the 1970s. For this reason, the Community had to fight hard to obtain any concession from Britain in the sphere of political powers. Britain under Thatcher was the main ‘troublemaker,’ as far as the questions of QMV, rights of the European Parliament or adopting European legislation were concerned. The tradition was interrupted neither under Major, who strongly opposed any enhancement of QMV during 1996 IGC, nor by Hague who has clearly expressed himself against joining the EMU during the duration of this or next Parliament. Any transfer of rights from the Commons to European level has been perceived as a political loss with consequences damaging national sovereignty of the British people whose the Parliament is a representative.

⁵⁴ Richard Ware: EMU the constitutional implications, p. 5–6.

“Under the combined effects of EMU and the Stability Pact, which regulates deficits, we will lose our currency, our £; we will lose our fluctuating exchange rate; we will lose control of our interest rates, we will lose the control of our money supply; we will lose our ability to deficit finance (except in very narrow limits); and we will lose our national bank and management over our national reserves. And I say this: that no nation can be properly regarded as an independent political entity without these rights and, further, that the European Union, through the European Central Bank will be acquiring, effectively, almost all of the characteristics of a Sovereign State.”⁵⁵

The question of taxation is perhaps the most delicate one, since it embodies the Parliament’s basic right to influence Britain’s monetary policy. It also represents an evidence of Britain’s democratic constitution and has a long tradition going back to the 13th century and the *Magna Charta Libertatum*. Apart from emotional reasons there are clear economic quotas. If Britain joined the EMU, the taxes would increase by a sixth. This would affect especially little entrepreneurs and public opinion in general. Since, thanks to the Thatcher revolution of the 1980s, the amount of the population in private sector represents a bigger portion than in continental Europe.

According to the Standard Eurobarometer polls from November 1997, March 1998 respectively, the United Kingdom placed the last with 61 per cent of respondents opposed to the euro in 1997 and 59 percent in 1998. The overall support for the single currency is not strong within the Union either. It struggled at the level of 50 per cent in both years presented. The most interesting fact is the stance of Germany as the strongest European economy and a state responsible for the whole idea of the euro. Its public support for the euro fluctuated between 30 and 40 per cent.⁵⁶ Causes of this situation vary, there are, however, some common doubts which influence the relatively poor result of the opinion polls in favour of the Union.

One of them is certainly the topic of political accountability of the EU institutions. In Britain, the idea revived after the European Central Bank (ECB) had been established. According to the 1946 Bank of Eng-

⁵⁵ Jeremy Nieboer: The pros and Cons of Economic and Monetary Union.

⁵⁶ For all quotas see Vaughne Miller: EMU, Views in the other EU Member states, p. 40.

land Act when the Bank had been nationalised, the role of the Bank had been reduced to what Lawson called – ‘We [the Government] take decision but they do the work.’⁵⁷ The monetary policy had been possessed in the hands of the Government and therefore accountability to the electorate had been secured. It forms one of the basic economic policies of the Tories and neither Lawson under Thatcher in 1988, nor Lamont under Major in 1992 had not succeeded with their proposals to provide the Bank of England with more independence. This was changed in 1998 when the New Labour transferred a significant portion of powers to the Bank, we cannot, however, speak about a fully independent central bank, as for example in Germany. This different historical tradition of dealing with monetary policies between Britain and the Continent has been a trigger for many vociferous debates in the Commons. The ECB was, however, founded as an independent central bank. The Amsterdam Treaty also secures a portion of accountability to the European Parliament. Some find this means as ‘an adequate framework arrangement’ (the House of Lords European Communities Committee) and others, such as Ware, point out that:

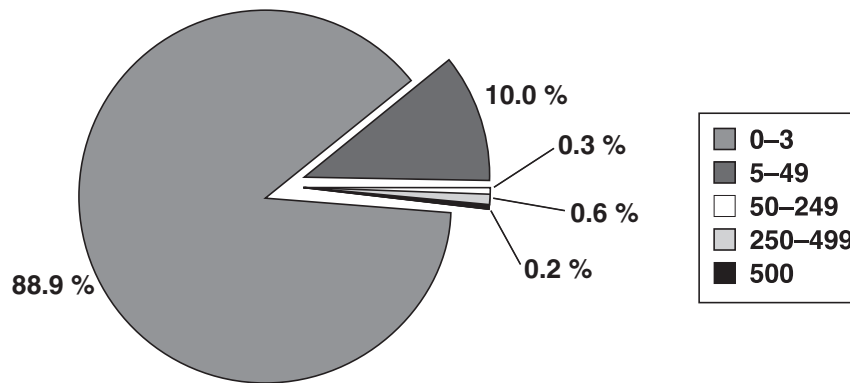
*“...the European Parliament is not universally accepted, even by its own members, as an effective forum for holding the European institutions to account. Most of those who appear before the Parliament as representatives of these institutions to answer questions and explain policies cannot be removed from the office by the Parliament; other sanctions or measures of censure available to the Parliament are much less strong than the equivalent mechanisms in national parliaments.”*⁵⁸

There are also several factors interfering with the debate on EMU, such as the media and an economic lobby. Confederation of British Industry (CBI) has been presenting itself as a pro-European body, since it is a home of bosses of the largest British enterprises who see the greatest advantage of the euro in cutting transaction costs. If we, however, look at figure 2.4, we can read that British industry is mainly small – or medium-size-enterprise based.

⁵⁷ Philip Stephens: Politics and the pound, p. 278.

⁵⁸ Richard Ware: EMU the constitutional implications, p. 17.

Figure 2.4: % of British Businesses by Number of Employees



Source: www.bfors.com/business/reason6.asp

Small and medium size enterprises (SMEs) oppose the euro, since their main interest lies in domestic trade across Britain and does not interfere with the European level. The advantage of a single currency would have little impact on their business because 'one-fits-all' interest rate would not respond to the changes in British economy sufficiently. The leading organisation of SMEs- the Institute of Directors (IOD)- therefore adopts a strong anti-European stance.

The media, especially the press, reflect the overall thinking in the single currency matter. The Financial Times and the Economist support the idea of a single currency, since they believe in the economic advantages it would bring for Britain. They have also stood for an opinion that Britain should not remain aside while others decide about its future. On the other hand, they warned against a potential loss of sovereignty. The Guardian, the Mirror and the Observer have generally stood in the pro-European camp, overtly supporting Tony Blair's position on Europe. Conversely, there is an anti-European press dominated by Rupert Murdoch. The owner of the most influential tabloid in the United Kingdom - the Sun - opposes the EMU because '...the coming of the euro is part of a process involving the centralisation of economic power and decision-making in pan-European bodies... [which implies]... the rise of an increasingly power-

ful pan-European regulator, with uncongenial ideas about 'local content' requirement and cross-media ownership...⁵⁹ Together with the Sun, Murdoch owns the Times, which represent one of the most influential papers. The fact that 'Murdoch Empire' is followed by the Daily Telegraph, the Sunday Times, the Mail and the Express, gives rather large coverage of Euro-sceptical opinions in Britain. Its impact on the public is therefore obvious which the growing opposition of the public towards EMU represents.

William Hague adopted his European policy to the fact that the public is openly Euro-sceptical in adopting the Euro-sceptical stance in his 'foreseeable future' strategy. On the other hand, with the European issue he can visibly distinguish himself and the whole Tory Party from Tony Blair and his New Labour. Since the New Labour has more the less incorporated basic economic policies of the Tory and the overall performance of the party (party leadership, party unity etc.), William Hague found it difficult to make a clear difference between him and his counterpart. Therefore, the unanimous Euro-sceptical stance on Europe was the only issue, which he could address the electorate with. He made himself clear after 1997 Party conference when Euroenthusiasts in his shadow cabinet threatened the leadership by resignation, having said that

*"It is better to resign if they have a genuine disagreement with the party than if we tried to cover it up. I would rather people resigned so that we have a united team and so that we can get a clear message across the country."*⁶⁰

A 'clear message' - the Tory oppose EMU membership in 1997 and in the next Parliament - was confirmed when a ballot on the British membership was held at the 1998 Tory Party conference. 84 per cent of delegates expressed their support to the leader's stance on Europe.⁶¹

William Hague secured his position in the Euro-sceptical majority of the Party. However, the Euroenthusiasts who embodied the dissent and opposition within the party than, refused to obey the leadership and negotiated with the New Labour and the Liberal Democrats on forming inter-party movement to campaign in favour of the single currency. The lea-

⁵⁹ The Economist, May 2nd 1998, p. 38.

⁶⁰ Martin Holmes: William Hague's European Policy, p. 2.

⁶¹ John Turner: The Tories and Europe, p. 254.

ding figure was in Kenneth Clarke who had not given up hopes for becoming a leader after Hague would be removed from office.

2.3. Securing leadership

“Mr Hague has set a target of a million members by the millennium. He has also emphasised his desire to recruit more young, black, brown and female Conservatives.”

The Economist, October 11th, 1997

The other aspect of Hague’s new approach to leading the Tories was his understanding of the need for reforming the party’s image by distancing his leadership from the past. The Economist wrote in autumn:

“The short-term problem is that in a battle of images, the Tories are way behind... Ask people why they hate the Tories and two words tend to recur- greedy and mean. A succession of scandals have left the impression of Tory snouts in the public through.”⁶²

The first step he made straight after his election was somehow opposite to this strategy. He appointed all his leadership contest opponents to the shadow cabinet. On one hand, there was a slice of doubt about credibility of Hague’s statements about distancing the Tories from the past. The most controversial person – Michael Howard - was commonly perceived as a person connected and discredited by his performance in previous Major’s governments. The same could be stated about John Redwood or Peter Lilley. On the other hand, a strategic move that was to eliminate any opposition in the party by connecting the rivals to official party line. It is obvious that placing the rivals on the front benches would do less harm than if they had sat on the backbenches. The reality after the leadership contest was that Hague, despite having won, did not receive strong support from the party. This support was to be gained continuously.

William Hague had sketched the second step, as the only one from the contenders, during his election campaign. It was represented by deep reform of the Party structure. He came with his proposals at the Party

⁶² The Economist, October 4th 1997.

conference in Blackpool in 1997. The reform was firstly oriented to creating more open, public party and secondly to strengthening leader's position. Firstly, the openness was to be achieved by giving more powers to the members of the CP. The reform allowed members to participate in direct election of the leader which had been a privilege of the MPs. Furthermore, the new constitution would allow members to influence leadership policies and adopting manifestos. This was rather a revolutionary step, since until then the party politics had been a domain of narrow elite of party membership-MPs. It is not surprising that the reform did not gain a very strong support from their lines. Those opposing could be found among the Euroenthusiasts. Members generally tend to adopt less compromising stances, especially as far as the European issues are concerned. What the pro-Europeans understood well, was that the general public opinion had shifted to anti-European sentiments. This was strongly nourished by the Tory approach. Euroenthusiasts feared that the influence of the members would lead the Conservative Party to an isolationist position on Europe. On the other hand, this was exactly what William Hague relied on which he proved later in 1998 when he held a vote on support of his European policy at the Party conference. Secondly, the reform suggested a unified structure of the Party. Until then, separate structures for MPs and MEPs, Central Office and local associations were to be unified under a governing body presided by the leader. The most important reform from this point of view was that concerning party discipline. An ethics committee would impose penalties for misconduct or an open opposition to the leadership, where the strongest form of punishment might even be an expulsion from the Party. This is an evident attempt of the new leader to avoid rebellions, and provide the leadership with sound means, in case such a situation occurred.

As the third step, William Hague had to start working on his image of a young, broad-minded, smart, tough and understanding politician or more a leader. It has been a difficult challenge because he has continuously been compared to his counterpart, Tony Blair. Hague started well. He decided to abandon the official Conservative line of perception of basic social values. Apart from supporting Major and Thatcher's support of traditional family values, he expressed his more tolerant attitudes towards homosexuality and gay marriage. It seemed he caught up to the New Labour, which presented itself as open-minded, with four MPs in the Commons being homosexuals. He also expressed more

understanding and interest of the issue of single mothers, one of the hot issues in Britain. His overall image of a young leader, however, suffers from serious flaws. He has always been perceived as a little beyond his age. It is the legacy of the speech at the Party Conference at the age of 16, and his out-of-date appearances in public. The smart, gifted politician, who has gained a reputation of an excellent speaker in the Commons, does not necessarily have to be popular with the electorate and especially with young voters. Since the Conservative Party lacks support especially from this rank of the electorate, a new 'lifestyle' politics is as important as the old fashion politics of high issues and erudite approach.

The 1999 European Parliament Election gave evidence of a partial success of the Hague leadership. The Conservatives won the election having gained 36 seats against 28 of Labour Party's and 13 of Liberal Democrat's.⁶³ The Conservatives campaigned on a clear position on Europe - opposing the euro. The leadership and the whole party perceived the victory as a clear satisfaction and evidence of a generally shared Euro-sceptic public opinion. On the other hand, the EP election falls into a so-called second-order election category.⁶⁴ This means that the general turnout of the electorate is significantly lower than at the first-order election, since people do not find the EP elections and local elections of such a great importance as General Elections. The general turnout at the 1999 EP election was 26 per cent.⁶⁵ The majority of these were Conservative supporters, since the supporters of the governing party tend to have lower turnout because they are not motivated to vote. The European elections also represent a preparation for the main contest. Hix suggests that 'European elections are not about European issues, but are about the fight for national government office between national party leaders.'⁶⁶ We can only agree with this suggestion.

However, William Hague will have it far more difficult to be an adequate opponent for Tony Blair, since the only issue - the single currency and EMU - will not win the General Election after year 2000 for the Tories.

⁶³ John Turner: *The Tories and Europe*, p. 259.

⁶⁴ Reif and Schmitt's thesis presented in *Developments in British Politics* 6, p. 64.

⁶⁵ John Turner: *The Tories and Europe*, p. 259.

⁶⁶ Simon Hix: *Britain, The EU and the euro*; in *Developments in British Politics* 6, p. 64.

Conclusion

Europe divided the Tories in the 1990s. The beginning of the 1990s was dominated by British participation in the ERM. The mechanism did not suit the British economy and ended by a disaster in September 1992 when the pound was devaluated. The debacle had much stronger impact on domestic policies and on the perception of the Government, than in the rest of Europe because the Government had related the economic policy to the mechanism. John Major suffered the most from the debacle, since the ERM constituted one of the pillars of his policy, and he never recovered from the defeat. The doubts in his leadership emerged during the ratification process of the Maastricht Treaty when he had to face several rebellions from the backbenchers. It was not the Treaty itself, because it secured Britain the important opt-outs on the EMU and on the Social Chapter, but the ratification process, which made irreversible damage to Party unity. This damage could be especially seen in the interruption of the basic Conservative Party pillars such as loyalty to the Prime Minister, both of the MPs and the Cabinet. The post-Maastricht period was significant because of its clear distinction between the alienated camps of the Eurosceptics and the Europhiles. The atmosphere of permanent struggle and unwillingness to adopt a consensual stance, as well as the position of the Eurosceptical wing, paralysed the Party in all spheres - from economic to political. The Tories continuously lost contact with the electorate by struggling in inner party collisions. On one hand, it was caused by the consensual style of Major's leadership which kept appeasing each wing of the Party by making concessions to them. On the other hand, the party factions did not seek any kind of a solution. They refused to make concessions to each other. Since the atmosphere in the Party and in the public too had been reversing to Euroscepticism, John Major "U-turned" his policies on Europe in the second half of his leadership from Europragmatism to Euroscepticism. The Party was, however, so weak under his leadership that it was defeated in the 1997 general elections. It was the worst electoral defeat in modern history of the Tories, and it left the Party in a depression. New attitudes had to be adopted.

The election of William Hague to the leader's post represents this new attitude. The election was, however, more significant of the crisis in which the Party found itself. The factions were not able to agree on a strong candidate and therefore decided to elect the weakest one. The MPs sho-

wed their unwillingness to compromise once again. William Hague, however, decided to take a strong stance on the European issues by adopting a hard Eurosceptical line. He openly rejected British membership in the EMU for the 'foreseeable future'. Hague attempted to reconsolidate party unity, loyalty and position of the leader by reorganising the Party structure. Even though he was partially successful, the opposition, located on the Europhile wing of the Party, was not silenced and rebelled several times against the young leader. The British membership in the EMU had become the dominant part of the European issues. William Hague was therefore able to unite the party on the issue, since the Conservative stance was opposite to that of Labour. However, this is the only issue on which William Hague and the Conservatives are able to distinguish themselves from the New Labour and it certainly will not be enough to win the next elections.

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